



After recording return to:

Francis & Martin, LLP
1199 NW Wall Street
Bend, OR 97701

**RESTATED BYLAWS
OF
EAGLE AIR ESTATES HOMEOWNERS ASSOCIATION, INC.**

ARTICLE 1. NAME

The name of the association shall be "Eagle Air Estates Homeowners Association, Inc." (the "Association").

ARTICLE 2. OBJECT

Section 2.1 Purpose.

The object of the Association is to protect and enhance all Properties lying within the boundaries of Eagle Air Estates in Deschutes County, Oregon ("Property").

Section 2.2 Organization of the Association.

The Eagle Air Estates Homeowners Association shall be a non-profit corporation under ORS Chapter 65, the Oregon Nonprofit Corporations Act.

Section 2.3 Powers of the Association.

The Association shall have all the power granted to it by the Declaration, these Bylaws and the Oregon Planned Community Act as amended from time to time.

Section 2.4 Applicability.

The provisions of these Bylaws are applicable to the Property, the Eagle Air Estates Homeowners Association, and all present or future Owners, tenants, occupants, or their employees, or any other person that might use the facilities of Eagle Air Estates, in any manner. These Bylaws are a complete restatement of the Bylaws of the Association.

Section 2.5 Definitions.

2.5.1 "Aeronautics" shall mean the Aeronautics Division of the State of Oregon.

2.5.2 "Airport" shall mean Sisters Eagle Air Airport.

2.5.3 "Articles" shall mean the Articles of Incorporation for the non-profit corporation, Eagle Air Estates Homeowners Association, Inc., as filed with the Oregon Corporation Commissioner.

2.5.4 "Association" shall mean Eagle Air Estates Homeowners Association, its successors and assigns.

- 2.5.5 "Board" shall mean the Board of Directors of the Eagle Air Estates Homeowners Association.
- 2.5.6 "Bylaws" shall mean and refer to the Bylaws of the Association.
- 2.5.7 "Common Area" shall mean those areas of land shown or declared as such in any recorded Subdivision plat of the Properties and intended to be devoted to the common use and enjoyment of the Owners of the Properties.
- 2.5.8 "Declarant" Shall mean Vern and Sandy Goodsell.
- 2.5.9 "Declaration" shall mean this instrument by which the project is established as provided for in the State of Oregon Unit ownership Law.
- 2.5.10 "Living Unit" or "Unit" shall mean and refer to any portion of a structure situated upon the Property designed and intended for use and occupancy as a residence by a single family.
- 2.5.11 "Lot or Parcel" shall mean any number plot of land shown upon any recorded Subdivision plat of the Properties, which is not designated as "Common Area".
- 2.5.12 "Member" shall mean every person or entity who holds membership in the Association.
- 2.5.13 "Occupant" shall mean and refer to the Occupant of a Living Unit who shall be either the Owner, lessee or any other person authorized by the Owner to occupy the premises.
- 2.5.14 "Oregon Planned Community Act" shall mean ORS 94.550 to 94.783 as amended.
- 2.5.15 "Owner" shall mean the record Owner, whether one or more persons or entities, of fee simple title to any Lot or Parcel of the Properties or a contract vendee thereof, but shall not mean a mortgagee.
- 2.5.16 "The Properties" shall mean all of the property subject to the Declaration or any supplemental Declaration.
- 2.5.17 "Rules and Regulations" shall mean and refer to the rules, regulations and policies adopted by the Board of Directors of the Association or the Architectural Review Committee and any amendments.
- 2.5.18 "Setback" shall mean a minimum distance between a structure and a lot line.
- 2.5.19 "Street" shall mean any road or other thoroughfare shown on the recorded plat of the Properties.
- 2.5.20 "Subdivision" shall mean all Properties within Eagle Air Estates Subdivision Plat.
- 2.5.21 Any terms used in these Bylaws that are not defined in these Bylaws shall have the same meaning as set forth in the Declaration shall have their common, ordinary meaning.

