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EXHIBIT "C"

**BY-LAWS
OF
BROKEN TOP COMMUNITY ASSOCIATION, INC.**

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BY-LAWS
OF
BROKEN TOP COMMUNITY ASSOCIATION, INC.

Article I
Name, Principal Office, and Definitions

- 1.1. **Name.** The name of the Association shall be Broken Top Community Association, Inc. ("Association").
- 1.2. **Principal Office.** The principal office of the Association in the State of Oregon shall be located in Deschutes County. The Association may have such other offices, either within or outside the State of Oregon, as the Board may determine or as the affairs of the Association may require.
- 1.3. **Definitions.** The words used in these By-Laws shall be given their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in that Declaration of Covenants, Conditions, and Restrictions for Broken Top Community filed in the Office Of The County Clerk ("Declaration"), unless the context indicates otherwise.

Article II
Association: Membership, Meetings, Quorum, Voting, Proxies

- 2.1. **Membership.** The Association shall have two classes of membership, Class "A" and Class "B", as more fully set forth in the Declaration, the terms of which pertaining to membership are incorporated by reference.
- 2.2. **Place of Meetings.** Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as may be designated by the Board either within the Properties or as convenient thereto as possible and practical.
- 2.3. **Annual Meetings.** The first meeting of the Association, whether a regular or special meeting, shall be held within 45 days after the conveyance of 51% of the Units in the Properties to Retail Owners, but not later than six months after the first conveyance of a Unit to a Retail Owner after the issuance of the Permit. Meetings shall be of the Voting Members. Subsequent regular annual meetings shall be set by the Board so as to occur at least 30 days but not more than 120 days before the close of the Association's fiscal year on a date and at a time set by the Board.
- 2.4. **Special Meetings.** The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting if so directed by resolution of the Board or upon a petition signed by Voting Members representing at least 10% of the members of the Association. In accordance with O.R.S. §94.616, the Association shall call a special meeting not later than 120 days after the Class "B" membership has terminated for the purpose of turning over administrative responsibility to the Association. The meeting shall be of the Voting Members. If the Declarant fails to call the meeting, the Temporary Advisory Committee, if any, or any Owner may call the meeting in accordance with Oregon Revised Statute §94.609.
- 2.5. **Notice of Meetings.** Written or printed notice stating the place, day, and hour of any meeting of the Voting Members shall be delivered, either personally or by mail, to each Voting Member entitled to vote at such meeting, not less than 10 nor more than 50 days before the date of such meeting, by or at the direction of the President or the Secretary or the officers or persons calling the meeting.
- In the case of a special meeting or when otherwise required by statute or these By-Laws, the purpose or purposes for which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.
- If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the Voting Member at his or her address as it appears on the records of the Association, with postage prepaid.
- 2.6. **Waiver of Notice.** Waiver of notice of a meeting of the Voting Members shall be deemed the equivalent of proper notice. Any Voting Member may, in writing, waive notice of any meeting of the Voting Members, either before or after such meeting. Attendance at a meeting by a Voting Member shall be deemed waiver by such Voting Member of notice of the time, date, and place thereof, unless such Voting Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed waiver of notice of all business transacted unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.7. Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, a majority of the Voting Members who are present at such meeting may adjourn the meeting to a time not less than five nor more than 30 days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting.

Originally called. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given to the Voting Members in the manner prescribed for regular meetings.

The Voting Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough to leave less than a quorum, provided that Voting Members representing at least 25% of the Members of the Association remain in attendance, and provided that any action taken is approved by at least a majority of the votes required to constitute a quorum.

2.8. Voting. The voting rights of the Members shall be as set forth in the Declaration, and such voting rights provisions are specifically incorporated by reference. Voting of the Voting Members at a meeting may be by voice or ballot, except the election of directors which shall be by secret written ballot.

2.9. Proxies. Voting Members may not vote by proxy but only in person or through their designated alternates; provided, any Voting Member who is only entitled to cast the vote(s) for his or her own Unit(s) pursuant to Section 3.4(b) of the Declaration may cast such vote in person or by proxy until such time as the Board first calls for election of a Voting Member to represent the Neighborhood of which the Unit is a part. No proxy shall be valid unless it meets the requirement of O.R.S. §94.660 and is signed by the Owner or his or her duly authorized attorney-in-fact, dated, and filed with the Secretary of the Association prior to any meeting for which it is to be effective. No proxy shall be valid after one year from its date of execution unless otherwise specified in the proxy.

2.10. Majority. As used in these By-Laws, the term "majority" shall mean those votes, owners, or other group as the context may indicate totaling more than 50% of the total eligible number.

2.11. Quorum. Except as otherwise provided in these By-Laws or in the Declaration, the presence of the Voting Members representing a majority of the total votes in the Association shall constitute a quorum at all meetings of the Association.

