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BYLAWS
OF THE
MOUNTAIN GATE ASSOCIATION

ARTICLE I

NAME AND LOCATION OF ASSOCIATION

The name of this Association is MOUNTAIN GATE ASSOCIATION. Its principal office is located at 61165 River Bluff Trail, Bend, Oregon.

ARTICLE II

DEFINITIONS

The following terms when used herein shall have the following meanings unless a different meaning is plainly required by the context:

1.1 All terms defined in Mountain Gate Declaration shall be so defined herein.

1.2 "Mountain Gate Declaration" shall be that instrument dated MAY 31, 1994, recorded Volume 341, Page 472, filed Deed Records, Deschutes County, Oregon.

1.3 "Mountain Gate" shall be that property made subject to the Mountain Gate Declaration.

ARTICLE III

MEMBERSHIP

Members of the Association shall be every lot or unit owner in Mountain Gate. There shall be no other qualification for membership. Membership shall terminate upon the transfer of a fee simple title to a lot or unit or the contract purchaser's interest by a contract purchase.

ARTICLE IV

MEETING OF MEMBERS

4.1 Place of Meetings: Meetings of the members shall be held at the principal place of business of the Association or at such suitable place convenient to the members as may be designated by the Board of Directors.

4.2 Annual Meetings: The annual meetings of the members shall be held during the month of September of each year commencing after the lot or unit is subjected to the Mountain Gate Declaration.

4.3 Special Meetings: Special meetings of the members may be called at any time by the Chairman of the Board of Directors upon resolution by the Board of Directors or written request of at least 25 percent of the members.

4.4 Notice: It shall be the duty of the Secretary to mail, at least 15 days but not more than 60 days prior to a meeting, a notice of each annual or special meeting stating the purpose of the meeting and the time and place of the meeting to each member at the address of the member in the records of the Association, or the address supplied by such member to the Association for the purpose of notice.

4.5 Quorum: Except as hereinafter provided, the presence either in person or by proxy of members entitled to cast as least 50 percent of the total votes of the Association shall constitute a quorum for the transaction of business at all meetings. When a quorum is once present to organize a meeting, it cannot be broken by the subsequent withdrawal of a member or members. If any meeting of members cannot be organized because of a lack of quorum, the members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present.

4.6 Voting: At every meeting of the members each member present, whether in person or by proxy, shall have the right to cast votes as provided for in the Mountain Gate Declaration.

4.7 Proxies: A member may vote in person or by proxy executed in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically terminate upon termination of membership.

4.8 Majority vote: The vote of 50 percent or more of those votes entitled to be cast, whether the members be present in person or by proxy, at a meeting at which a quorum is constituted, shall be binding upon all lot or unit owners for all purposes except where a higher percentage vote is required by law, by the Declaration filed herewith, or by these Bylaws.

ARTICLE V

BOARD OF DIRECTORS

5.1 Number and Qualifications: The affairs of the Association shall be governed by a Board of Directors composed of

five persons. Directors must be members of the Association or partners, or employees of Declarant.

5.2 Term: The directors on the initial Board shall serve until the first annual meeting (with the right to run for re-election). At the first annual meeting the membership shall elect five directors. The term of office of two of these directors shall be fixed at one year, and the term of three of these directors shall be fixed at two years. At the expiration of the initial term of office of each respective director, his successor shall be elected to serve for a term of two years, so that the terms of at least one-third of the directors shall expire annually. The directors shall hold office until their respective successors have been elected by the lot or unit owners. Election shall be by plurality as provided in Section 4.8 of Article VI of these Bylaws.

5.3 Vacancies: Vacancies in the Board of Directors shall be filled by a vote of a majority of the remaining directors. The remaining term of the vacancy filled shall be served by the director so elected.

5.4 Removal of Directors: Directors may be removed from office before their term expires by a majority vote of all members, whether voting by proxy or in person, at a special meeting called for the purpose of such removal or at a general meeting.