ARTICLE 3. MEMBERSHIP

Section 3.1 Membership in the Association.

Membership in the Association shall be by ownership, either by deed or purchase under a contract of sale, of one or more Lots. Each Owner shall automatically be a Member of the Association and shall remain a Member of the Association until ownership of one or more Lots terminates.

Section 3.2 Voting Rights.

3.2.1 Members. Members who are current in their assessments to the Association shall be entitled to one (1) vote for each Lot owned by the Member with respect to all matters upon which Owners are entitled to vote. Members who are delinquent in their assessments to the Association shall not be entitled to vote.

3.2.2 Lot. When more than one (1) person or entity owns a Lot, the vote for such Lot may be cast as they shall agree, but fractional voting is not allowed. Fractionalized or split votes shall be disregarded.

Section 3.3 Majority of Owners.

As used in these Bylaws, the term "Majority" shall mean those Owners holding over fifty percent (50%) of the voting rights allocated to the Owners in accordance with the Declarations and these Bylaws. "Majority of Owners present" shall mean Owners holding over fifty percent (50%) of the votes present in person or by proxy.

Section 3.4 Quorum.

Except as otherwise provided in these Bylaws, the presence, in person, by absentee ballot or proxy, of Owners holding twenty percent (20%) or more of the outstanding votes in the Association, as defined in these Bylaws, shall constitute a quorum. A legal meeting is one duly called pursuant to these Bylaws where a quorum is present, in person. Unless otherwise stated in these Bylaws, the act of a Majority of Owners present shall be the act of the Members. In the event there are multiple Owners of a Lot, the presence of any one Owner shall count towards a quorum.

Section 3.5 Written Ballot.

Any action that may be taken at any annual, regular or special meeting of the Association may be taken without a meeting if the Association delivers a written ballot to every Association Member that is entitled to vote on the matter. The written ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action. Matters proposed in the written ballot shall be deemed approved or rejected as provided by the Oregon Planned Community Act.

Section 3.6 Proxy.

The vote or votes of a Lot may be cast by absentee ballot or pursuant to a proxy executed by the Owner. Owner may not revoke a proxy, 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. Any Owner may request an absentee ballot from the Board of Directors.

Section 3.7 Place of Meetings.

Meetings of the Association shall be held at the Association's principal office or such other suitable place convenient to the Owners as may be designated by the Board of Directors.

Section 3.8 Annual Meetings.

The Association shall hold an Annual Meeting as directed by the Board of Directors. At such meeting, Members shall be elected to the Board of Directors in accordance with these Bylaws. The Owners may transact such other business of the Association as may properly come before them.

Section 3.9 Special Meetings.

Special Meetings may be called by the President of the Association, the Board of Directors or by Petition signed by fifty percent (50%) or more of the Owners.

Section 3.10 Notice of Meetings.

Notice of each annual, special or meeting by ballot, stating the purpose, time and place of the meeting shall be mailed or hand-delivered to all Owners. Notice shall be mailed at least ten (10) days but not more than fifty (50) days prior to such meeting. The notice shall be mailed to the Owner's address last given the Secretary in writing by the Owner. If Lot ownership is split or the Lot has been sold on contract, notice shall be sent to a single address of which the Secretary has been notified in writing by such parties. The Notice shall state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or Bylaws, any budget changes, or any proposal to remove a Director or Officer.

Section 3.11 Fines for Failure to Vote.

The Board of Directors may fine any Member up to the sum of \$50.00 in the event any Member fails to appear in person, by proxy at any meeting of the Members, or by absentee ballot or in the event of a written ballot to vote by written ballot. The purpose of this Section is to encourage all Owners to vote.

ARTICLE 4. BOARD OF DIRECTORS

Section 4.1 Number and Qualification.

The affairs of the Association shall be governed by a Board of Directors composed of three (3) persons, all of whom shall be an Owner or Co-Owner of a Lot. No person and his or her spouse may serve on the Board at the same time.

Section 4.2 Powers and Duties.

