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AFTER RECORDING, RETURN TO:
Shahala LLC
PO Box 444
Cascade Locks, OR, OR 97014

DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS OF SHAHALA

STATE OF OREGON }
SS
COUNTY OF HOOD RIVER }

I certify that this instrument was received and recorded in the records of said county.

Sandra E. Berry, Director of records and Assessment and Ex-Officio Recorder.

by: _____ Deputy.

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DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS OF SHAHALA

This Declaration of Protective Covenants, Conditions, Restrictions and Easements of Shahala ("Declaration") is made this 21 day of November, 2005, by Shahala LLC, an Oregon limited liability company ("Declarant"). Declarant owns certain real property located in Cascade Locks, an incorporated area of Hood River County, Oregon, the plat of which has been recorded with the Hood River County Recorder as document No 20056087 (the Property). Declarant intends to develop the Property as a planned unit development and to create a Class I planned community pursuant to Oregon Revised Statutes ("ORS") 94.550 to 94.783 to be known as Shahala (the "Subdivision") which includes the Property and may include other contiguous real property owned by Declarant which is subjected to this Declaration by a subsequent declaration recorded by Declarant for that purpose.

Declarant desires to impose 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 lot owners in the Subdivision and to enhance the values and desirability of the residences therein. Declarant declares that the Property shall be held, transferred, sold, conveyed and occupied subject to the following covenants, conditions, restrictions and easements which shall run with the land, which shall be binding upon 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 all such persons.

ARTICLE 1 DEFINITIONS

As used in this Declaration, the terms set forth below shall have the following meanings:

1.1 "Architectural Review Committee" or "ARC" shall mean and refer to the architectural review committee established in accordance with this Declaration.

1.2 "Articles" shall mean the Articles of Incorporation of Shahala Homeowners' Association, an Oregon nonprofit corporation, as filed with the Oregon Secretary of State.

1.3 "Association" shall mean and refer to Shahala Homeowners' Association, an Oregon nonprofit corporation formed in accordance with this Declaration, its successors and assigns.

1.4 "Board or Board of Directors" shall mean the Board of Directors of the Association.

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

1.6 "City" shall mean and refer to the City of Cascade Locks.

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1.7 "Common Area" shall mean and refer to that area of land on the Plat designated as Open Space, Children's Play Area, RV Parking and Orchard View Area or that is subsequently added by Declarant as common area.

1.8 "Declarant" shall mean and refer to Shahala LLC, its successors and assigns, provided such successor or assigns shall own some portion of the Property and are a party to a written assignment of Declarant's rights herein.

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

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

1.11 "Lot" shall mean and refer to one or more of the platted parcels comprising the Property but shall not include any lot or tract that is designated for use as Common Area.

1.12 "Members" shall mean and refer to Owners, who by virtue of their ownership of a Lot, are members of the Association.

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

1.14 "Owner" shall mean and refer to the owner of record, whether one (1) or more persons or entities, of the fee simple title to any Lot or to a purchaser in possession under a land sale contract. The foregoing does not include persons or entities that hold an interest in any Lot merely as security for the performance of an obligation. However, as to any one Lot, Home, or other divisible or separately held portion of the Property which shall be held by more than one legal entity or natural individual, such persons shall be deemed to act in concert and shall constitute one Owner.

1.15 "Plat" shall mean and refer to the plat for the Property, which has been recorded in Hood River County and which depicts the Lots and Common Area.

1.16 "Property" shall mean and refer to all real property on the Plat including any property that is added in accordance with Article 2.

1.17 "Rules and Regulations" shall mean and refer to the documents containing rules, regulations and policies adopted by the Declarant, Board or the ARC, as such documents may be from time to time amended.

1.18 "Tracts or Common Area Tracts" shall mean and refer to those parcels of land that are designated as a Tract or Common Area on the Plat.

1.19 "Turnover Date" shall mean that date not later than 90 days after all (100%) of the Lots have been conveyed to Owners other than Declarant or such earlier date chosen by Declarant on which Declarant turns over the administrative responsibilities of the Association to the Owners.

ARTICLE 2. ADDITION OF PROPERTY AND PHASED DEVELOPMENT

Declarant reserves the right, at any time prior to the Turnover Date, to (a) add to the Property all or a portion of any real property adjacent to the Property and (b) develop and plat the Subdivision in several phases. Upon recordation of a supplemental declaration identifying any such adjacent property to be added, all provisions of this Declaration shall apply to such additional property in the same manner as if it were originally covered by this Declaration. There is no limitation (either maximum or minimum) on the number of Lots or Common Area Declarant may add to the Property and there is no obligation of Declarant to add to the Property any adjacent real property developed by Declarant.

ARTICLE 3 DECLARANT'S SPECIAL RIGHTS

3.1 Marketing Rights. Declarant shall have the right to maintain a sales office and model on one or more of the Lots that Declarant owns, which sales office(s) and model(s) shall be staffed by the employees of Declarant or any licensed real estate sales agents. 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, the Common Area.

3.2 Declarant Easements. Declarant has reserved easements over, in, upon, under or across the Property as more fully described in Article 4 of this Declaration.

3.3 Appearance of Common Area. Declarant shall not be prevented from changing the exterior appearance of the Common Area, including the landscaping, use or any other matter directly or indirectly connected with the Common Area in any manner deemed desirable by Declarant, provided that Declarant obtains all necessary governmental consents.