5.5 Compensation: No director shall receive any compensation for any service he may render to the Association as a director. However, any director may be reimbursed for his actual expenses which are incurred in the performance of his duties as director or may receive compensation for services to the Association in a capacity other than as a director.

5.6 Manner of Election: Prospective directors will run for a specific vacancy. After nominations from the floor at the annual meeting or by a nominating committee appointed by the chairman of the Board of Directors, voting may be by show of hands unless at least three members shall request that written ballots be used. In which case a secret written ballot will be taken of all members or their proxies for each vacancy. Cumulating voting is not permitted. The person receiving the most votes for each vacancy shall be elected.

ARTICLE VI

MEETINGS OF THE BOARD OF DIRECTORS

6.1 Regular Meeting: Immediately after each annual meeting of members, the directors elected at such meeting and those holding over shall hold a meeting for the purpose of electing officers as hereinafter provided and for the transaction of such

other business as may come before the meeting. No prior notice of such meeting shall be required to be given to the directors.

The Board of Directors by resolution may establish other dates, times and places for regular and special meetings of the Board.

6.2 Special Meetings: Special meetings may be called by the Chairman at the request of at least two directors, or at the Chairman's discretion. These special meetings may be held at such reasonable times and places as the Chairman may determine and shall be limited to only those items of business described in the notice of such special meeting.

6.3 Notices: No notice need be given for regular meetings held pursuant to Section 6.1. Notice of special meetings must be given at least two days prior to the time of the meeting and shall include all business to be considered at such meeting. Attendance at a meeting shall constitute a waiver of notice thereof.

6.4 Quorum: A majority of the directors shall constitute a quorum. Directors may take any action which is in their power without a meeting by obtaining written approval of all of the directors to such action.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

7.1 General Powers: The Board of Directors shall have power to exercise all powers, duties, and authority vested in or delegated to the Association and not reserved to the membership by provision of these Bylaws, the Articles of Incorporation or the Mountain Gate Declaration.

7.2 Assessment: The Board of Directors shall have the power, as more fully provided in the Mountain Gate Declaration to fix the amount of the annual assessment against each lot or unit and give the owner subject thereto written notice of such assessment at least 30 days prior to the due date thereof, and to cause to be prepared a roster of property subject to assessment with assessments applicable to each such property and to keep such roster in the Association's office subject to inspection by any owner.

7.3 Other Powers: The Board shall have the power to declare the office of a member of the Board of Directors vacant in the event such member shall be absent without excuse from two regular meetings of the Board of Directors. The Board shall have

power to employ employees and officials and prescribe their duties and fix their compensation.

7.4 Duties of the Board of Directors: It shall be the duty of the Board of Directors to (a) cause to be kept a complete record of all of its acts and the proceedings at its meetings and to cause to be presented at the annual meeting of them\ members a report reviewing the business and affairs of the Association for the past year; (b) procure and maintain adequate insurance on property owned, leased, or otherwise used by the Association; (c) cause, in its discretion, all officers or employees having fiscal responsibilities to be bonded with sufficient surety for the faithful performance of their official duties with the premium on such bond to be paid by the Association; (d) perform all other responsibilities given to it by the Mountain Gate Declaration; (e) perform all other powers and duties granted by law; and (f) employ the personnel necessary for the maintenance, upkeep and repair of the common areas.

7.5 Managing Agent or Manager: On behalf of the Association the Board of Directors may employ or contract for a managing agent or a manager at a compensation to be established by the Board of Directors. The Board of Directors may delegate to the managing agent or Manager such duties and powers as the Board of Directors may authorize. In the absence of such appointment, the Board of Directors shall act as Manager.