The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association. The Board of Directors may act on behalf of the Association and may do all such acts and things as are not by law, or these Bylaws, directed to be exercised and done by the Owners.

Section 4.3 Borrowing.

The Board of Directors shall have the power to borrow money for the purpose of repair, restoration, modifying, improving, or adding amenities to Common Area and facilities without the approval of the Members of the Association provided the total amount of such borrowing does not exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

Section 4.4 Other Duties.

The Board of Directors shall have the authority to carry out and be responsible for the following matters:

4.4.1 Care, upkeep and supervision of the Common Area, Roadway/Taxi-way and Airport. The Board shall adopt a program for maintenance, upkeep, repair and replacement of the Common Area.

4.4.2 Adopting a method of approving payment vouchers for expenses related to the Common Area. The Board shall adopt a method of payment for expenses of maintenance, upkeep, repair and replacement of the Common Area and other expenses of the Association.

4.4.3 Establishment and maintenance of replacement reserve accounts and other reserves.

4.4.4 Annually conducting a reserve study for review or updating an existing study of the Common Area components, to determine reserve account requirements.

4.4.5 Designation and collection of assessments from the Owners.

4.4.6 Establishment of a budget and payment of all common expenses of the Association.

4.4.7 Reviewing and maintaining hazard and liability insurance policies with respect to the Common Area.

4.4.8 Establishment of reasonable fines for violation of the Declarations, Bylaws, Rules and Regulations of the Association.

4.4.9 Designation, employment and dismissal of personnel necessary for the administration of the planned community, maintenance, upkeep and repair of the Common Area.

4.4.10 Preparing and distributing annual financial statements of the Association to the Owners.

4.4.11 Adoption and amendment of administrative Rules and Regulations governing the details of operation and use of the Common Area; provided, however, any such Rules or Regulations remain subject to rescission or amendment by the Association upon Majority vote of Owners present at any properly called meeting.

4.4.12 Causing the Association to comply with the Oregon Planned Community Act relating to maintenance and distribution of financial statements and maintaining copies suitable for duplication of the following: Declaration, Bylaws, Association Rules and Regulations, most recent annual financial statement, and the current operating budget of the Association.

4.4.13 Additional duties imposed by the Oregon Planned Community Act, the Declaration, Bylaws, or by resolution of the Association.

Section 4.5 Income Tax Returns; Determination of Fiscal Year.

The Board of Directors shall determine the manner in which all necessary income tax returns are filed, shall select persons to prepare and file such returns, and shall cause the necessary income tax returns for the Association to be filed annually.

Section 4.6 Budgets and Financial Statements.

4.6.1 The Board of Directors, at least annually, shall adopt a budget for the planned community. Within thirty (30) days after adopting the annual budget for the planned community, the Board of Directors shall provide a summary of the budget to all Owners. If the Board of Directors fails to adopt a budget, the last adopted annual budget shall continue in effect.

4.6.2 The summary budget shall contain the information suggested by the Board. It may contain an estimate of revenue expenses, amount of total cash reserves currently available to the Association, and a Balance Sheet at the end of the fiscal year.

4.6.3 Within ninety (90) days after the end of the fiscal year, the Board of Directors shall distribute to each Owner and upon written request any mortgagee of a Lot, a copy of the Annual Financial Statement consisting of a Balance Sheet and Income and Expenses Statement for the preceding fiscal year.

Section 4.7 Association Records.

The Board shall make the Declaration, Bylaws, Association Rules and Regulations, most recent Financial Statement and current Operating Budget available for examination by an Owner or any mortgagee of a Lot. The documents shall be available upon written requests for copying during reasonable business hours. The Association may charge a reasonable fee for furnishing copies of any documents. The fee may include reasonable personnel costs for furnishing the documents, information or records.

Section 4.8 Nomination of Directors.

Nominations for directors for election to the Board of Directors shall come from the floor at each annual meeting of the Association. All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and solicit votes.