ARTICLE 4 EASEMENTS AND SETBACKS

4.1 Easements on Plat. The Common Area and Lots are subject to the easements and rights of way shown on the Plat.

4.2 Easements for Common Area. Every Owner shall have a nonexclusive right and easement of use and enjoyment in and to the Common Area, which right and easement shall be appurtenant to and shall pass with the title to every Lot.

4.3 Easements Reserved by Declarant. So long as Declarant owns any Lot, Declarant reserves an easement over, in, upon, under and across the Common Areas to (i) carry out sales activities necessary or convenient for the sale of Lots; (ii) construct or install utilities, communication lines, drainage, and for ingress and egress for the benefit of other property owned by Declarant; and (iii) to store materials thereon and to make such other use thereof, all as may be reasonably necessary or

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incident to the construction of the improvements on the Property or other real property owned by Declarant and in such a way as not unreasonably to interfere with the occupancy, use, enjoyment or access to an Owner's Lot by that Owner or his family, tenants, employees, guests or invitees.

4.4 Utility Easements. Notwithstanding anything expressed or implied to the contrary on the Plat, the Bylaws or herein, 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 the Subdivision. No structure, planting or other material that may damage or interfere with the installation or maintenance of utilities, that may change the direction of flow of drainage channels in the easement areas, or that may obstruct or retard the flow of water through drainage channels in the easement areas shall be placed or permitted to remain within any easement area. 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, a utility company or the Association is responsible.

4.5 Association's Easements. Such easements as are necessary to perform the duties and obligations of the Association, as set forth in this Declaration, the Bylaws and Articles, are hereby reserved to the Association and its duly authorized agents and representatives. In using the easements affecting Lots, the Association shall try to interfere in the Owners' use of their Lots as little as reasonably practicable.

4.6 Easement to Governmental Entities. A nonexclusive easement over the Common Area hereby is reserved and granted to all governmental and quasi-government entities, agencies, and their agents for the purposes of performing their duties within the Subdivision.

4.7 Setback Requirements. A thirty foot (30') setback for Dwelling Units and Appurtenances from the front property line (being the property line adjacent to the street frontage) is required for Lots 57-62.

ARTICLE 5. ARCHITECTURAL GUIDELINES

No structure, including allowed appurtenant outbuildings or fences, shall be erected, constructed, maintained or permitted upon any Lot or any other part of the Property except in accordance with the provisions of this Declaration, applicable zoning, land use, and building ordinances and the Rules and Regulations created in accordance with this Declaration. Further, each such structure shall only be erected, constructed, placed, located or maintained in accordance with the following:

5.1 Exterior Features & Materials.

5.1.1 All exteriors of residences shall be of (i)low maintenance hardiplank type siding or cedar beveled lap siding either left natural or painted or stained in shades or colors approved by the ARC or (ii) brick or stone product veneer. Other siding materials will be judged on their merit after review by the ARC.

5.1.2 Each side of a dwelling unit shall have a unique architectural feature such as a balcony, alcove, special window or window box, or staggered roof line so as to avoid a "box look". A design showing this feature must be reviewed and pre-approved by the ARC.

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5.1.3 All exterior trim, doors, decks, railings, eaves, gutters, and the exterior finish of all garages and other accessory buildings shall be designed and constructed to be compatible in both style and color to the residence to which they are appurtenant.

5.1.4 Stains and paints in earth tone colors are encouraged however all colors are subject to pre-approval of the ARC.

5.2 Roofing Materials and Design. The roof pitch on Lots 2,3,4,9,10,11,12 and 13 may not exceed 6/12. All roofs are to be constructed of architectural shingles or other materials approved by the ARC. Fire retardent materials will be encouraged.

5.3 Height Restrictions. All structures, including without limitation Dwelling Unit and Appurtenances, on Lots 2,3,4,9,10,11,12 and 13 are limited to single story. Subject to ARC approval as set forth herein, height limitations are not imposed on structures on other Lots provided, however, that in no event shall the height of an Appurtenance exceed the height of a Dwelling Unit.

5.4 Driveways. Driveway(s) shall be hard surfaced with standard concrete, provided, however, that extended driveways may be surfaced with asphalt other than within a 20 foot apron fronting the garage and the street and sidewalk right of way.

5.5 Outdoor Lighting. The number, type, design, candle power and placement of outdoor lighting shall be subject to review of the ARC and designed to eliminate glare and annoyance to adjacent Owners and passers-by

5.6 Landscape Design & Completion. All landscaping must be approved by the ARC and completed within four (4) months from the date a Certificate of Occupancy is issued by the governing authority for the dwelling unit constructed thereon. In the event of undue hardship due to weather conditions, this provision may be extended for a reasonable length of time upon written approval of the ARC.

5.6.1 Tree Requirement. Two trees per Lot are required in the yard adjacent to the street except in the case of a corner lot which will require two trees per street frontage located outside the vision clearance area. These trees must be selected from the City's approved street tree list if they are to be within five feet of a sidewalk or curb.

5.7 Manufactured Dwellings Excluded. No manufactured dwellings, as that term is defined in ORS Chapter 446 as of the date of this declaration, shall be used on any lot at any time as a residence either temporarily or permanently unless such restriction would be deemed to be unenforceable under Oregon Law

5.8 Fences. All fences, screens and similar structures shall be no more than six feet in height, shall not obstruct any Lot's view and are subject to the ARC approval process as to materials used and placement.