2.12. Conduct of Meetings. The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring at the meeting.

2.13. Action Without a Meeting. Any action required or permitted by law to be taken at a meeting of the Voting Members may be taken without a meeting, without prior notice and without a vote if written consent specifically authorizing the proposed action is signed by Voting Members holding at least the minimum number of votes necessary to authorize such action at a meeting if all Voting Members entitled to vote thereon were present. Such consents shall be signed within 60 days after receipt of the earliest dated consent, dated and delivered to the Association at its principal place of business in the State of Oregon. Such consents shall be filed with the minutes of the Association, and shall have the same force and effect as a unanimous vote of the Voting Members.

Article III

Board of Directors: Number, Powers, Meetings

Composition and Selection.

3.1. Governing Body; Composition. The affairs of the Association shall be governed by a Board, each of whom shall have one equal vote. Except with respect to directors (a) appointed by the Class "B" Member during the Class "B" Control Period pursuant to Section 3.3, (b) elected by the Class "B" Member after the expiration of the Class "B" Control Period or (c) elected by the Class "A" votes held by Declarant after the conversion of the Class "B" membership to Class "A" membership pursuant to Section 3.3(b) of the Declaration, the directors shall all be Members or spouses of such Members; provided, however, no person and his or her spouse may serve on the Board at the same time. In the case of a Member which is not a natural person, any officer, director, partner or trust officer of such Member shall be eligible to serve as a director unless otherwise specified by written notice to the Association signed by such Member. No Member may have more than one such representative on the Board at a time, except in the case of directors (a) appointed by the Class "B" Member during the Class "B" Control Period pursuant to Section 3.3, (b) elected by the Class "B" Member after the expiration of the Class "B" Control Period or (c) elected by the Class "A" votes held by Declarant after the conversion of the Class "B" membership to Class "A" membership pursuant to Section 3.3(b) of the Declaration.

3.2. Number of Directors. The number of directors in the Association shall be not less than three nor more than seven, as provided in Section 3.5. The initial Board shall consist of three directors as identified in the Articles of Incorporation.

3.3. Directors During Class "B" Control Period. Subject to the provisions of Section 3.5, the directors shall be appointed by the Class "B" Member acting in its sole discretion and shall serve at the pleasure of the Class "B" Member until the first to occur of the following:

- (a) when 75% of the Maximum Units have certificates of occupancy issued thereon and have been conveyed to Retail Owners;
- (b) six years from the anniversary date of the conveyance of the first Unit to a Retail Owner after the issuance of the first permit; or
- (c) when, in its discretion, the Class "B" Member so determines.

3.4. Nomination of Directors. Except with respect to directors selected by the Class "B" Member, or the Declarant, as the case may be, pursuant to Section 3.1, nominations for election to the Board shall be made by a Nominating Committee. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board, and three or more Members or representatives of Members, with at least one representative from each Voting Group. The Nominating Committee shall be appointed by the Board not less than 30 days prior to each annual meeting of the Voting Members to serve a term of one year or until their successors are appointed, and such appointment shall be announced at each such annual meeting. The Nominating Committee shall make as many nominations for election to the Board as it shall in its discretion determine, but in no event less than the number of positions to be filled from each slate as provided in Section 3.5. The Nominating Committee shall nominate separate slates for the directors, if any, to be elected at large by all Voting Members, and for the director(s) to be elected by the Voting Members representing the Units within each Voting Group. Nominations for each slate shall also be permitted from the floor. All candidates shall have a reasonable opportunity to communicate their qualifications to the Voting Members and to solicit votes.

3.5. Election and Term of Office. Notwithstanding any other provision of these By-Laws:

(a) Within one year after the first Unit is conveyed to a Retail Owner, the President shall call a special meeting to be held at which the Voting Members representing the Class "A" Members, other than the Declarant, shall elect one of the three directors who shall be an at-large director. The remaining two directors shall be appointees of the Class "B" Member. The director elected by the Voting Members shall not be subject to removal by the Class "B" Member and shall be elected for a term of two years or until the happening of the event described in subsection (b) below, whichever is shorter. If such director's term expires prior to the happening of the event described in subsection (b) below, a successor shall be elected for a like term.

(b) Within 30 days after the time that Retail Owners own 50% of the Maximum Units, or whenever the Class "B" Member earlier determines, the Board shall be increased to five directors. The President shall call a special meeting at which Voting Members representing the Class "A" Members, other than the Declarant, shall be entitled to elect two of the five directors, who shall serve as at-large directors. The remaining three directors shall be appointees of the Class "B" Member. The directors elected by the Voting Members shall not be subject to removal by the Class "B" Member and shall be elected for a term of two years or until the happening of the event described in subsection (c) below, whichever is shorter. If such directors' terms expire prior to the happening of the event described in subsection (c) below, successors shall be elected for a like term.

(c) Within 120 days after the termination of the Class "B" Control Period, the Board shall be increased to seven directors. The President shall call a meeting at which all directors shall be elected as follows: Subject to subsection (d) below, the directors shall be elected by Voting Members representing both Class "A" and Class "B" Members, with an equal number of directors elected from each Voting Group and any remaining directorships filled at large by the vote of all Voting Members. The majority of the directors shall be elected for a term of two years and the remaining directors shall be elected (or appointed as the case may be pursuant to subsection (d) below) for a term of one year, with each term to expire at the next annual meeting after the two-year or one-year period, as applicable. Successor directors shall be elected (or appointed as the case may be pursuant to subsection (d) below) at annual meetings to serve for two-year terms.