7.6 Liability and Indemnification of Directors: The directors shall not be liable to the Association or the lot or unit owners for any mistake of judgment, negligence, or otherwise except for their own willful misconduct or bad faith. The Association shall indemnify and hold harmless each director and the manager or managing agent, if any, against all contractual liability to others arising out of contracts made by the Board of Directors, manager, or managing agent on behalf of the Association unless any such contract shall have been made in bad faith and contrary to the provisions of the Declaration filed herewith or by these Bylaws. Each director and the manager or managing agent, if any, shall be indemnified by the Association against all expenses and liabilities, including attorneys' fees, reasonably incurred or imposed upon them in connection with any proceeding to which they may be a party, or in which they may become involved, by reason of being or having been a director, manager, or managing agent and shall be indemnified against any reasonable settlement thereof; provided, however, there shall be no indemnity if the director, manager, or managing agent is adjudged guilty of willful nonfeasance, misfeasance, or malfeasance in the performance of his duties.

7.7 Payment of Vouchers: The treasurer shall pay all vouchers up to \$1,000 signed by the Chairman, managing agent, manager, or other person authorized by the Board of Directors. Any

voucher in excess of \$1,000 shall require the signature of the Chairman.

7.8 Additional Property Made Subject to Mountain Gate Declaration: If additional property is made subject to the Mountain Gate Declaration according to the terms thereof, the owners of such property shall be subject to all assessments as provided for in the Mountain Gate Declaration and these Bylaws and shall become members of this Association.

ARTICLE VIII

COMMITTEES

The Board of Directors shall appoint such committees as it, in its discretion, deems necessary to assist in the operation of the affairs of the Association. Such committees shall exercise all powers and be subject to all duties which the Board of Directors shall give them. Committee members need not be members of the Board of Directors, but shall be members of the Association or a partner, employee or officer of Declarant. A majority of the members of any committee shall fix its procedures.

ARTICLE IX

OFFICERS

9.1 Designation and Election: The principal officers of the Association shall be a president and a vice-president; who shall be members of the Board, and a secretary and treasurer who need not be members of the Board. The Board may appoint an assistant secretary or an assistant treasurer by resolution. The officers of the Association shall be elected annually by the Board of Directors and shall hold office at the pleasure of the Board.

9.2 Removal, Resignation, and Vacancies: Any officer may be removed by an affirmative vote of the majority of the members of the Board of Directors. A vacancy in any office may be filled in the manner prescribed for regular elections with the officer elected filling the remainder of the term of the officer he replaces.

9.3 President: The President shall preside at all meetings of the Board and of the Association. He shall have all of the general powers and duties which are usually vested in the President of an association.

9.4 Vice-President: The Vice-President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the

President nor the Vice-President is able to act the Board shall appoint some other board member to do so on an interim basis. He shall also perform such other duties as may be delegated to him by the Board of Directors.

9.5 Secretary: The Secretary shall keep the minutes of all meetings of the members of the Association and of the Board; shall serve notice of all such meetings; shall keep appropriate records of the names and addresses of the Association members; and shall perform other duties incident to the office of Secretary.

9.6 Treasurer: The Treasurer shall have the care and custody of and be responsible for all the funds of the Association and shall deposit such funds in the name of the Association in such banks or safe deposit companies as the Board may designate; shall make, sign and endorse in the name of the Association all checks, drafts, notes and other orders for the payment of money; and further shall perform all duties incident to the office which the treasurer of an association normally performs.

9.7 Delegation and Change of Duties: In the event of absence or disability of any officer the Board of Directors may delegate during such absence or disability the powers or duties of such officer to any other officer or any director.

ARTICLE X

MAINTENANCE AND USE OF PROPERTY

10.1 Maintenance and Repair:

(a) Lots: All maintenance of and repairs to any lot and its improvements shall be made as provided for in the Mountain Gate Declaration.

(b) Common Areas: All maintenance, repairs, and replacements to the common areas shall be made by the Association and shall be charged to all of the members as a common expense.

10.2 Restrictions and Requirements Respecting Use of Property:

(a) Mountain Gate Declaration: Each owner shall be subject to the limitations, covenants, restrictions and requirements set forth in the Mountain Gate Declaration.

