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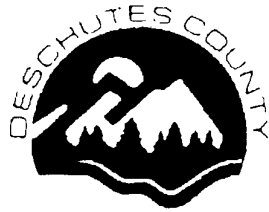
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DESCHUTES COUNTY CLERK

CERTIFICATE PAGE



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BYLAWS
OF
LEWIS AND CLARK TOWNHOMES
HOMEOWNERS ASSOCIATION, INC.

ARTICLE 1. NAME

The name of this association shall be "Lewis and Clark Townhomes Homeowners Association, Inc." (the "Association").

ARTICLE 2. OBJECT

Section 2.1 Purpose.

The object of the Association shall be those actions required to protect and enhance all properties lying within the boundaries of the Lewis and Clark Townhome properties.

Section 2.2 Applicability.

All present or future Owners, tenants, occupants, or their employees, or any other person that might use the facilities of Lewis and Clark Townhomes, in any manner, are subject to the regulations set forth in these Bylaws.

Section 2.3 Definitions.

The terms in these Bylaws shall have the same meaning as set forth in the Declaration of Covenants, Conditions and Restrictions ("CCRs"); Vernon C. Palmer, Inc., Declarant.

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. All Owners shall automatically be Members of the Association and shall remain a Member of the Association until such time as the Member's ownership ceases.

Section 3.2 Voting Rights.

- 3.2.1 Members. Member 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.
- 3.2.2 Declarant. Notwithstanding paragraph 3.2.1, Declarant reserves the right to vote on behalf of all Members of the Association, until one hundred eighty (180) days after Declarant has sold eighty five percent (85%) of the

Lots in the Property or until Declarant terminates this reservation of special Declarant rights by notice in writing to the Association.

- 3.2.3 Lot. When more than one (1) person or entity owns a Lot, the vote for such Lot may be cast as they shall determine, but in no event will fractional voting be allowed. Fractionalized or split votes shall be disregarded, except for purposes of determining a quorum.

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 votes present at any legal meeting.

Section 3.4 Quorum

Except as otherwise provided in these Bylaws, the presence, in person, by absentee ballot or by proxy, of Owners holding fifteen percent (15%) 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 or by proxy, at a formal gathering. Unless otherwise stated in these Bylaws, the act of a Majority of Owners present shall be the act of the Members.

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 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 3.7 Annual Meetings.

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

Section 3.8 Special Meetings.

Special Meetings may be called by the President of the Association, the Board of Directors or by Petition signed by twenty percent (20%) or more of the Owners.

Section 3.9 Notice of Meetings.

It shall be the duty of the Secretary of the Association to mail a notice of each annual, stating the purpose, time and place of the meeting. Notice shall be mailed at least seven (7) 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.

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) to five (5) persons, all of whom must be an Owner or Co-Owner of a Lot.

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 do all such acts and things as are not by law, or by these Bylaws, directed to be exercised and done by the Owners.

Section 4.3 Other Duties.

In addition to duties imposed by these Bylaws or by resolutions of the Association, the Board of Directors shall have the authority to carry out and be responsible for the following matters:

- 4.3.1 Establishment and maintenance of replacement reserve accounts and other reserves and annually conducting a reserve study, or review and update an existing study, of the Common Property components to determine the reserve account requirements.
- 4.3.2 Designation and collection of monthly assessments from the Owners.
- 4.3.3 Establishment of a budget and payment of all common expenses of the Association, including the method of approving vouchers.
- 4.3.4 Reviewing and maintaining insurance policies in respect to the Association.
- 4.3.5 Designation and dismissal of personnel necessary for the maintenance of the exteriors of all Building Structures; maintenance and repair of all Landscaped Areas, excluding the area within the fenced yards; and maintenance of the fences.
- 4.3.6 Preparing and distributing annual financial statements of the Association to each Owner.

- 4.3.7 Adoption and amendment of administrative rules and regulations governing the details of operation, 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.
- 4.3.8 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: CCRs, Bylaws, Association Rules and Regulations and any amendments, most recent annual financial statement, and the current operating budget of the Association.

Section 4.4 Income Tax Returns; Determination of Fiscal Year.

The Board of Directors, in its sole discretion, shall determine the manner in which all necessary income tax returns are filed and shall select any and all persons to prepare and file such returns.

Section 4.5 Budgets and Financial Statements.

- 4.5.1 The Board of Directors, at least annually, shall adopt a budget for the planned community.
- 4.5.2 The following financial and related information shall be annually prepared and distributed by the Board of Directors to all Members of the Association:
 - 4.5.2.1 A summary of the budget for the immediately ensuing fiscal year consisting of at least the following information shall be distributed.
 - 4.5.2.1.1 Estimated revenue and expenses.
 - 4.5.2.1.2 The amount of the total cash reserves of the Association currently available.
 - 4.5.2.1.3 An estimate of the current replacement costs of, the estimated remaining life of, and the methods of funding used to defray the future repair, replacement or additions to, those major components of the property and facilities which the Association is obligated to maintain.
 - 4.5.2.2 A report consisting of the following shall be distributed annually after the close of the fiscal year.
 - 4.5.2.2.1 A balance sheet as of the end of the fiscal year.
 - 4.5.2.2.2 An operating (income) statement for the fiscal year.
- 4.5.3 If the Board of Directors fails to adopt a budget, the last adopted annual budget shall continue in effect.

Section 4.6 Interim Board and Officers.

The Declarant reserves administrative control of the Association until the Termination Date. The Declarant, in his sole discretion, shall have the right to appoint and remove

Members of an Interim Board of Directors and interim Officers. Notwithstanding the provisions of this Section, at the Turnover Meeting at least one (1) Director shall be elected by owners other than the Declarant, even if the Declarant otherwise has voting power to elect all other Directors.

