

*To: Members of the Flying O Ranch Association
From: Board of Directors
Re: Association By-Laws
Date: March 2005*

The Board has approved the Dispute Resolution Measure that you will find attached to this memorandum, and will ask those attending the upcoming Annual Meeting to approve it. This resolution is an amendment to the CC&Rs. Its purpose is to provide a mechanism for resolving disputes that may arise between Flying O owners. If adopted by the Community Association, it will put into place a means for mediating and/or arbitrating disputes in an expeditious manner without resorting to lawyers or the courts. In essence it will enable our community to resolve our disagreements within our community in a just and cost effective manner.

DISPUTE RESOLUTION PROCEDURE

As a signatory to the CC&Rs and as a Flying-O property owner, and member of the Flying-O Ranch Community Association, I hereby agree to submit any dispute arising between myself and other property owners or between myself and the Flying-O Ranch Community Association to mediation and/or arbitration.

I agree in an attempt to resolve disputes before going to arbitration, that any dispute to which I am a party will first be submitted to a mediator to be jointly selected by the parties to the dispute, and to try in good faith to settle the dispute.

In the event mediation is unsuccessful, I agree to submit the dispute to a three person arbitration panel. I further agree to be bound by the award of the panel and recognize that a judgment may be entered on such an award. I further recognize that if any party fails to comply with an award, that party must pay all of the other party's costs or a suit to enforce or defend the award including reasonable attorney's fees.

All expenses, if any, of the arbitration process shall be paid by the losing party.

The arbitration panel shall be constituted by each party to the dispute selecting one signatory to the CC&Rs as their arbitration representative on the arbitration panel. The two panel members shall in turn select a third individual who does not have to be a signatory to the CC&Rs to be the chair of the panel and the neutral arbitrator. Each member of the panel shall have one vote.

The arbitration hearing shall take place within 60 days from the initiation of the mediation process. This time limit may be mutually extended by the parties to the dispute.

Neither party will be permitted to utilize the services of an attorney during the arbitration process nor will a transcript be taken of the proceedings. Each party may have a non-attorney spokesperson. The parties may call witnesses on their behalf. The hearing will be conducted in an informal manner. Formal rules of evidence will not apply. Each party will be given the opportunity to fully present their case.

The arbitration panel will not be empowered to award punitive damages nor any damages in excess of compensatory damages. It can order compliance with the CC&Rs and fix an appropriate remedy for failure to comply.

The award of the arbitration panel shall be final and binding and may be enforced by any competent court of law.