Section 4.9 Election and Term of Office.

A Director's term shall be three (3) years. The term of office of Directors shall be staggered so that approximately one-third of the Directors term will expire in one (1) year; one-third in two (2) years; and the remaining one-third in three (3) years. The Directors shall hold office until their successors have been elected and hold their first meeting or are removed according to the Bylaws. The Association may increase or decrease the number of Directors and length of terms for which each is elected upon amendment of this Section. The Board of Directors may be elected by a single ballot with each Owner permitted to vote the number of times there are for each vacancy. The nominees receiving the highest number of votes shall be Directors.

Section 4.10 Quorum.

At all meetings of the Board of Directors, a Majority of the existing Directors shall constitute a quorum for the transaction of business, and the acts of the Majority of the Directors present shall be the acts of the Board of Directors. If at any meeting of the Board of directors there is less than a quorum present, the Majority of those present may adjourn the meeting from time-to-time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 4.11 Vacancies.

Vacancies on the Board of Directors caused by any reason, other than the removal of a Director by a vote of the Association, shall be filled for the balance of the term by vote of a Majority of the remaining Directors, even though they may constitute less than a quorum. Each person so elected shall be a Director until a successor is elected upon expiration of the term for which such person was elected by the other Directors to serve.

Section 4.12 Removal of Directors.

At any regular or special meeting of the Association duly called, any one or more of the Members of the Board of Directors may be removed, with or without cause, by a simple majority vote of the Members in person or by proxy, and a successor may then and there be elected to fill the vacancy thus created. A Director whose removal has been proposed by the Members shall be given ten (10) days notice of the calling of the meeting and the purpose thereof and shall be given an opportunity to be heard at the meeting. Additionally, any Director who has three (3) consecutive unexcused absences from Board meetings or who is delinquent in the payment of an assessment for more than thirty (30) days may be removed by a majority vote of the directors at a meeting, a quorum being present.

Section 4.13 Regular Meetings.

Regular Meetings of the Board of Directors may be held at such time and place as shall be determined, from time-to-time, by a Majority of the Directors. Notice of Regular Meetings of the Board of Directors may be called by the President of the

Association on three (3) days' notice to each Director, given personally, by mail, telephone, fax or e-mail, which notice shall state the time, place and purpose of the meeting.

Section 4.14 Special Meetings.

Special Meetings of the Board of Directors may be called by the President or Secretary of the Association or on the written request of a majority of Directors. Special Meetings of the Board of Directors may be called on three (3) days' notice to each Director given personally, by mail, telephone, fax or e-mail, which notice shall state the time, place and purpose of the meeting.

Section 4.15 Emergency Meetings.

Emergency Meetings may be held without notice if the reason for the Emergency Meeting is stated in the Minutes of the meeting. Only Emergency Meetings of the Board of Directors may be conducted by telephonic communication. Such telephonic meetings shall be carried on by means of a "conference call" in which each Director may speak with any of the other Directors. The Directors shall keep telephone numbers on file with the President of the Association to be used for Telephonic Meetings. No notice to either Directors or Association Members shall be required for a Telephonic Meeting of the Board of Directors to be held for any emergency action; provided, however, no such Telephonic Meeting shall occur unless at least seventy-five percent (75%) of the Board of Directors participate in the same and after an attempt has been made to call each Director at the telephone number maintained on file with the Board of Directors for such purpose.

Section 4.16 Notice to Association Members of Board of Directors.

For other than an emergency meeting, notice of Board of Directors meetings shall be posted at a place on the Common Area at least three (3) days prior to the meeting or notice shall otherwise be provided to each Member of the Association reasonably calculated to inform all Members of such meeting. The posting of such notice shall be at a reasonable location which has been generally publicized to the Owners.

Section 4.17 Waiver of Notice to Directors.

Before, at or after any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. The attendance by a Director at any meeting of the Board shall be a waiver of notice by him or her. If all the Directors are present at any meeting of the Board, no notice to Directors shall be required and any business may be transacted at such meeting.

