



AFTER RECORDING RETURN TO:

ARC SERVICES, INC.
61529 TALL TREE CT.
BEND, OR 97702

INITIAL BYLAWS
OF
THE RESERVE AT BROKEN TOP COMMUNITY ASSOCIATION, INC.

These INITIAL BYLAWS OF THE RESERVE AT BROKEN TOP COMMUNITY ASSOCIATION, INC. are adopted as of the 30 day of March, 2007, by Porter-James Development Group, LLC, an Oregon limited liability company (the "Declarant").

RECITALS

A. Declarant is the declarant under the "Declaration of Covenants, Conditions and Restrictions for The Reserve at Broken Top," recorded October 25, 2004 in the Records of Deschutes County, Oregon, as Document No. 2004-64100 (the "Declaration").

B. Article 8 of the Declaration provides that Declarant shall establish an Association of The Reserve at Broken Top, adopt Articles of Incorporation and initial Bylaws for the Association, and supervise the organization of the Association.

C. Declarant has established The Reserve at Broken Top Community Association, Inc. (the "Association") as a Planned Community under the Oregon Planned Community Act, ORS 94.550 to 94.783. In connection therewith, Declarant has adopted and filed Articles of Incorporation for the Association.

NOW, THEREFORE, Declarant hereby adopts the bylaws attached hereto as "Exhibit A" as the Initial Bylaws of the Association and has caused such bylaws to be recorded in the Real Property Records of Deschutes County, Oregon, pursuant to ORS 94.625(c).

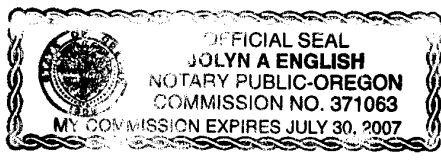
PORTER-JAMES DEVELOPMENT GROUP,
LLC, an Oregon limited liability company,

By: 
James Yozamp, Managing Member

[notarization page to follow]

STATE OF OREGON)
) ss.
County of Deschutes)

The foregoing instrument was acknowledged before me on MARCH 30, 2007
by James Yozamp, as Managing Member, for PORTER-JAMES DEVELOPMENT GROUP,
LLC, an Oregon limited liability company, on behalf of the company.



Jolyn A English

Notary Public for Oregon
My commission expires: July 30, 2007

“EXHIBIT A”
BYLAWS OF
THE RESERVE AT BROKEN TOP COMMUNITY ASSOCIATION, INC.

ARTICLE 1
DEFINITIONS

1.1 **Association.** “Association” shall mean THE RESERVE AT BROKEN TOP COMMUNITY ASSOCIATION, INC., a mutual benefit nonprofit corporation organized and existing under the laws of the State of Oregon.

1.2 **Articles of Incorporation.** “Articles of Incorporation” shall mean the Articles of Incorporation of the Association.

1.3 **Declaration.** The “Declaration” shall mean the Declaration of Covenants, Conditions and Restrictions for The Reserve at Broken Top recorded on October, 25, 2004 in the Deed Records of Deschutes County, Oregon as Document No. 2004-64100, as the same may be subsequently amended or supplemented pursuant to the terms thereof.

1.4 **Incorporation by Reference.** Except as otherwise provided herein, the terms which are defined in Article I of the Declaration are used in these Bylaws as therein defined.

ARTICLE 2
MEMBERSHIP

2.1 **Membership.** Every Owner of one or more Lots within the Property shall, during the entire period of such ownership, be a member of the Association. Such membership shall commence, exist and continue simply by virtue of such ownership, shall expire automatically upon termination of such ownership, and need not be confirmed or evidenced by any certificate or acceptance of membership,

2.2 **Membership List.** The Secretary shall maintain at the principal office of the Association a membership list showing the name and address of the Owner of each Lot. The Secretary may accept as satisfactory proof of such ownership a duly executed and acknowledged conveyance, a title insurance policy, or other evidence reasonably acceptable to the Board of Directors.

ARTICLE 3
MEETINGS AND VOTING

3.1 **Place of Meetings.** Meetings of the members of the Association shall be held at such reasonable place convenient to the members as may be designated in the notice of the meeting.