Each Voting Member shall be entitled to cast all votes attributable to the Units in the Neighborhood with respect to each vacancy to be filled from each slate on which such Voting Member is entitled to vote. There shall be no cumulative voting. The candidate(s) receiving the most votes shall be elected. For the first election held pursuant to this subsection, of the elected candidates, those receiving the most votes shall serve for two years. The directors elected by the Voting Members shall hold office until their respective successors have been elected. Directors may be elected to serve any number of consecutive terms.

(d) After the Class "B" Control Period, the Declarant shall have the right to appoint or elect at least 20% of the Board Members as long as the Declarant has the power to annex property pursuant to Article IX of the Declaration.

3.6. Removal of Directors and Vacancies. Any director elected by the Voting Members may be removed, with or without cause, by the vote of Voting Members holding a majority of the votes entitled to be cast for the election of such director. Any director whose removal is sought shall be given notice prior to any meeting called and noticed for that purpose. A director who was elected at large solely by the votes of Voting Members representing Class "A" Members (other than the Declarant), may be removed from office prior to the expiration of his or her term only by the votes of Voting Members representing a majority of the Class "A" Members (other than the Declarant). Upon removal of a director, a successor shall be elected by the Voting Members entitled to elect the director so removed to fill the vacancy for the remainder of the term of such director.

Any director elected by the Voting Members who has three consecutive unexcused absences from Board meetings, or who is more than 30 days delinquent in the payment of any assessment or other charge due the Association, may be removed by a majority of the directors present at a regular or special meeting at which a quorum is present, and a successor may be appointed by the Board to fill the vacancy for the remainder of the term.

In the event of the death, disability, or resignation of a director, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Voting Members entitled to fill such directorship may elect a successor for the remainder of the term. Any director appointed by the Board shall be selected from among Members within the Voting Group represented by the director who vacated the position.

B. Meetings.

3.7. Organizational Meetings. The first meeting of the Board following each annual meeting of the membership shall be held within 10 days thereafter at such time and place the Board shall fix.

3.8. Regular Meetings. Regular meetings of the Board may be held at such time and place a majority of the directors shall determine, but at least four such meetings shall be held during each fiscal year with at least one per quarter. Notice of the time and place of the meeting shall be posted in a prominent place within the Properties and communicated to directors not less than four days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting.

3.9. Special Meetings. Special meetings of the Board shall be held when called by written notice signed by the President or by any two directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each director by: (a) personal delivery; (b) first class mail, postage prepaid; (c) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (d) telegram, charges prepaid. All such notices shall be given at the director's telephone number or sent to the director's address as shown on the records of the Association. Notices of special meetings of the Board shall be posted in a prominent place within the Properties. Notices sent by first class mail shall be deposited into a United States mailbox at least four business days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least 72 hours before the time set for the meeting.

3.10. Waiver of Notice. The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (a) a quorum is present, and (b) either before or after the meeting each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting also shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.11. Quorum of Board of Directors. At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board, unless otherwise specifically provided in these By-Laws or the Declaration. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any meeting of the Board cannot be held because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not less than five nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

3.12. Compensation. No director shall receive any compensation from the Association for acting as such unless approved by Voting Members representing a majority of the total Class "A" votes in the Association, other than the Declarant, at a regular or special meeting of the Association. Any director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director's interest was made known to the Board prior to entering into such contract and such contract was approved by a majority of the Board, excluding the interested director.

3.13. Conduct of Meetings. The President shall preside over all meetings of the Board, and the Secretary shall keep a minute book of meetings of the Board, recording all resolutions adopted by the Board and all transactions and proceedings occurring at such meetings.

3.14. Open Meetings. Subject to the provisions of Section 3.15, all meetings of the Board shall be open to all Voting Members, but a Voting Member other than directors may not participate in any discussion or deliberation unless permission to speak is requested on his or her behalf by a director. In such case, the President may limit the time any Voting Member may speak. Notwithstanding the above, the President may adjourn any meeting of the Board and reconvene in executive session, excluding Voting Members, to discuss matters of a sensitive nature, such as pending or threatened litigation, personnel matters, etc.

3.15. Action Without a Formal Meeting. Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote. Written consent or consents shall be filed with the minutes of the proceedings of the Board. An explanation of the action to be taken or actually taken by the Board shall be given to the Members of the Association within three days after all written consents have been obtained. The explanation shall be given in the same manner as provided in the By-Laws for the giving of notice of regular meetings of the Board. Failure to give notice shall not render the action to be taken or actually taken invalid.

Powers and Duties.