5.9 Grades, Slopes and Drainage Requirements. The established drainage patterns or systems over or through any Lot shall not be interfered with so as to adversely affect any other Lot, the street, Common Area or any real property outside the Subdivision unless adequate alternative provision is

made for proper drainage and is approved by the ARC. The term established drainage shall mean the drainage swales, conduits, inlets and outlets naturally existing or designed and constructed for storm water runoff.

On lots 1, 2, 3, 4, 9, 10, 11, 12, 13, 17, 18, 20, 21, 22 no landscaping, construction, or excavation will be permitted unless and until a plan has first been submitted in writing to and approved by the ARC. The approved plan must provide for the capture of all storm water runoff and take the storm water to, or direct it to, a storm water disposal system which has been approved by the City. Under no circumstances will storm water be allowed, or caused, by any property owner in the Subdivision to flow over the top of the slope at the northerly/westerly portion of these lots, or into Herman Creek, or any tributary of Herman Creek. Any landscaping, construction, or excavation on these lots must also comply with the Geotechnical Note on the Plat. Because of its interest in protecting Forest Lane from erosion and landslides, and because of its interest in preventing silt and erosion materials from development from reaching Herman Creek, or any of its tributaries, or from reaching the Columbia River, the City shall have standing to enforce this provision at the ARC or in court.

5.10 Overhead Utilities. All telephone, power, natural gas, cable television and other communication lines shall be placed underground.

ARTICLE 6 MAINTENANCE AND USE

Each Owner shall maintain all portions of his or her Lot and all improvements on such 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, painting, repair, and replacement of and care for roofs, gutters, downspouts, exterior building surfaces, walks and other exterior improvements and glass surfaces. In addition, each Owner shall keep all shrubs, trees, grass and plantings of every kind on his Lot neatly trimmed, properly cultivated and free of trash, weeds and other unsightly material. The obligations of this provision shall also include the care of areas between the property line of any Lot and the nearest curb, including public and private sidewalks, parking strips, landscape and street trees located therein.

6.1 Residential Use Only. No Lot shall be used except for residential purposes and shall contain no more than one Dwelling Unit. No commercial activities of any kind, other than home offices, shall be carried on in any portion of the Property except activities relating to the sale of Lots or the sale or rental of Dwelling Units.

6.2 Tree Height, Maintenance and Removal. No trees, in excess of six feet in height, or four inches in diameter, may be removed without a tree cutting permit issued by the ARC. All tree removal is subject to the regulations and may require a permit from appropriate governmental agencies. If trees or landscaping materials grow to heights which adversely affect other Lots, they may be topped at the expense of the Owner(s) whose view has been impaired. If a conflict arises between Owners as to the effect of view impairment, they shall accept the decision and recommendation of the ARC as final and binding.

In addition, the trees required in accordance with Section 5.5.1 herein must be maintained in a healthy condition by the Owner and may only be removed in the event of sickness or death of

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the tree or the creation of an unsafe situation. Such removal must be approved by the City Administrator or designee and must be based on the report of a licensed arborist. If a tree is removed it must be replaced within one year with a new tree with no less than a 1.5" caliper at chest height. Alternatives to these tree planting standards may be approved by the City Administrator as a Type II Administrative action for the purpose of preserving scenic views and siting houses on smaller lots.

6.3 Retaining Walls. If retaining walls are installed on any Lots, it shall be the ongoing responsibility of the owners to maintain the retaining walls. Such maintenance should be coordinated with the maintenance activities by the Association of any retaining walls on the Common Area.

6.4 Rental of Homes. An Owner shall be entitled to rent or lease his residence for any length of time the Owner wishes, provided that the tenant or renter complies with all provisions of the Declaration, Bylaws and Rules and Regulations of the Association. The Owner will ensure that each tenant or renter has a copy of the Declaration, Bylaws and Rules and Regulations of the Association.

6.5 Animals. No animals, livestock or poultry of any kind, other than four (4) household pets, which are not kept, bred or raised for commercial purposes and which are reasonably controlled so as not to be a nuisance, shall be permitted within any Lot. Any inconvenience, damage or unpleasantness caused by such pets shall be the responsibility of the respective Owners thereof. Dogs shall not be permitted to roam the Property unattended, and all dogs shall be kept on a leash while outside their owner's Lot while attended & unattended barking dogs may be required to utilize a device which would refrain any nuisance barking or crying. An Owner may be required to remove a pet upon the receipt of the third written notice from the Board of violation of any rule, regulation or restriction governing pets within the Property. Any animal which the Board of Directors or the City of Cascade Locks reasonably determines is vicious or dangerous to Owners, their families and guests, shall be removed by the Owner thereof immediately upon written notice from the Board. At the Owner's request after such removal, a hearing will be held by the Board of Directors to review its determination and affirm or reverse its previous determination.

6.6 Parking. Parking of commercial vehicles, boats, trailers, motorcycles, trucks in excess of one ton of weight, truck campers or other recreational vehicle or equipment shall not be allowed on any Lot, or public or private street except in designated Common Areas or within the confines of an enclosed garage or screened area, and no portion of the same may project beyond the screened area. No vehicle owned, rented, borrowed or under the control of the occupant of the dwelling located on the Lot and no vehicles owned by others who are guests of the occupants of the dwelling may be parked on the street for more than seven (7) days.