3.2 **Initial Meeting.** Declarant shall call the Initial Meeting of the Owners to organize the Association no later than ninety (90) days after fifteen (15) Lots have been sold and conveyed to Owners other than the Declarant. Notice of such meeting shall be given to all Owners as provided in Section 3.6. If the Declarant fails to call the meeting, the meeting may be called and notice given by any Owner or mortgagee of a Lot. The expense of giving notice shall be paid or reimbursed by the Association. In the event a quorum is not present at such Initial Meeting, the meeting may be adjourned to the time of the first annual meeting. Nothing in this section shall be construed as preventing the Declarant from calling the Initial Meeting prior to such date, or from calling informal, informational meetings of the Owners.

3.3 **Turnover Meeting.** Declarant shall call a meeting of the Association for the purpose of turning over administrative responsibility for the Property to the Association at the same time and place and in the same manner as the Initial Meeting. If the Declarant fails to call the meeting, the meeting may be called by and notice given by any Owner or mortgagee of a Lot. At the meeting, Declarant shall deliver to the Association the following documents:

(a) The original or a photocopy of the recorded Declaration and copies of the Bylaws and the Articles of Incorporation, if any, of the Association and any supplements and amendments to the Articles or Bylaws;

(b) A deed to the Common Areas in the Property, unless otherwise provided in the Declaration;

(c) The minute books, including all minutes, and other books and records of the Association and the Board of Directors;

(d) All rules and regulations adopted by the Declarant;

(e) Resignations of officers and members of the Board of Directors who are required to resign because of the expiration of any period of Declarant control;

(f) A report on the present financial position of the Association, consisting of a balance sheet and an income and expense statement for the 12-month period or a period following the recording of the Declaration, whichever period is less;

(g) All funds of the Association and control of the funds, including all bank records;

(h) All tangible personal property that is property of the Association, and an inventory of the property;

(i) Records of all property tax payments for the Areas of Common Responsibility to be administered by the Association;

(j) Copies of any income tax returns filed by the Declarant in the name of the Association, and supporting records for the returns;

(k) All bank signature cards;

- (l) The reserve account established in the name of the Association;
- (m) The reserve study, including all updates and other sources of information that serve as a basis for calculating reserves;
- (n) An operating budget for the Association and a budget for replacement and maintenance of the Areas of Common Responsibility;
- (o) A copy of the following, if available:
 - (i) The as-built architectural, structural, engineering, mechanical, electrical and plumbing plans;
 - (ii) The original specifications, indicating all subsequent material changes;
 - (iii) The plans for underground site service, site grading, drainage and landscaping together with cable television drawings;
 - (iv) Any other plans and information relevant to future repair or maintenance of the Property; and
 - (v) A list of the general contractor and the electrical, heating and plumbing subcontractors responsible for construction or installation of Areas of Common Responsibility;
- (p) Insurance policies;
- (q) Copies of any occupancy permits issued for the Property;
- (r) Any other permits issued by governmental bodies applicable to the Property in force or issued within one year before the date on which the Owners assume administrative responsibility;
- (s) A list of any written warranties on the Areas of Common Responsibility that are in effect and the names of the contractor, subcontractor or supplier who made the installation for which the warranty is in effect;
- (t) A roster of Owners and their addresses and telephone numbers, if known, as shown on the records of the Declarant;
- (u) Leases related to the Areas of Common Responsibility and any other leases to which the Association is a party;
- (v) Employment or service contracts in which the Association is one of the contracting parties or service contracts in which the Association or the Owners have an obligation or responsibility, directly or indirectly, to pay some or all of the fee or charge of the person performing the service; and

- (w) Any other contracts to which the Association is a party.

In order to facilitate an orderly transition, the Declarant or his knowledgeable delegate shall be available to meet with the Board of Directors to review such documents on at least three (3) mutually agreeable dates during the three (3) month period following the Turnover Meeting.

3.4 Annual Meeting. The annual meeting of the Association for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held at such reasonable hour and on such reasonable day as may be established by the Board of Directors, or if the Board should fail to designate a date by the first day of May, then at 7:30 p.m. on the third Saturday in May. The first annual meeting shall be held within one year from the date of the Turnover Meeting.

3.5 Special Meetings. A special meeting of the Association may be called at any time by the President or by a majority of the Board of Directors. A special meeting shall be called upon receipt of a written request stating the purpose of the meeting from members having one-third (1/3) of the Voting Units entitled to be cast at such meeting. Business transacted at a special meeting shall be confined to the purposes stated in the notice of the meeting.