(b) Association Rules and Regulations: In addition, the Association from time to time may adopt, modify or revoke such rules and regulations governing the conduct of persons and the operation and use of the lots and its improvements and common areas as it may deem necessary or appropriate in

order to assure the peaceful and orderly use and enjoyment of the property. Such action must be by vote of not less than 60 percent of the votes entitled to be cast voting in person or by proxy at any meeting, the notice of which shall have stated that such adoption, modification, or revocation of rules and regulations will be under consideration. A copy of the rules and regulations, upon adoption, and a copy of each amendment, modification, or revocation thereof, shall be delivered by the Secretary promptly to each lot or unit owner and shall be binding upon all lot or unit owners and occupants of all lots from the date of delivery. Such rules and regulations shall not be inconsistent with any Mountain Gate restrictions.

(c) Abatement and Enjoining of Violations: The violation of any rule or regulation adopted hereunder or the breach of any Bylaw contained herein or of any provisions of the Declaration filed herewith shall give the Board of Directors, acting on behalf of the Association, the right, in addition to any other rights set forth in these Bylaws:

(1) To enter the lot or unit in which or as to which such violations exist and to summarily abate and remove, at the expense of the defaulting owner, any structure, thing, or condition that may exist therein contrary to the intent and meaning of the provisions thereof, and the Board of Directors shall not thereby be deemed guilty of any manner of trespass; or to enjoin, abate, or remedy such thing or condition by appropriate legal proceedings.

ARTICLE XI

BOOKS, RECORDS, AUDITS

11.1 Inspection by Members: The books, records, and papers of the Association shall at all times during reasonable business hours be subject to inspection by any member or his authorized agent at the office of the Association.

11.2 Audit: A financial statement shall be prepared by the Treasurer previous to the date of each annual meeting, at which meeting such statement shall be presented. A special audit shall be made at any time upon order of the Board of Directors or upon a majority vote of the votes entitled to be cast at any regular or special meeting.

11.3 Execution of Instruments: All checks, drafts, notes, bonds, acceptances, deeds, leases, contracts, and other instruments shall be signed by such person or persons as may be designated by general or special resolution of the Board of

Directors and, in the absence of any such general or special resolution applicable to any such instrument, then such instrument shall be signed by the President.

ARTICLE XII

AMENDMENT

These Bylaws may be amended by a vote amounting to 75 percent of the total votes entitled to be cast. Amendments may be proposed by the Board of Directors or by petition signed by at least 20 percent of the members. A statement of any proposed amendment shall accompany the notice of any regular or special meeting at which such proposed amendment shall be voted upon. In the case of any conflict between the Mountain Gate Declaration and these Bylaws, such Declaration will control.

ARTICLE XIII

13.1 Notices: All notices to the Association or to the Board of Directors shall be sent to the principal office of the Association, or to such other address as the Board of Directors may hereafter designate from time to time. All notices to any member shall be sent to such address as may have been designated by him from time to time, in writing, to the Board of Directors.

13.2 Waiver: No restriction, condition, obligation, or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

13.3 Invalidity; Number; Captions: The invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability, or effect of the balance of these Bylaws. As used herein, the singular shall include the plural, and the plural the singular; the masculine and neuter shall each include the masculine, feminine, and neuter, as the context requires. All captions used herein are intended solely for convenience of reference and shall in no way limit any of the provisions of these Bylaws.

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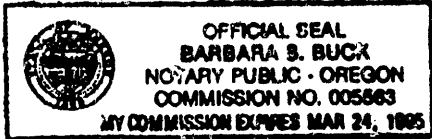
Dated this 31st day of May, 1994.

Mountain Gate Association

By Brad A. Evert
Developer

State of Oregon
County of Deschutes

This instrument was acknowledged before me on May 31, 1994
by Brad A. Evert as the developer for Mountain Gate Association.



Barbara S. Buck
Notary Public for Oregon
My Commission Expires: 3/24/95

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 MAY 31 PM 2:55

MARY SUE PENHOLLOW
COUNTY CLERK

BY T. Moore DEPUTY

NO 94-21531 FEE 50.00

DESCHUTES COUNTY OFFICIAL RECORDS