6.7 Vehicles in Disrepair. No vehicle of any kind shall be parked for more than 48 hours on any portion of the Property other than an enclosed garage while such vehicle is in a state of disrepair or while being repaired. Should any Owner fail to remove such vehicle within five (5) days following the date on which notice is mailed to him by the Association, the Association may have the vehicle removed from the Property and may charge the expense of such removal to the Owner.

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6.8 Signs. No signs shall be erected or maintained on any Lot except a project sign and except that not more than one (1) "For Sale" or "For Rent" sign placed by the Owner, Declarant or by a licensed real estate agent, after approval as to form by the ARC, may be temporarily displayed on any Lot.

6.9 Rubbish and Trash. No Lot, roadway, 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 sanitary containers for proper disposal and out of public view. Such containers must be removed from the street or driveway and stored in an enclosed area within 24 hours of trash pickup. Yard rakings, dirt and other material resulting from landscaping work shall not be dumped onto the Common Area or roadways. A reasonably sized compost area shall be permitted as long as it is at least ten feet from the property line of a Lot and not offensive to other Owners. Should any Owner fail to remove any trash, rubbish, garbage, yard debris or any such materials from any Lot, any streets or Common Areas where deposited by him within forty eight (48) hours following the date on which notice is delivered to him by the Association, the Association may have such materials removed and may charge the expense of such removal to the Owner.

6.10 Temporary Structures. No structure of a temporary character, trailer, basement, tent, shack, garage, barn or other outbuildings shall be used on any Lot at any time as a residence either temporarily or permanently.

6.11 Antennas and Satellite Dishes. Subject to the regulations of the FCC, exterior antennas and satellite receivers shall not be permitted to be placed upon any Lot except as approved by the ARC. Exterior satellite dishes with a surface diameter of 39.37 inches or less may be placed on any Lot so long as they are not visible from the street or neighboring Lots.

6.12 Laundry Drying. Laundry drying lines shall only be of clothes-tree variety, circular-whirl variety, or retractable variety, shall be located to the rear of the Dwelling Unit, and shall be screened from view from any adjacent public or private street. Further, no such apparatus shall be set up or maintained except when laundry is being dried thereon.

6.13 Holiday decorations. Holiday decorations shall be promptly removed after the holiday.

6.14 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, unless changes are pre-approved by the ARC. The Owner must commence such work within sixty (60) days after the damage occurs and must complete the work within six (6) months thereafter.

6.15 Vacant Lots. Any vacant Lot shall be maintained by its Owner in a reasonable, clean, presentable condition, including, without limitation, grass mowing, removal of debris, weeds and the trimming and cutting of hedges, trees, shrubs, plants and lawns.

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6.16 Right of Maintenance and Entry by Association. If an Owner fails to perform maintenance and/or repair that he is obligated to perform pursuant to this Declaration and if the Board determines, after proper notice and a hearing, that such maintenance and/or repair is necessary to preserve the attractiveness, quality, nature or value of the Subdivision, the Board may cause such maintenance and/or repair to be performed and may enter any Lot whenever entry is necessary in connection with the performance of such maintenance and/or repair that the Board is authorized to undertake. Entry shall be made with as little inconvenience to the Owner of the Lot as practicable and only after advance written notice of not less than forty-eight (48) hours, except in emergency situations. The costs of such maintenance and/or repair shall be chargeable to the Owner of the Lot as a special assessment.

6.17 Association Rules and Regulations. The Board from time to time may adopt, modify or revoke Rules and Regulations governing the conduct of persons and the 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 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 upon the date of delivery or actual notice thereof. The method of adoption of such Rules and Regulations shall be provided in the Bylaws.

6.18 Construction Debris. Every contractor building any improvement upon any lot or the Common Area shall furnish trash containers and at all times shall keep the premises free from accumulation of trash and scrap caused by construction. Trash shall not be allowed outside a designated trash and scrap area and any that does intrude beyond shall be cleaned upon a daily basis. Upon completion of the work, all remaining trash and scrap shall be disposed of legally. Tools, construction equipment, machinery, and surplus materials shall be removed from the site. The ARC or Declarant shall be entitled to enter upon any construction site within the Subdivision and to clean up, remove and dispose of materials on-site, to charge the Owner and contractor for any costs incurred by the ARC or Declarant in performing such acts.

6.19 Construction Activities and Noise. Construction activities shall not take place before noon on Sundays and Holidays. Holiday hours shall be announced by the Board. The ARC may impose additional restrictions on hours or days on which construction activity can take place and may place limits on noise levels. Pets on any construction site are subject to the pet restrictions applied to all homeowners.

620 Offensive or Unlawful Activities. No noxious or offensive activities shall be carried on upon any Lot, nor shall anything be done or placed on any Lot which unreasonably interferes with or jeopardizes the enjoyment of other Lots, or which is a source of annoyance to residents. No unlawful use shall be made of a Lot nor any part thereof, and all valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction thereof shall be observed.

6.21 Damage or Destruction of Common Area. If any Common Area is damaged or destroyed by an Owner or any of his invitees, tenants, licensees, agents or members of his family, such Owner does hereby authorize the Association to repair such damage if not repaired or replaced after written notice from the Board. The Board shall repair the damage and restore the area to

substantially as originally constituted or otherwise, in the discretion of the Board. The reasonable cost necessary for replacement or repairs shall be assessed to such Owner.