3.6 Notice of Meeting.

(a) Written or printed notice stating the place, day and hour of any meeting provided for in these Bylaws, the Declaration or the Articles of Incorporation, the items on the agenda, including the general nature of any proposed amendment to the Declaration, Articles of Incorporation or these Bylaws, any budget changes, any proposal to remove a director or officer and, in case of a special meeting, the purpose or purposes for which the meeting is called shall be delivered not less than ten (10) nor more than fifty (50) days before the date of the meeting. Such notice shall be given either personally or by mail, by or at the direction of the President, the Secretary, or the persons calling the meeting, to each member entitled to vote at such meeting, and to all mortgagees who have requested such notice. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, with postage fully prepaid thereon, addressed to the member at his most recent address as it appears on the records of the Association or to the mailing address of his Lot.

(b) When a meeting is adjourned for thirty (30) days or more, or when a redetermination of the persons entitled to receive notice of the adjourned meeting is required by law, notice of the adjourned meeting shall be given as for an original meeting. In all other cases, no notice of the adjournment or of the business to be transacted at the adjourned meeting need be given other than by announcement at the meeting at which such adjournment is taken.

3.7 Quorum. At any meeting of the Association, members having four-ninths (4/9) of the Voting Units entitled to be cast at such meeting, present in person or by proxy, shall constitute a quorum, except when a larger quorum is required by the Declaration. 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 not less than forty-eight (48) hours nor more than thirty (30) days from the time the original meeting was called until a quorum is present.

3.8 Voting Rights. The Association shall have two classes of voting membership:

Class A. Class A members shall be all Owners with the exception of the Class B member and shall be entitled to Voting Units for each Lot owned computed in accordance with paragraph 8.4(a) of the Declaration. When more than one person holds an interest in any Lot, all such person shall be members. Pursuant to Section 3.10, lessees and vendees granted the right to exercise a voting right by contract or by operation of Section 3.10 shall be members of the Association, which membership shall expire automatically upon contract termination. In no event shall more Voting Units be cast with respect to any Lot than as set forth in Section 8.4(a) of the Declaration.

Class B. The Class B member shall be the Declarant and shall be entitled to three votes for each Lot owned by Declarant. The Class B membership shall cease and be converted to Class A membership on the happening of any of the following events, whichever occurs first:

(i) Declarant has completed development of all Lots and Common Areas permitted under the Master Plan, and fifteen (15) Lots have been sold and conveyed to Owners other than Declarant or Declarant's affiliate; or

(ii) At such earlier time as Declarant may elect in writing to terminate Class B membership; or

(iii) Ten (10) years from the date the Declaration is recorded in the Real Property Records of Deschutes County, Oregon.

3.9 Fiduciaries and Joint Ownership. An executor, administrator, guardian or trustee may vote, in person or by proxy, at any meeting of the Association with respect to any Lot owned or held in such capacity, whether or not the same shall have been transferred to his or her name; provided that such person shall satisfy the Secretary that he or she is the executor, administrator, guardian or trustee, holding such Lot in such capacity. Whenever any Lot is owned by two or more persons jointly, according to the records of the Association, the vote or proxy of such Lot may be exercised by any one of the Owners then present, in the absence of protest by a co-Owner. In the event of disagreement among the co-Owners, the vote of such Lot shall be disregarded completely in determining the proportion of votes given with respect to such matter, unless a valid court order establishes the authority of a co-Owner to vote.

3.10 Tenants and Contract Vendors. Unless otherwise expressly stated in a rental agreement or lease applicable to a Lot, all voting rights allocated to a Lot shall be exercised by the Owner thereof. Unless otherwise stated in the contract, all voting rights allocated to a Lot shall be exercised by the vendee of any recorded land sale contract on the Lot.

3.11 Proxies. Every member entitled to vote or to execute any waiver or consent may do so either in person, by absentee ballot or by written proxy duly executed and filed with the Secretary of the Association. A proxy given pursuant to this section may not be revoked except by actual notice of revocation to the person presiding over the meeting. A proxy shall not be

valid if it is undated or purports to be revocable without notice. A proxy shall terminate one (1) year after its date unless the proxy specifies a shorter term. Mortgagees may designate a representative to attend any meeting of the Association.