3.16. Powers. The Board shall have all of the powers and duties necessary for the administration of the Association's affairs and performing all responsibilities and exercising all rights of the Association as set forth in the Declaration, these By-Laws, the Articles, and provided by law. The Board may do or cause to be done all acts and things as are not by the Declaration, Articles, these By-Laws, or Oregon directed to be done and exercised exclusively by the Voting Members or the membership generally.

3.17. Duties. The duties of the Board shall include, without limitation:

- (a) preparation and adoption of annual budgets and establishing each Owner's share of the Common Expenses and Neighborhood Expenses;
- (b) levying and collecting assessments from the Owners to fund the Common Expenses and Neighborhood Expenses;
- (c) providing for the operation, care, upkeep, and maintenance of the Area of Common Responsibility;
- (d) designating, hiring, and dismissing the personnel necessary to carry out the rights and responsibilities of the Association where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;
- (e) depositing all funds received on behalf of the Association in a bank depository which it shall approve, and using such funds to operate the Association; provided, any reserve fund may be deposited, in the directors' best business judgment, in depositories other than banks;
- (f) making and amending rules and regulations;
- (g) opening of bank accounts on behalf of the Association and designating the signatories required;
- (h) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the Declaration and these By-Laws;
- (i) enforcing by legal means the provisions of the Declaration, these By-Laws, and the rules adopted by it and bringing proceedings which may be instituted on behalf of or against the Owners concerning the Association;
- (j) obtaining and carrying property and liability insurance and fidelity bonds, as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;
- (k) paying the cost of all services rendered to the Association or its Members and not chargeable directly to specific Members;
- (l) keeping books with detailed accounts of the receipts and expenditures of the Association;
- (m) making available to any prospective purchaser of a Unit, any Owner, and the holders, insurers, and guarantors of a Mortgage on any Unit, current copies of the Declaration, the Articles of Incorporation, the By-Laws, rules and all other books, records, and financial statements of the Association;
- (n) permitting utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of the Properties;
- (o) indemnifying a director, officer or committee member, or former director, officer or committee member of the Association to the extent such indemnity is required by Oregon law, the Articles of Incorporation and the Declaration; and
- (p) assisting in the resolution of disputes between owners and others without litigation, as set forth in the Declaration.

3.18. Right of Class "B" Member to Disapprove Actions. Until 75% of the Maximum Units are owned by Retail Owners, the Declarant shall have a right to disapprove any action, policy or program of the Association, the Board and any committee which, in the judgment of the Declarant, would tend to impair rights of the Declarant or Builders under the Declaration or these By-Laws, or interfere with development, construction of any portion of the Properties, or diminish the level of services being provided by the Association.

No such action, policy or program shall become effective or be implemented until and unless:

- (a) The Declarant shall have been given written notice of all meetings and proposed actions approved at meetings of the Association, the Board or any committee thereof by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary of the Association, as it may change from time to time, which notice complies as to the Board meetings with Sections 3.8,

and 3.10 of these By-Laws and which notice shall, except in the case of the regular meetings held pursuant to the By-Laws, set forth in detail particularly the agenda to be followed at said meeting; and

(b) The Declarant shall be given the opportunity at any such meeting to join in or to have its representatives or agents in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein. The Declarant, its representatives or agents shall make its concerns, thoughts, and suggestions known to the Board and/or the members of the Association. The Declarant shall have and is hereby granted a right to disapprove any such action, policy, or program authorized by the Association, the Board or any committee thereof, if Board, committee, or Association approval is necessary for such action. This right may be exercised by the Declarant, its successors, assigns, representatives, or agents at any time within 10 days following the meeting held pursuant to the terms and provisions hereof. This right to disapprove may be used to block proposed actions but shall not extend to the requiring of an action or counteraction on behalf of any committee, or the Board or the Association. The Declarant shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

(c) This Section may not be amended without the express written consent of the Declarant until 75% of the Maximum Units have been conveyed to Retail Owners.

3.19. Management. The Board may employ for the Association a professional management agent or agents at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board may delegate such powers as are necessary to perform the manager's assigned duties, but shall not delegate policy making authority or those duties set forth in Sections 3.17(a) and 3.17(i). The Declarant, or an affiliate of the Declarant, may be employed as managing agent or manager.

The Board may delegate to one of its members the authority to act on behalf of the Board on all matters relating to the duties of the managing agent or manager, if any, which might arise between meetings of the Board.

The Association shall not be bound, either directly or indirectly, by any management contract executed during the Class "B" Control Period unless such contract contains a right of termination exercisable by the Association, with or without cause and without penalty, at any time during the termination of the Class "B" Control Period upon not more than 30 days written notice.