ARTICLE 7 ARCHITECTURAL REVIEW COMMITTEE

No building, fence, wall or other permanent structure shall be commenced, erected, placed or altered nor any landscaping installed or substantially modified on any Lot until the construction plans and specification 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 the 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 nor shall the ARC's review analyze structural, geophysical, engineering or other similar factors. Such compliance and analysis are the responsibilities of the Owners. In all cases in which the ARC's consent is required by this Declaration, the provisions of this Article 7 shall apply.

7.1 Appointment and Removal. The ARC shall consist of up to (3) members initially appointed by the Declarant. Declarant reserves the right to appoint and remove all members of the ARC for any reason until the Turnover Date. After the Turnover Date, the Board shall have the right to appoint and remove members of the ARC. The term of office for each member of the ARC shall be staggered and shall be 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 shall be the same as their terms as Board members. The Board may appoint one (1) or more ARC members 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 compensation for their services as an ARC member.

7.2 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 members of the ARC. The ARC may render its decision only by written instrument setting forth the action taken by the members consenting thereto.

7.3 Rules and Regulations. The ARC, from time to time and in its sole discretion, may adopt architectural rules, regulations and guidelines ("Architectural Standards"). The Architectural Standards shall interpret and implement the provisions of this Declaration with respect to the duties of the ARC; provided, however, that the Architectural Standards shall not be in derogation of the minimum standards established by this Declaration.

7.4 Procedure for Submittals and Approval. When an Owner wishes to begin construction or alteration of any improvement, including landscaping, Owner shall submit a proposal to the ARC on a form provided by the ARC which will provide it with the necessary information for review of the proposal. Such application shall include, in addition to two copies of building floor plans and elevations, specifications of certain materials to be used, precautions to be taken during the

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building process, a stormwater drainage plan pursuant to Section 5.9 and a complete site plan. The ARC shall have the power to require a string layout and an indication of the date of final completion. The string layout shall outline the exterior perimeter of the house and shall locate the entry, driveway, parking provision and carport or garage. Plans must be drawn to scale and consist of: exterior elevation (minimum scale of ¼" = 1'0" for main elevations and 1/8" = 1'0" for other elevations); a site plan including property lines, easements, structures, driveways, accessory structures, trees to be removed, mechanical equipment, trash receptacles, fences, proposed grading, other improvements proposed on the Lot (minimum scale of 1" = 10'); floor plans indicating square footage of each floor and total square footage of structure (minimum scale of l/4" = 1'0"); and landscape plans (minimum scale of 1" = 20') for Front Yard and for side yard on corner lots.

7.5 ARC Decision. The ARC shall render its decision within ten (10) days after it has received all materials required by it with respect to the application. All decisions shall be in writing. In the event that the ARC fails to render its decision within such time, the application shall be deemed approved.

7.6 ARC Discretion. The ARC may, in its sole discretion, deny an application if the ARC finds the proposed work would be inappropriate for the particular Lot or incompatible with the design standards that the ARC determines are appropriate for the Subdivision. Siting, shape, size, color, design, height, solar access, effect on the enjoyment of other Lots or the Common Area, effect on an easement and any other factors which the ARC reasonably believes to be relevant may be taken into consideration by the ARC in making its decision.

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

7.8 Appeal. At any time after Turnover Date, any Owner adversely affected by action of the ARC may appeal such action to the Board. 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 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 decision shall be made by the Board within fifteen (15) days after receipt of such notification. The determination of the Board shall be final.

7.9 Effective Period of Approval. The ARC's approval of any proposed work shall automatically be revoked six (6) months after issuance unless construction of the work has been commenced or the Owner has applied for and has received an extension of time from the ARC. Once commenced, all work shall be completed in six (6)months.

7.10 Determination of Compliance. From time to time, the ARC shall inspect all work performed and shall 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 noncompliance and shall require the Owner to remedy the noncompliance within a reasonable time.

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7.11 Noncompliance. If the ARC determines that an Owner has not constructed an improvement consistent with the specifications of an approval granted or without obtaining advance approval, and if the Owner fails to diligently commence to remedy such noncompliance in accordance with the provisions of the notification, the ARC shall provide notice to such Owner of a hearing at which such Owner's continuing noncompliance shall be considered. The hearing shall be held not more than thirty (30)days after notice If the Board determines that no valid reason exists for the continuing noncompliance, the ARC shall then require the Owner to remedy or remove the same within ten (10) days after the date of the ARC's determination. If the Owner does not comply with the ARC's ruling within such period or any extension thereof, the ARC may remove the noncomplying improvement, remedy the noncompliance, or file suit to compel compliance. The costs of such action, including all attorneys' fees and other costs incurred to enforce compliance, whether incurred before or after suit is filed, at trial or on any appeal or review therefrom, shall be assessed against the Owner and shall become a lien against his Lot.

7.12 Liability. Neither the ARC nor any member thereof shall be liable to any Owner, Occupant, builder or Declarant for any damage, loss or prejudice suffered or claimed on account of any action or failure to act of the ARC or a member thereof, provided that the ARC or member has, in accordance with its or his actual knowledge, acted in good faith.

7.13 Estoppel Certificate. Within thirty (30) 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 the ARC shall provide such Owner with a certificate executed by the chairman of the ARC and acknowledged, certifying 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 and any Rules and Regulations promulgated by the Board or the ARC or (b) such improvements do not so comply, in which event, the certificate shall also identify the non-complying improvement and set forth with particularity the nature of such non-compliance. The Owner, his heirs, devisees, successors and assigns shall be entitled to rely on the certificate with respect to the matters set forth therein. The certificate shall be conclusive as among Declarant, the ARC, the Association and all Owners and such persons deriving any interest through any of them.