Section 4.7 Election and Term of Office

At the Turnover Meeting of the Association, the term of office of Directors shall be staggered so that approximately one-half of the Directors term will expire in one (1) year and the remaining half will expire in two (2) years. Should more Directors be added, the same sequential election terms shall apply as nearly as is practicable. At the expiration of the initial term of office of each respective Director, his or her successor shall be elected to serve a term of two (2) years. The Directors shall hold office until their successors have been elected and hold their first meeting. At the Turnover Meeting, upon agreement by vote of the Owners, the Board of Directors may be elected by a single ballot with each Owner permitted to vote for the number of openings in that year. In such event, the two (2) nominees receiving the highest number of votes shall be the two (2) year Directors and the three (3) nominees receiving the next highest numbers of votes shall be the one (1) year Directors. The Association may increase or decrease the number of Directors and length of terms for which each is elected upon amendment of this Section.

Section 4.8 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 of each directorship by a vote of a Majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be Director until a successor is elected upon expiration of the term for which such person was elected by the other Directors to serve.

Section 4.9 Removal of Directors

At any legal Annual or Special Meeting, other than a meeting by ballot, any one or more of the Directors may be removed with or without cause, by a Majority vote of the Owners and a successor may be then and there elected to fill the vacancy created; provided, however, the notice of meeting specifically indicates that the removal of one or more named Directors is an agenda item for such meeting. Any Director whose removal has been by the Owners shall be given an opportunity to be heard at the meeting.

Section 4.10 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 4.11 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 4.12 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 4.13 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 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 4.14 Board of Directors Meetings Open to All Association Members.

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 in executive session:

- 4.14.1 Consultation with legal counsel concerning the rights and duties of the Association regarding existing or potential litigation, or criminal matters;
- 4.14.2 Personnel matters including salary negotiations and employee discipline; and
- 4.14.3 Negotiations of contracts with third parties.

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. 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 4.15 Notice to Association Members of Board of Directors Meetings.

For other than emergency meetings, notice of Board of Directors meetings shall be posted at a place on the property 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 4.16 Emergency Meetings.

Emergency Meetings may be held without notice if the reason for the Emergency Meeting is stated in the Minutes of the meeting. In the event of an Emergency Meeting, the Board of Directors may conduct the meeting 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 meeting of the Board of Directors. 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 4.17 Compensation of Directors.

No Director shall be compensated in any manner, except for out-of-pocket expenses, unless such compensation is approved by vote of the Owners.

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 shall 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 paper 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 full 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.

ARTICLE 6. OBLIGATION OF THE OWNERS.

Section 6.1 Assessments.

All Owners are obligated to pay assessments imposed by the Association to meet all the Association's general common expenses as more particularly set forth in the CCRs. Assessments shall be payable on a periodic basis, not more frequently than monthly, as determined by the Board of Directors.

Section 6.2 Special Assessments.

Special assessments or charges may be levied as described in the CCRs.

Section 6.3 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 CCRs and the Oregon Planned Community Act. The Board of Directors may, at its option, impose an interest rate, late charge, collection costs, attorney's fees, or any other appropriate mechanism for monthly assessment not paid when due. 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 CCRs. 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 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. OCCUPANCY RESTRICTITON; RULES OF CONDUCT

Failure by an Owner (his family, invitees or lessees) to comply with the rules of conduct and restrictions set forth in the CCRs, these Bylaws or others promulgated by the Board of Directors shall be cause, for which the Board of Directors may enforce any of the options available to them as set forth in the CCRs.

Section 7.1 Rentals.

Rentals of building for less than thirty (30) days are prohibited. This provision is intended to prohibit short term rentals of buildings. It is the intent of the Association to insure buildings are Owner occupied or rented on a long term basis.

Section 7.2 Additional Rules.

Rules and regulations concerning other use of the Property may be made and amended from time to time by the Board of Directors. Copies of such rules and regulations will be furnished to all Owners and residents of the Project, upon passage and upon request.

ARTICLE 8. 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.

ARTICLE 9. AMENDMENT

These Bylaws may be amended at any time by an instrument approved by at least a Majority of the Owners. Any amendment must be executed and certified as provided by law; provided, however, no amendment of the Bylaws my effect an amendment of the

CCRs or the Articles of Incorporation without compliance with the provisions of such documents and the Oregon Nonprofit Corporation Act.

ARTICLE 10. COMPLIANCE

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

ARTICLE 11. 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 said 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 said person had no right to such payments. All persons who are ultimately held liable for their actions on behalf of the Association as a Director 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 12. 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. In addition to the monthly assessment for operating expenses and the funding of reserves, such assessments may include fees, late charges, fines and interest imposed pursuant to Oregon law. In the event suit or action is commenced by the Directors for the collection of any amounts due pursuant to these Bylaws or for the

enforcement of any provisions of the CCRs, Bylaws 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 13. WAIVER

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

These Bylaws have been adopted by Vernon C. Palmer, Inc. Declarant of Lewis and Clark Townhome Home Owners Association, Inc.

Executed this 21 day of December, 2004.

“Declarant”
VERNON C. PALMER, INC., an Oregon Corporation

By: Vernon C Palmer Date: 12/21/04
Vernon C. Palmer

STATE OF OREGON)
COUNTY OF DESCHUTES)

The above named Vernon C. Palmer, personally appeared before me and acknowledged the execution of the foregoing instrument to be his free and voluntary act.



Sheryl Abell
Notary Public for State of Oregon

My Commission expires: 2-8-2008

* 377194
exp. Feb 8, 2008