3.20. Accounts and Reports. The following management standards of performance shall be followed unless the Board by resolution specifically determines otherwise:

- (a) accrual accounting, as defined by generally accepted accounting principles, shall be employed;
- (b) accounting and controls should conform to generally accepted accounting principles;
- (c) cash accounts of the Association shall not be commingled with any other accounts;
- (d) no remuneration shall be accepted by the managing agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association;
- (e) any financial or other interest which the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board;
- (f) the following financial and related information shall be regularly prepared and distributed by the Board to all Members of the Association:
 - (i) The Board shall cause a "Capital Budget" and a "Common Expense Budget" (collectively referred to as the "Budget") for the Association, (which includes the budget for each of the Neighborhoods, if any), to be prepared for each fiscal year of the Association, a copy of which shall be distributed to each Member of the Association not less than 45 nor more than 60 days before the beginning of the fiscal year to which the Budget relates. A copy of the Budget shall be distributed personally or by mail or other manner reasonably designed to provide delivery to each of the Members of the Association. The Budget shall include the following information:
 - (A) the estimated revenue and expenses of the Association on an accrual basis for the coming fiscal year;
 - (B) the amount of the total cash reserves of the Association currently available for the maintenance or major repair of the Area of Common Responsibility and for contingencies;
 - (C) an estimate of the current replacement costs of the estimated remaining useful life of, and the methods of funding to defray future repair, replacement or additions to, those major components of the Area of Common Responsibility;
 - (D) a general statement setting forth the procedures used by the Board in the calculation and maintenance of reserves to defray the future repair, replacement or additions to major components of the Area of Common Responsibility.

(E) a disclosure statement that the Declarant or a Builder is contributing "in kind" services pursuant to a contract with the Association, if any, and that their assessment obligation may be reduced or abated by the amount of agreed value of such services or materials; and

(F) a disclosure statement that a subsidy contract exists between the Declarant and the Association, if that is the case.

The budget shall become effective unless disapproved at a meeting of the Voting Members representing at least a majority of the members of the Association. There shall be no obligation to call a meeting for the purpose of considering the Budget except on petition of the Voting Members as provided for special meetings in Section 2.4 of the By-Laws, which petition must be presented to the Board within 10 days of delivery of the notice of assessments. In the event the proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then and until such time as a budget shall have been determined as provided herein, the budget in effect for the immediately preceding year shall continue for the current year.

The portions of the budget relating to particular Neighborhoods shall become effective unless disapproved by a majority of the Owner Units in the Neighborhood for which the Neighborhood budget applies. There shall be no obligation to call a meeting for the purpose of considering the Neighborhood budget except on petition of Owners of at least 10% of the Units in such Neighborhood; and provided, further, the right to disapprove shall only apply to those line items in the Neighborhood budget which are attributable to services requested by the Neighborhood. In the event the portions of the proposed budget relating to any Neighborhood is disapproved or the Board fails for any reason to determine the Neighborhood budget for any year, then and until such time as such budget shall have been determined as provided herein, the Neighborhood budget in effect for the immediately preceding year shall continue for the current year.

In lieu of distributing the budget as specified in the above paragraphs of this Section 3.20, the Board may elect to distribute a summary of the budget ("Summary") to all its Members with a written notice that the budget is available at the business office of the Association or at any other suitable location within the boundaries of the Properties and that copies will be provided upon request at the expense of the Association. If a Member requests a copy of the budget, the Association shall provide such copy to the Member by first-class United States mail and deliver the copy within five days of such request. The written notice that is distributed to each of the Members shall be in at least 10 point bold type on the front page of the Summary.

In the event the Board elects to distribute the budget, upon written request for the Association's most recent budget by any Member, the Association shall, within 10 days of the mailing or delivery of the request, provide to any Member of the Association a copy of the budget. The Association may charge a fee for this service, which shall not exceed the reasonable cost to prepare and reproduce the budget.

(ii) The Board shall cause an annual report ("Financial Statement") to be prepared in accordance with generally accepted accounting principles to be distributed to each Member of the Association within 120 days after close of the Association's fiscal year. A copy of the Financial Statement shall be distributed personally or by mail or other manner reasonably designed to insure delivery to each of the Members of the Association, and shall consist of:

- (A) a balance sheet as of the end of the fiscal year;
- (B) an income and expense statement for the fiscal year (This operating statement shall include a schedule of assessments received and receivables identified by the numbers of the Units and the name(s) of the Owners assessed.); and
- (C) a statement of changes in financial position for the fiscal year.

The Financial Statement shall be prepared by an independent accountant for any fiscal year in which the gross income to the Association exceeds \$75,000.00. If the Financial Statement is not prepared by an independent accountant, it shall be accompanied by the signature of an authorized officer of the Association that the statements were prepared without independent audit or review of the books and records of the Association.

- (iii) The Board shall do the following not less frequently than quarterly:
 - (A) cause a current reconciliation of the Association's operating accounts to be made and reviewed; and
 - (B) cause a current reconciliation of the Association's reserve accounts to be made and reviewed; and
 - (C) review the current year's actual reserve revenues and expenses compared to the current Budget;
 - (D) review the most current account statements prepared by the financial institution where the Association has its operating and reserve accounts;
 - (E) review an income and expense statement for the Association's operating and reserve accounts; and

(F) review the delinquency report listing all Owners who are delinquent in paying assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent. (Assessment or installment thereof shall be considered to be delinquent on the 15th day following the due date unless otherwise determined by the Board.)