7.14 Approval of Contractors and Insurance. Contractors providing services in connection with the development or improvement of any Lot or Common Area must be approved by the ARC and shall be subject to the following requirements: General Contractors and subcontractors shall be licensed as required by local governmental ordinances and regulations. General contractors shall warrant all materials and workmanship to be of good quality and to remain in good condition for a period of one (1) year. A general contractor shall furnish to the Association evidence of public liability insurance in amounts reasonably acceptable to the ARC. The ARC may require the contractor to post a bond to assure that the interests of the Association are protected and the requirements of the Declaration are followed. The ARC may place limitations on the hours and days on which construction activity can take place and on the noise or decibel level at construction sites in addition to those set out in this Declaration.

7.15 Other Applicable Law. All improvements must be constructed in full compliance with all applicable governmental building codes.

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ARTICLE 8 HOMEOWNERS ASSOCIATION

8.1 Establishment of the Homeowners Association. Following recording of the Subdivision plat and this Declaration and prior to the date on which the first Lot is conveyed, Declarant shall establish an Association of all of the Owners which shall have the powers and obligations set forth in this Declaration for the benefit of the Property. Such Association shall be known as the "Shahala Homeowners' Association" or a name similar thereto ("the Association"). Declarant shall organize the Association as a nonprofit corporation in accordance with ORS 94.625 under ORS Chapter 65 and shall adopt the initial Bylaws thereof and the same shall be recorded in the Records of Hood River County, Oregon.

8.2 Members. Each Owner, by virtue of ownership of a Lot, 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 automatically transfers 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 Rules and Regulations and any amendments thereof.

8.3 Voting Rights. Every Owner, including Owners of a Lot within property annexed pursuant to Article 2 herein, shall be entitled to one (1) vote for each Lot owned with respect to all matters upon which Owners are entitled to vote. Prior to Turnover Date, Declarant shall be entitled to three (3) votes for each Lot not yet conveyed in all matters requiring vote of the Membership. Thereafter such entitlement shall revert to one vote per Lot owned.

8.4 Control of the Association

8.4.1 Interim Board and Officers. Declarant hereby reserves administrative control of the Association, including, without limitation, the right and power, in its sole discretion, to appoint and remove members of an interim Board of Directors (the "Interim Board"), which shall manage the affairs of the Association and which shall be invested with all powers and rights of the Board. The Interim Board shall consist of from one (1) to three (3) members.

8.4.2 Transitional Advisory Committee. Notwithstanding the provision of Section 8.4.1, on a date not later than 60 days following the date on which fifty (50) percent of the Lots have been conveyed to Owners other than Declarant, Declarant shall call a meeting for the purpose of selecting a transitional advisory committee to assist with the transition to Owners in accordance with ORS 94.604. The Transitional Advisory committee shall consist of three members, at least two of which shall be elected by Owners other than Declarant.

8.4.3 Title to Common Areas. On or before the Turnover Date, Declarant shall convey to the Association fee simple title to any Common Areas

8.4.4 Turnover Meeting. On the Turnover Date, Declarant shall call a meeting for the purpose of turning over administrative control of the Association to the Owners in accordance with ORS Chapter 94.

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8.5 Assessments. Assessments of the Association shall be of three types: (1) "General Assessments", which shall be for the operation of the Association, including required insurance, and the maintenance of the Common Areas and detention pond (2) "Reserve Assessments", which shall be for funding of the Reserve Account and (3) "Individual Assessments", which shall be against an individual Owner for damage or extraordinary wear and tea r to private street or pedestrian ways or any Common Area or easement owned or maintained by the Association, or for any costs or expenses, including reasonable attorney fees, incurred by the Association due to the enforcement of any covenant, condition, or restriction herein against any one Lot or Owner. Assessments shall be established as follows:

a. Declarant shall not at any time be subject to assessment for common expenses on Lots owned by Declarant, except for the accrual of reserves for any reserve account. The amount and date of commencement of the initial annual assessment of General and Reserve Assessments to Owners other than Declarant shall be determined by Declarant if Declarant elects to impose such assessments prior to Turnover Date. In the sole and unfettered discretion of Declarant, Declarant may defer payment of reserves for a Lot, if any Reserve Assessment has been imposed, until the date the Lot is conveyed to a third party other than a successor Declarant; however, Declarant may not defer payment of accrued reserves beyond the Turnover Date. If Declarant has not imposed the initial annual assessment of the General and Reserve Assessments prior to the Turnover Date, then the imposition of such assessments by the Board shall be established at a meeting of the Board following the Turnover Date.

b. The meeting to impose the initial annual assessment and each annual meeting thereafter to impose each subsequent year's General and Reserve Assessments shall be held after not less than 60 days notice to all Owners of the date, time, and place of such meeting, the Board shall meet and establish the amount of the General and Reserve Assessments and shall apportion and collect the same as follows:

i. General and Reserve Assessments shall be equally apportioned and assessed against the Owners of each and every one of the Lots without regard to location, area, frontage, or improvements.