Section 4.18 Board of Directors Meetings Open to All Association Members.

4.18.1 All meetings of the Board of Directors shall be open to any and all Members of the Association, except that at the discretion of the Board of Directors the following matters may be considered an executive session:

4.18.1.1 Consultation with legal counsel concerning the rights and duties of the Association regarding existing or potential litigation, or criminal matters;

4.18.1.2 Personnel matters including salary negotiations and employee discipline; and

4.18.1.3 Negotiation of contracts with third parties.

4.18.2 Except in the case of an emergency, the Board of Directors shall vote in an open meeting whether to meet in executive session. If the Board of Directors votes to meet in executive session, the presiding Officer of the Board of Directors shall state the general nature of the action to be considered and, as precisely as possible, when and under what circumstances the deliberations can be disclosed to others.

4.18.3 No Association Member shall have a right to participate in the Board of Directors meetings unless such Member is also a Member of the Board of Directors or is allowed to participate by the Board of Directors. The President of the Association shall have the authority to exclude any Association Member who disrupts the proceedings at a meeting of the Board of Directors.

Section 4.19 Compensation of Directors.

Directors shall not be compensated in any manner, except for out-of-pocket expenses, unless such compensation is approved by vote of the Owners.

Section 4.20 Written Statement of Assessments.

The Association shall provide, within ten (10) business days of receipt of a written request from an Owner, a written statement that provides: (1) the amount of the assessment due from the Owner and unpaid at the time the written request was received, including regular and special assessments, fines and other charges, accrued interest, and late payment charges; (2) the percentage rate at which interest accrues on the assessments that were not paid when due; and, (3) the percentage rate used to calculate the charges for late payment or amount of a fixed charge for late payment. The Association is not required to provide this information if the Association has commenced litigation by filing a Complaint against the Owner and the litigation is pending when the statement would otherwise be due.

ARTICLE 5. OFFICERS

Section 5.1 Designation.

The principal Officers of the Association shall be a President, Vice-President, Secretary and Treasurer.

Section 5.2 Election of Officers.

The Officers of the Association may be elected by the Board of Directors from its Members, and shall hold office at the pleasure of the Board.

Section 5.3 Removal of Officers.

Upon an affirmative vote of a Majority of the Members of the Board of Directors, any Officer may be removed, either with or without cause, and his or her successor elected at any regular or special meeting of the Board of Directors.

Section 5.4 President.

The President shall be the chief executive Officer of the Association. The President shall preside at all meetings of the Association and Board of Directors. The President shall have all of the general powers and duties which are usually vested in the office of president of an Association, including, but not limited to, the power to appoint committees from among the Owners from time-to-time as he or she may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Association.

Section 5.5 Vice-President.

The Vice-President shall act in the stead of the President if the President is unable or fails to act.

Section 5.6 Secretary.

The Secretary shall keep the Minutes of all meetings of the Board of Directors and the Minutes of all meetings of the Association; he or she shall have charge of such books and papers as the Board of Directors may direct; and he or she shall, in general, perform all the duties incident of the office of the Secretary.

Section 5.7 Treasurer.

The Treasurer shall have responsibility for Association funds and securities not otherwise held by the managing agent as directed by the Board of Directors, and shall be responsible for keeping complete and accurate accounts of all receipts and disbursements in books belonging to the Association. He or she shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time-to-time be designated by the Board of Directors.

Section 5.8 Directors as Officers.

Any Director may be an Officer of the Association.

Section 5.9 Agreements, Contracts, Deeds, Leases, Checks.

All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two (2) officers or by such other person or persons as may be designated by resolution of the Board of Directors.

ARTICLE 6. OBLIGATIONS OF THE OWNERS.

Section 6.1 Assessments.