(iv) A statement of the Association's policies and practices in enforcing its remedies against members for default in the payment of assessments, including the recording and foreclosing of liens against Units, to be distributed to Members of the Association within 60 days before the beginning of each fiscal year.

3.21. Borrowing. The Association shall have the power to borrow money for the purpose of maintenance, repair or restoration of the Area of Common Responsibility without the approval of the Voting Members. The Board shall also have the power to borrow money for other purposes; provided, that the proposed borrowing is for the purpose of modifying, improving, or adding amenities to the Area of Common Responsibility. Such borrowing shall be in accordance with Section 3.24(a). During the Class "B" Control Period, no Mortgage shall be placed on any portion of the Common Area without the affirmative vote or written consent of Voting Members representing at least a majority of the Members other than the Declarant.

3.22. Rights of the Association. The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or Neighborhood and other owners or residents associations, both within and outside the Property. Such agreements shall require the consent of a majority of the total number of directors of the Association.

3.23. Enforcement. In addition to such other rights as are specifically granted under the Declaration, the Board shall have the power to impose reasonable fines. A fine, other than a penalty for nonpayment of assessments, shall not constitute a lien upon the Unit of the violator. The Board shall also have the power to suspend an Owner's right to vote or any person's right to use the Common Area for violation of any duty imposed under the Declaration, these By-Laws, or any rules and regulations duly adopted hereunder; provided, however, no such action shall authorize the Board to limit ingress and egress to or from a Unit or to suspend an Owner's right to vote due to nonpayment of assessments. In addition, the Board may suspend any services provided by the Association to an Owner or the Owner's Unit if the Owner is more than 30 days delinquent in paying any assessment or other charges owed to the Association. In the event that any occupant, guest or invitee of a Unit violates the Declaration, By-Laws, or a rule and a fine is imposed, the fine shall first be assessed against the occupant; provided, however, if the fine is not paid by the occupant within the time period set by the Board, the Owner shall pay the fine upon notice from the Association. The failure of the Board to enforce any provision of the Declaration,

these By-Laws, or any rule shall not be deemed a waiver of the right of the Board to do so thereafter.

(a) Notice. Prior to imposition of any sanction hereunder or under the Declaration, the Board or its delegate shall give the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a period of not less than 15 days within which the alleged violator may present a written request for a hearing to the Board or the Covenants Committee, if any, appointed pursuant to Article V; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a challenge is begun within 15 days of the notice. If a timely challenge is not made, the sanction stated in the notice shall be imposed. If the Board or the Covenants Committee may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the 15 day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions of the Declaration by any Person.

(b) Hearing. If a hearing is requested within the allotted 10 day period, the hearing shall be held before the Covenants Committee, if any, or if none, before the Board in executive session. The alleged violator shall be afforded a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minutes of the meeting. Proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(c) Appeal. Following a hearing before the Covenants Committee, the violator shall have the right to appeal the decision to the Board. To perfect this right, a written notice of appeal must be received by the manager, President, or Secretary of the Association within 10 days after the hearing date.

(d) Additional Enforcement Rights. Notwithstanding anything to the contrary in this Article, the Board may enforce any provision of the Declaration, these By-Laws, or the rules of the Association by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations however, only in accordance with any applicable ordinance of the City of Ben or County of Deschutes, if applicable) or, following compliance with the procedures set forth in Article XVII of the Declaration, by suit at law or in equity to enjoin any violation or to recover monetary damages or both without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation which abatement is sought shall pay all costs, including reasonable attorney's fees actually incurred.

3.24. Prohibited Acts. The Board shall not take any of the following actions except with the written consent or vote of the Voting Members representing at least a majority of the Members other than the Declarant:

- (a) to incur aggregate expenditures for capital improvements to the Area of Common Responsibility in any fiscal year in excess of 5% of the budgeted Common Expenses of the Association for that fiscal year;
- (b) to sell during any fiscal year property of the Association having an aggregate fair market value greater than 5% of the budgeted Common Expenses of the Association for that fiscal year;
- (c) to pay compensation to directors or officers of the Association for services performed in the conduct of the Association's business; provided, however, the Board may cause a director or officer to be reimbursed for expenses incurred in carrying on the business of the Association;
- (d) to enter into a contract with a third Person wherein the third Person will furnish goods or services for the Area of Common Responsibility or the Association for a term longer than one year with the following exceptions:
 - (i) a management contract, the terms of which have been approved by the U.S. Department of Veterans Affairs ("VA") or the U.S. Department of Housing and Urban Development ("HUD") if either agency is guaranteeing or insuring the contract in the Properties;
 - (ii) a contract with a public utility company, if the rates charged for the materials or services are approved by the Public Utilities Commission; provided, however, the term of the contract shall not exceed the shortest term for which the utility is regulated at the regulated rate;
 - (iii) prepaid casualty and/or liability insurance policies not to exceed three years duration, provided that the policy permits short rate cancellation by the insured;
 - (iv) lease agreements for laundry room fixtures and equipment of a duration not to exceed five years, provided that the lessor is not an entity in which Declarant has a direct or indirect interest of 10% or more;
 - (v) agreements for cable television services and equipment or satellite television services and equipment of a duration not to exceed five years duration, provided that the supplier is not an entity in which Declarant has a direct or indirect interest of 10% or more;
 - (vi) agreements for sale or lease of burglar alarm and fire alarm equipment, installation and maintenance of such equipment, not to exceed five years duration, provided that the supplier is not an entity in which Declarant has a direct or indirect interest of 10% or more.
- (e) no contract with the Association negotiated by Declarant shall exceed a term of one year except as may otherwise be provided in paragraph (d) of this Section.