ii. General Assessments shall be in an amount sufficient to operate the Association for the following fiscal year and to pay for the maintenance of the Common Areas, as set forth herein, including the costs of required landscaping and irrigation in accordance with applicable laws and regulations and this Declaration.

iii. As to Reserve Assessments, the Board shall annually conduct a reserve study, or review and update an existing study, of the Common Area and Association maintained property, to determine the reserve account requirements. A reserve account shall be established for those such items all or part of which will normally require replacement in more than three (3) and less than thirty (30) years, and for the maintenance, repair, or replacement of other items as may be required under the Declaration or Bylaws or that the Board of Directors, in its discretion, may deem appropriate. The reserve study need not include items that could reasonably be funded from the General Assessments. 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 30 year plan with regular and adequate contributions, adjusted by estimated inflation and interest earned on reserves, to meet the maintenance, repair and replacement schedule. The reserve study shall be appropriate for the size and complexity of the Common Area and HOA maintained property and shall address issues that include but are not limited to warranties and the useful life of the Common Area and the HOA maintained property.

iv. Within 30 days after conducting the reserve study, the Board shall provide a written summary of the reserve study and any revisions to the 30 year plan to each Owner.

v. Within 30 days after establishment of the annual amounts of the assessments, and effective as of the first day of the following calendar year, the Board shall deliver to the individual Owners a statement of the assessment(s), showing the amount(s) of the General and Reserve Assessments. Such amount(s) shall be due and owing 60 days after the date of delivery of the statement to each Owner.

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vi. If additional Lots are annexed to or withdrawn from the Property, then commencing on the effective date of such annexation or withdrawal ("Change Date") and continuing thereafter, all General and Reserve Assessments shall be allocated based on the number of Lots, including the annexed Lots but excluding any withdrawn Lots then existing and subject to the terms of this Declaration, and all Lots shall be assessed a pro rata share of all common expenses represented by the General and Reserve Assessments commencing with any Change Date. If prior to any Change Date, General or Reserve Assessments have been paid for such common expenses which are, in Declarant's reasonable judgment, properly chargeable to the period prior to a Change Date but for which benefits will accrue to Owners after that Change Date, then each Owner of any annexed Lot shall pay its pro rata share to the Association for such amounts within 30 days after receipt of written demand therefor, which demand shall be accompanied by reasonable supporting documentation. Adjustments to General and Reserve Assessments paid by all other Owners of Lots prior to that Change Date shall be adjusted for the next calendar year for which billings of common expenses are rendered by the Association. In no event shall any refund be made to any Owner of a withdrawn Lot.

d. As to Individual Assessments, the Association may impose an Individual Assessment against any Owner and such Owner's Lot:

i. To remedy any damage caused by an Owner, or the Owner's family members or invitees, to mailboxes, streets, curbs, or Common Property as further described in this Declaration, which Individual Assessments may be imposed without notice and opportunity for a hearing;

ii. To reimburse the Association for any costs incurred in bringing an Owner or an Owner's Lot into compliance with the provision of this Declaration, the Bylaws, or any rules or regulations of the Association (other than compliance overseen by the ARC, which is described in Article 7), and to collect any fine issued by the Board of the Association for such violation of this Declaration, the Bylaws or any rules and regulations of the Association; or

iii. To pay any costs of achieving compliance with the requirements of the ARC and as a fine for an Owner's failure to comply with the requirements of the ARC, as described in Article 7.

Other than those Individual Assessments issued by the ARC for noncompliance (for which the notice and hearing requirements are described in Article 7) or by the Board for damage to mailboxes, streets, curbs or Common Property (for which no notice or hearing is required), the Board shall give the Owner(s) not less than 30 days notice of the Board meeting at which the actions which might necessitate such an assessment are to be reviewed. The potentially affected Owner(s) shall have the right to address the Board as to such actions and the amount of the proposed assessment. The Board may determine whether an assessment should be imposed and the amount of the proposed assessment whether the potentially affected Owner(s) attend the hearing or not. If the Board determines, by majority vote of the members of the Board present at the meeting, that an Individual Assessment should be imposed, it may impose the Individual Assessment in an amount that the Board determines in its reasonable discretion; provided, however, that any fine imposed as part of the Individual Assessment shall be based on the schedule for such fines that has been adopted by the Board as described in the Bylaws.

Individual Assessments shall be due and owing upon the Board or Committee, as appropriate, delivering notice to the affected Owner stating the amount of the Individual Assessment imposed against the Owner and the Owner's Lot.

e. Any assessment not paid when due as set forth above shall (i) bear interest from the due date at the rate of 12% per annum; (ii) be subject to reasonable late charges imposed by the Association against all like unpaid assessments by a resolution of the Board to compensate for the administrative and processing costs of late payments, and (iii) be collectible as a lien under the provisions of ORS 94.709, et seq., and any subsequent amendments thereof, and foreclosable as described therein. The lien includes interest, late charges, attorney fees, costs and other amounts imposed under this Declaration or the Bylaws. Recording of this Declaration constitutes record notice and perfection of the lien under ORS 94.709, and such lien shall accumulate all future

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assessments, interest, late fees, fines, attorney fees and administrative costs properly chargeable to the Owner by the Association, until such amounts are fully paid.

f. No Owner may waive or otherwise escape liability for any assessment by non-use of the Common Area or abandonment of the Owner's Lot. All assessments imposed against an Owner's Lot shall be joint and several personal obligations against all Owners of the Lot assessed.