All Owners shall pay assessments imposed by the Association to meet the Association's general common expenses as described in the Declaration, Bylaws, and Oregon Planned Community Act. Assessments shall be payable on a periodic basis as determined by the Board of Directors. Generally, general and special assessments shall be allocated equally among the Lots. However, the following assessments may be assessed in different manners: (1) improved and unimproved Lots; (2) any common expense or any part of a common expense benefiting fewer than all of the Lots may be assessed exclusively against the Lots or the Lots benefited; (3) if the Board of Directors determines that any common expense is the fault of any Owner the Association may assess the expense exclusively against the Lot of the Owner.

Section 6.2 Special Assessments.

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

6.2.1 Upon an affirmative vote of a majority of the members to correct a deficit in the operating budget;

6.2.2 Upon an affirmative vote of a majority of the members to collect amounts due to the Association from an Owner for breach of the Owner's obligations under the Declaration, these Bylaws, or the Association's Rules and Regulations;

6.2.3 Upon an affirmative vote of a majority of the members, to make repairs or renovations to the Common Area or those portions of the buildings for which the Association has maintenance responsibility if sufficient refunds are not available from the operating budget or replacement reserve accounts; or

6.2.4 Upon an affirmative vote of a majority of the members, to make capital acquisitions, additions or improvements.

Section 6.3 Maintenance and Repair.

6.3.1 Each Owner shall perform promptly all maintenance and repair work within his or her own Lot, which if omitted would affect Common Area, and shall be responsible for the damages and liabilities that his or her failure to do so may cause.

6.3.2 An Owner shall reimburse the Association for any expenditures incurred in repairing or replacing any Common Area and/or facility damaged through his or her fault, not otherwise covered by insurance policies carried by the Association for the Owner's and Association's benefit. The Association shall have no obligation to carry such insurance policies.

Section 6.4 Duty to Pay Assessments.

An Owner may not claim exemption from liability for contribution towards the common expenses by waiving the use or enjoyment of any of the Common Area or by abandoning the Owner's Lot. An Owner may not claim to offset an assessment for failure of the Association to perform the Association's obligations.

Section 6.5 Default.

Failure by an Owner to pay any assessment of the Association when due shall be a default by such Owner of his or her obligations pursuant to these Bylaws, the Declaration and the Oregon Planned Community Act. Any assessment or any installment of assessment that is past due shall bear interest at the rate established by resolution of the Board of Directors. The Board of Directors may impose its option. The Association shall be entitled to any remedy at law, including a lien, which may be enforced upon compliance with the provisions of the Oregon Planned Community Act and the Declarations. In any foreclosure suit by the Association with respect to such lien, the Association shall be entitled to collect reasonable rent from the defaulting Owner for the use of his or her Lot or shall be entitled to the appointment of a receiver. Any default by the Owner under any provisions of the Declarations, these Bylaws or the Oregon Planned Community Act shall be deemed to be a default by the Owner of any mortgage to which the Owner is a party or to which the Lot is subject.

ARTICLE 7. INSURANCE

The Board of Directors shall obtain and maintain at all times insurance of the type and kind and in the amounts referred by Oregon Planned Community Act or as determined by the Board of Directors from time-to-time. Insurance shall include (1) replacement insurance for all insurable improvements in the Common Area against loss or damage by fire or other hazards, including extended coverage, vandalism and malicious mischief; (2) a public liability policy covering all Common Area and all damage or injury caused by the negligence of the Association; and, may include (3) Directors insurance. The Board of Directors shall, if reasonably available, obtain terms in insurance policies, which provide a waiver of subrogation by the insurer as to any claims against the Board of Directors of the Association, any Owner or any guest of an Owner.

ARTICLE 8. AMENDMENT

Amendments to the Bylaws may be proposed by a majority of the Board of Directors or by at least thirty percent (30%) of the Owners of the planned community. Amendments shall be approved by seventy-five percent (75%) of Owners present or by a seventy-five percent (75%) ballot vote certified by the President and Secretary of the Association as having been adopted in accordance with the Bylaws. Amendments shall be recorded in the office of the recording officer.