Article IV Officers

1. **Officers.** The officers of the Association shall be a President, Vice President, Secretary, and Treasurer. The President, Vice President, Secretary and Treasurer shall be elected from among the members of the Board; other officers may, but need not be members of the Board. The Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as may be deemed desirable, such officers to have the authority and perform the duties prescribed by the Board. Any two or more offices may be held by the same person, except the offices of President and Secretary.
2. **Election and Term of Office.** The officers of the Association shall be elected annually by the Board at the first meeting following each annual meeting of the Voting Members, as set forth in Article III.
3. **Removal and Vacancies.** Any officer may be removed by the Board whenever in its judgment the best interests of the Association will be served thereby. A vacancy in any office arising because of death, resignation, removal, or otherwise may be filled by the Board at any time within the unexpired portion of the term.
4. **Powers and Duties.** The officers of the Association shall each have such powers and duties as generally pertain to their offices, as well as such powers and duties as may specifically be conferred or imposed by the Board. The President shall be the chief executive officer of the Association. The Treasurer shall have primary responsibility for the preparation of the budget as provided for in the Articles and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.
5. **Resignation.** Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. The resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified, the acceptance of such resignation shall not be necessary to make it effective.

4.6. Agreements, Contracts, Deeds, Leases, Checks, Etc. All agreements, contracts, deeds, leases, checks, and other instruments of the Association (other than for the withdrawal of reserve funds) shall be executed by at least two officers or by such other persons as may be designated by resolution of the Board. The Board shall require signatures for the withdrawal of reserve funds of either members of the Board or a member of the Board and officer of the Association who is not also a member of the Board. For purposes of this section, "reserve funds" means monies the Board has identified in the Budget for use to defray the future repair or replacement of, or repairs to, those major components which the Association is obligated to maintain.

4.7. Compensation. Compensation of officers shall be subject to the same limitations as compensation of directors under Section 3.12 hereof.

Article V Committees

5.1. General. The Board may appoint such committees as it deems appropriate to perform such tasks and to serve for such terms as the Board may designate by resolution. Each committee shall operate in accordance with the terms of such resolution.

5.2. Covenants Committee. In addition to any other committees which the Board may establish pursuant to Section 5.1, the Board may appoint a Covenants Committee consisting of at least three and no more than seven Members. Acting in accordance with the provisions of the Declaration, these By-Laws, and resolutions the Board may adopt, the Covenants Committee, if established, shall be the hearing body of the Association and shall conduct all hearings held pursuant to Section 3.23 of these By-Laws.

5.3. Neighborhood Committees. In addition to any other committees appointed as provided above, each Neighborhood which has a normal organizational structure or association may elect a Neighborhood Committee to determine the nature and extent of services, if any, to be provided to the Neighborhood by the Association in addition to those provided to all Members of the Association in accordance with the provisions of the Declaration. Upon written petition signed by 25% of the Owners within any Neighborhood, the Board shall call for an election of a Neighborhood Committee for such Neighborhood no later than 60 days from receipt of such petition. Such first election may be held at a meeting or by written ballot at the discretion of the Board. Such Neighborhood Committees, if formed, shall consist of three members; provided, however, by vote of at least 51% of the Owners within the Neighborhood this number may be increased to five.

Each Owner of a Unit within a Neighborhood may cast the vote(s) assigned to his or her Unit in the Declaration for each vacancy existing on the Neighborhood Committee. The candidate(s) receiving the most votes shall be elected. The Owners of Units within the Neighborhood holding at least one-third (1/3) of the total votes of Units in the Neighborhood, represented in person or by proxy, shall constitute a quorum at any meeting of the Neighborhood.

In the event a Neighborhood Committee has been formed for a particular Neighborhood, subsequent members of the committee shall be elected by the vote of Owners of Units within that Neighborhood at their annual meeting. The annual meeting date shall be set by the Neighborhood Committee so as to occur within the same month of the first election of such committee.

Each Neighborhood Committee shall adopt rules and procedures for the operation of such committee, (including but not limited to procedures for calling the annual meeting), which shall be distributed to all Owners within such Neighborhood; provided however, that such procedures do not conflict with any provisions of the Declaration, Articles, these By-Laws or rules and regulations of the Association.