8.6. Reserve Accounts: Assessments paid into the Reserve Account are the property of the Association and are not refundable to sellers of Lots or Owners. Sellers of Lots or Owners 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. Investment of and loans from the Reserve Account shall be governed by the Board, the Bylaws and any Rules and Regulations established therefor.

ARTICLE 9 GENERAL PROVISIONS

9.1 Records. The Board shall preserve and maintain minutes of the meetings of the Association, the Board and any Board 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 amount paid upon 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 reasonably available for review and copying by the Owners. A reasonable charge may be imposed by the Association for providing copies.

9.2 Indemnification of Directors, Officers, Employees and Agents. The Association shall indemnify any director, officer, employee or agent who was or who is a party or who 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), judgments, 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 judgment, order, settlement, conviction, or with a plea of nolo contendre 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, that a person did not have reasonable cause to believe that 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 recover such payments should it be proven at a later time that said person had no right to such payments. All persons who are ultimately held liable for their actions on behalf of the Association as a director, officer, employee or agent shall have a right of contribution over and against all other directors,

officers, employees or agents and members of the Association who participated in or benefitted from the acts which created said liability.

9.3 Enforcement; Attorneys' Fees. The Association, the Owners, and 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 the Association, any Owner, or a mortgagee to enforce any covenant, condition or restriction herein contained shall in no event be deemed to be a waiver of its right to do so thereafter. All assessments made by the Association against Owners, including, without limitation, assessments to pay operating expenses, reserves, special assessments, fines, interest and late fees, shall be imposed and collected in the manner provided herein. The suit for collection of the assessments or foreclosure of the Association's lien to secure the assessments may be filed by the Association in the appropriate court. In such suit or action, the prevailing party shall be entitled to its reasonable attorneys' fees and costs as shall be awarded by the court in such suit or action and in any appeal therefrom.

9.4 Enforcement By Arbitration: The Declarant (but only so long as the Declarant holds any interest in the Property and for a period of three years thereafter), any Owner, or any Secured Party shall have the right, but not the duty, to enforce the provisions of this Declaration, and all covenants, conditions, and restrictions now or hereafter imposed by the provisions of this Declaration, or any amendment hereto, but enforcement of the same, or resolution of any dispute regarding the same, shall be adjudicated only through an arbitration proceeding as is provided for as follows:

In the event of any dispute arising under any provision of this Declaration or any amendment hereto, including any dispute as to the necessity of any maintenance or repair of any improvement in or upon any Lot, but excluding any dispute as to the interpretation of a provision of this Declaration, such dispute shall be arbitrated by an arbitrator to be mutually agreed upon by the parties or, if the parties are unable to agree, then as appointed by the Circuit Court of the County wherein the Property is located. The decision of the arbitrator shall be final and shall be binding upon all parties to the dispute and may be enforced by a court of law as allowed by Oregon law. The arbitrator shall be entitled to reasonable compensation for the arbitrator's services, which cost shall be shared equally between and shall be an obligation of all parties to the arbitration. Further, each party to any such arbitration shall be responsible for each such party's own attorney fees and other costs, if any, and whether or not such party or any other party shall prevail in any such arbitration.

9.5 Construction; Severability. This Declaration and all declarations annexing property to the Association shall be liberally construed as one document to accomplish the purposes stated in the introductory paragraphs hereof. Nevertheless, each provision of this Declaration and all declarations annexing property to the Association shall be deemed to be 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. As used herein, the singular shall include the plural and the plural the singular, and the masculine and neuter shall each include 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 Declaration.

9.6 Duration. The covenant, conditions and restrictions of this Declaration shall run with and bind the land for a term of twenty (20) years from the date on which this Declaration is recorded, after

which time they shall be automatically extended for successive periods of (10) years, unless rescinded by a vote of at least seventy-five percent (75%) of the Owners.

9.7 Amendment. As provided by ORS 94.590, and except as otherwise provided in Section 9.8 hereof and the restrictions set forth elsewhere herein, this Declaration may be amended at any time by an instrument approved by not less than seventy-five percent (75%) of the total votes of each class of Members that are eligible to vote. Any amendment must be executed, recorded and certified as provided by law; provided, however, that no amendment of this Declaration shall affect an amendment of the Bylaws or Articles without compliance with the provisions of such documents and those of the Oregon Nonprofit Corporation Act; and provided further that, so long as Declarant owns any lot, 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. In addition, Declarant may amend this Declaration as provided for below. However, no amendment shall change any of the original conditions of approval as set forth in Cascade Locks Planning Commission Final Order.

9.8 Unilateral Amendment by Declarant. Declarant may amend this Declaration 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 Owner other than Declarant.

IN WITNESS WHEREOF, the undersigned being the Declarant herein, has executed this instrument this 21 day of November, 2005.

SHAHALA LLC by its Managing Member,
Better World Acquisitions, LLC

By _____
Mimi Morissette, its Managing Member

STATE OF OREGON

ss.

County of Hood River

This instrument was acknowledged before me on this 21 day of NOVEMBER, 2005, by Mimi Morissette as Managing Member of Better World Acquisitions, LLC, the managing member of Shahala LLC.

_____
NOTARY PUBLIC FOR OREGON
My Commission Expires: 04.08.2008

OFFICIAL SEAL
ELAINE J VINCENT
NOTARY PUBLIC–OREGON
COMMISSION NO. 376691
MY COMMISSION EXPIRES APR 8, 2008