ARTICLE 9. COMPLIANCE

These Bylaws are intended to comply with the provisions of the Oregon Planned Community Act and the Declarations. In case any of the provisions of these Bylaws conflict with the provisions of the Oregon Planned Community Act, the statutory provisions shall apply. In case of any conflict between the provisions of these Bylaws and the Declaration, the provisions of the Declaration shall apply.

ARTICLE 10. INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS

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

ARTICLE 11. COMPLIANCE WITH BYLAWS AND OTHER RESTRICTIONS REQUIRED, EFFECT OF NONCOMPLIANCE

Section 11.1 Compliance.

Each Owner shall comply with the Declaration, Bylaws and administrative Rules and Regulations adopted by the Association. Failure to comply shall be grounds for an action maintainable by the Association or by an aggrieved Owner.

Section 11.2 Assessment Collection Costs; Suits and Actions.

Owners shall be obliged to pay reasonable fees and costs including, but not limited to, attorney fees incurred in connection with efforts to collect any delinquent unpaid assessments. Assessments include regular assessments for operating expenses, the funding of reserves, fees, late charges, fines, charges and interest imposed pursuant to Oregon law. In the event suit or action is commenced by the Association for the collection of any amounts due pursuant to these Bylaws or for the enforcement of any provisions of the Declarations, Bylaws, Rules or the Oregon Planned Community Act, the Owner or Owners, jointly and severally, will in addition to all other obligations, pay the costs of such suit or action, including reasonable attorney fees to be fixed by the trial court and, in the event of an appeal, the cost of the appeal, together with reasonable attorney fees in the appellate court to be fixed by such court.

ARTICLE 12. FINE AND CHARGES

The Board of Directors may levy reasonable fines against a Member for any violation of the Eagle Air Estates Homeowners Association's following documents: Declaration of Covenants, Conditions and Restrictions, the Bylaws, the Rules and Regulations, or the Oregon Planned Community Act. Fines may be levied due to the action of a Member, Member's guest or invitee or an Occupant of a property owned by the Member.

Section 12.1 Notice and Hearing.

In the event of a violation, the Association shall provide the Member with notice of the violation. The Member shall be given a reasonable opportunity, under the circumstances, to correct the violation. If the violation is a first-time and unintentional offense, the Board may, in their sole discretion, accept assurances that the violation will not be repeated. The Member shall be entitled, upon request made within ten (10) days of notice by the Association, to a

hearing before the Board of Directors or any designated committee to contest the violation or fine. At the hearing, the Member may be represented by legal counsel and have a reasonable amount of time to produce statements, evidence, and witnesses. The minutes of the hearing shall contain a written statement of the results of the hearing and the fine, if any, that is imposed. The Association is not required to provide notice and opportunity to be heard for recurring or continuing violations unless at least ninety (90) days have passed from the time of the previous violation. If a hearing is not requested within the ten (10) day period the violation and/or fine shall be noted and imposed.

Section 12.2 Continuing Violations.

In the case of a continuing or persistent violation: (1) Each day the violation continues after written notice shall be deemed a separate and distinct violation and, subject to a separate daily fine, up to a maximum of thirty (30) daily fines per violation; and (2) The Board may require the Member to post a bond or other form of security in order to ensure future compliance. For any such violation that cannot be cured immediately, no further fines shall be levied after such time as the Member begins a good faith cure.

Section 12.3 Lien Against Lot.

Fines shall constitute a personal obligation of the Member, as well as a lien upon the property of the Member, which lien may be foreclosed in the same manner as a lien for unpaid Association assessments pursuant to the Oregon Planned Community Act.

Section 12.4 Fees and Costs.

The Member shall be liable for all attorney fees, costs and expenses of any nature incurred by the Association incident to the levy or collection of the fine, including appellate proceedings.

Section 12.5 Crediting Payments.

The Association shall apply all partial payments by the Member to the Member's outstanding balance in the following order:

- Attorney's fees and costs;
- Late fees and interest;
- Fines and charges;
- Special assessments; and
- Regular assessments, with payment being applied to the oldest balance first.