Committee members shall be elected for a term of one year or until their successors are elected, whichever is longer. It shall be the duty of the Neighborhood Committee to determine the nature and extent of services, if any, to be provided to the Neighborhood by the Association in addition to those provided to all Members of the Association in accordance with the Declaration. A Neighborhood Committee may advise the Board on any other issue, but shall not have the authority to bind the Board.

In the conduct of its duties and responsibilities, each Neighborhood Committee shall abide by the notice and quorum requirements set forth to the Board under Sections 3.8, 3.9, 3.10 and 3.11 and the procedural requirements set forth in Sections 3.13, 3.14, and 3.15; however, the term "Voting Member" shall refer to the Owners of Units within the Neighborhood. Each Neighborhood Committee shall elect a chairman from among its members who shall preside at its meetings; provided, however, the Voting Member shall be eligible for transmitting any and all communications to the Board. The Voting Member from each Neighborhood shall be an ex officio member of the Neighborhood Committee, if any, for such Neighborhood.

The Voting Members from each Neighborhood shall be elected and serve in accordance with Section 3.4(b) of the Declaration.

5.4. Transitional Advisory Committee. In addition to any other committees appointed as provided above, the Board shall establish a Transitional Advisory Committee when more than 50% of the Maximum Units are owned by Retail Owners and the membership has not yet terminated.

Article VI
Miscellaneous

6.1. Fiscal Year. The fiscal year of the Association shall be set by resolution of the Board. In the absence of a resolution, the fiscal year shall be the calendar year.

6.2. Parliamentary Rules. Except as may be modified by Board resolution, Robert's Rules of Order (current edition) shall govern the conduct of Association proceedings when not in conflict with Oregon law, the Articles of Incorporation, the Declaration, or these By-Laws.

6.3. Conflicts. If there are conflicts between the provisions of Oregon law, the Articles of Incorporation, the Declaration, and these By-Laws, the provisions of Oregon law, the Declaration, the Articles of Incorporation, and the By-Laws (in that order) shall prevail.

6.4. Books and Records.

(a) Inspection by Members and Mortgagees. The Board shall make available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a Unit, any Member, or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Unit: the Declaration, By-Laws, and Articles of Incorporation, any amendments to the foregoing, the rules of the Association, the membership register, the most recent Financial Statement, the current Budget, books of account, the Statement of Planned Community Information prepared in accordance with O.R.S. §94.750, and the minutes of meetings of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the office of the Association or at such other place within the Properties as the Board shall designate.

(b) Rules for Inspection. The Board shall establish reasonable rules with respect to:

- (i) notice to be given to the custodian of the records;
- (ii) hours and days of the week when such an inspection may be made; and
- (iii) payment of the cost of reproducing copies of documents requested.

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make a copy of relevant documents at the expense of the Association.

6.5. Notices. Unless otherwise provided in these By-Laws, all notices, demands, bills, statements, or other communications under these By-Laws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States mail, first class postage prepaid:

(a) if to a Member or Voting Member, at the address which the Member or Voting Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Unit of such Member or Voting Member; or

(b) if to the Association, the Board, or the managing agent, at the principal office of the Association or the managing agent, if any, or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

6.6. Amendment.

(a) By Declarant Member. Prior to the conveyance of the first Unit to a Retail Owner and prior to the issuance of the first Permit, Declarant may unilaterally amend these By-Laws. After the issuance of the first Permit and prior to the first conveyance pursuant to such Permit, Declarant may unilaterally amend these By-Laws; provided any amendment constituting a material change shall require the approval of the Commissioner. After the conveyance of any Unit, the Declarant may unilaterally amend these By-Laws at any time if such amendment is (i) necessary to bring any provision hereof into compliance with any applicable governmental statutes, rule or regulation, or judicial determination; (ii) necessary to enable any reputable title insurance company to issue title insurance coverage on the Units; (iii) required by an institutional or governmental lender or purchaser of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable such lender or purchaser to make or purchase mortgage loans on the Units; or (iv) otherwise necessary to satisfy the requirements of any governmental agency for approval of these By-Laws. However, any such amendment shall not adversely affect the title to any Unit unless the affected Owner shall consent thereto in writing and such amendment is approved by the Commissioner if applicable. The Commissioner's approval is required if the amendment constitutes a material change and a Unit has been conveyed pursuant to a Permit.

(b) By Members Generally. Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of Voting Members representing 51% of each class of Members. After conversion of the Class "B" membership to Class "A" membership, these By-Laws may be amended by the vote or written consent of the Voting Members representing at least: (a) 75% of the Members; and (b) 75% of the Members other than the Declarant.

STATE OF OREGON
COUNTY OF DESCHUTES) ss.

I, MARY SUE PENHOLLOW, COUNTY CLERK AND
RECORDER OF CONVEYANCES, IN AND FOR SAID
COUNTY, DO HEREBY CERTIFY THAT THE WITHIN
INSTRUMENT WAS RECORDED THIS DAY:

94 SEP 21 PM 3:57

MARY SUE PENHOLLOW
COUNTY CLERK

T. Moore DEPUTY
94-37067 FEE 385.00
DESCHUTES COUNTY OFFICIAL RECORDS