Partial payments will not waive the Association's right to pursue full payment and/or enforce its Bylaws, Declaration, and Rules and Regulations.

Section 12.6 Schedule of Fines.

12.6.1 Except for tree removal fines, Fines shall be between \$25.00 and \$2,500.00. The amount of the fine shall be determined in the sole discretion of the Board of Directors. The Board of Directors may assess fines based upon the type and nature of the breach, the length of time of the breach, the responsiveness of the Owner to the Board of Directors' requests to cure the breach and any other factors the Board of Directors determines appropriate.

12.6.2 Fines for tree removal shall be \$100.00 per tree per removal, together with \$100.00 per inch of diameter of the tree, measured three feet from the ground. By way of example, removal of an eight inch tree warrants a fine of \$900.00 (\$100.00 for removal plus \$100.00 x 8" = \$900.00).

Section 12.7 Charges.

In the event any assessments are not received when due, the Association may charge up to five percent of the payment or Fifty Dollars (\$50.00), whichever is greater, for late payment of assessments. Unpaid assessments shall bear interest at the rate of fifteen percent (15%) per annum. Owner shall reimburse the Association for all costs and attorney fees expended (*including at trial and on appeal*) incurred by the Association in collecting assessments and such unpaid costs and attorney fees shall bear interest at the rate of fifteen percent (15%) per annum from the date incurred until paid.

ARTICLE 13. MISCELLANEOUS

Section 13.1 Rules of Order.

Meetings of the Association and the Board of Directors shall be conducted according to the latest addition of Robert's Rules of Order published by the Robert's Rules Association.

Section 13.2 Notices.

13.2.1 All notices to any Owner shall be sent to such address as may have been designated by him or her from time-to-time, in writing, to the Board of Directors, or if no address has been designated, then to the Owner's Lot.

13.2.2 All notices to the Board of Directors shall be sent to such address as may be designated by the Board of Directors from time-to-time.

Section 13.3 Waiver.

No restriction, condition, obligation or provision contained in these Bylaws shall be abrogated or waived by failure to enforce the same irrespective of the number of violations or breaches which may occur.

The Bylaws have been adopted by Eagle Air Estates Homeowners Association, Inc.

DATED this 5 day of AUGUST, 2003.

EAGLE AIR ESTATES HOMEOWNERS ASSOCIATION, INC.

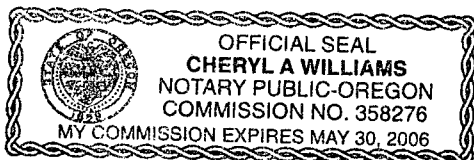
By: Bruce F. Hapley, President

By: Vern Goodrell, Secretary

STATE OF OREGON)
) ss.
County of Deschutes)

On this 5 day of Aug, 2003, personally appeared before me,
Bruce F. Hapley, who being duly sworn, states he/she is the President of EAGLE AIR ESTATE, an

Oregon non-profit corporation, and that the foregoing instrument was signed and sealed on behalf of said corporation and he/she acknowledged said instrument to be the voluntary act and deed of said corporation.

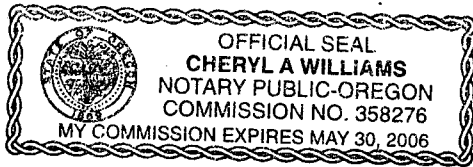


A handwritten signature in cursive script, appearing to read 'Cheryl Williams', is written over the notary seal.

Notary Public for Oregon

STATE OF OREGON)
) ss.
County of Deschutes)

On this 5 day of Aug, 2003, personally appeared before me,
Vern Goodsell who being duly sworn, states ~~he~~ she is the Secretary of EAGLE AIR ESTATE, an
Oregon non-profit corporation, and that the foregoing instrument was signed and sealed on behalf of said
corporation and he/she acknowledged said instrument to be the voluntary act and deed of said corporation.



[Signature]
Notary Public for Oregon