3.12 Majority Vote. The vote of a majority of the Voting Units entitled to be cast by the members present or represented by absentee ballot or proxy, at a meeting at which a quorum is present, shall be necessary for the adoption of any matter voted upon, unless a greater proportion is required by law, by the Declaration, by the Articles of Incorporation, or by these Bylaws.

3.13 Rules of Order. Unless other rules of order are adopted by resolution of the Association or the Board of Directors, all meetings of the Association shall be conducted according to the latest edition of *Robert's Rules of Order*, published by Robert's Rules Association.

3.14 Ballot Meetings.

(a) At the discretion of the Board of Directors, 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 member who 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 action.

(b) The Board of Directors shall provide Owners with at least ten (10) days' notice before written ballots are mailed or otherwise delivered. If, at least three (3) days before the written ballots are scheduled to be mailed or otherwise distributed, at least ten percent (10%) of the Owners petition the Board of Directors requesting secrecy procedures, a written ballot must be accompanied by a secrecy envelope, a return identification envelope to be signed by the Owner, and instructions for marking and returning the ballot. Notwithstanding the applicable provisions of paragraph (c) of this Section, written ballots that are returned in secrecy envelopes may not be examined or counted before the deadline for returning ballots has passed.

(c) If approval of a proposed action would otherwise require a meeting at which a certain quorum must be present and at which a certain percentage of total votes cast is required to authorize the action, the proposal will be deemed to be approved when the date for return of ballots has passed, a quorum of members entitled to vote has voted, and the required percentage of approving votes has been received. Otherwise, the proposal shall be deemed to be rejected. If approval of a proposed action otherwise would require a meeting at which a specified percentage of members entitled to vote must authorize the action, the proposal shall be deemed to be approved when the percentage of total votes cast in favor of the proposal equals or exceeds such required percentage. The proposal shall be deemed to be rejected when the number of votes cast in opposition renders approval impossible or when both the date for return of ballots has passed and such required percentage has not been met. Except as otherwise provided in paragraph (b) of this Section, votes may be counted from time to time before the final return date to determine whether the proposal has passed or failed by the votes already cast on the date they are entered.

(d) All solicitations for votes by written ballot shall state the number of responses needed to meet any applicable quorum requirement and the total percentage of votes needed for approval. All such solicitations for votes shall specify the period during which the Association will accept written ballots for counting, which period shall end on the earliest of (i) the date on which the Association has received a sufficient number of approving ballots to pass the proposal, (ii) the date on which the Association has received a sufficient number of disapproving ballots to render the proposal impossible of passage, or (iii) a date certain by which all ballots must be returned to be counted. A written ballot may not be revoked.

ARTICLE 4 DIRECTORS: MANAGEMENT

4.1 **Qualification.** The affairs of the association shall be governed by a Board of Directors consisting of three (3) persons. All directors, other than interim directors appointed by Declarant, shall be Owners or co-Owners of Lots. For purposes of this Section, the officers of any corporate Owner and the partners of any partnership shall be considered co-Owners of any Lots owned by such corporation or partnership.

4.2 **Interim Directors.** Upon the recording of the Declaration, the Declarant shall appoint an interim board of three (3) directors, who shall serve until replaced by Declarant or their successors have been replaced by the Owners as provided below.

4.3 **Transitional Advisory Committee.** Unless the Turnover Meeting described in Section 3.3 above has already been held, Declarant shall call a meeting of the members for the purpose of forming a Transitional Advisory Committee. The meeting shall be called within sixty (60) days of the date the Declarant conveys fifty percent (50%) or more of the Lots to owners other than Declarant, its affiliate, or a successor declarant. Declarant shall give notice of the meeting as provided in Section 3.6, above. The committee shall consist of two (2) or more members elected by the members other than Declarant and not more than one representative of Declarant. The members shall serve until the Turnover Meeting. The Transitional Advisory Committee shall be advisory only and its purpose shall be to enable ease of transition from control of the administration of the Association by Declarant to control by the members. The committee shall have access to any information, documents and records which Declarant must turn over to the members at the time of the Turnover Meeting. If Declarant fails to call the meeting to elect a Transitional Advisory Committee within the time specified, the meeting may be called and notice given by any member. If the members fail to elect a Transitional Advisory Committee at the meeting called for such purpose, Declarant shall have no further obligation to form the committee.

4.4 **Election and Tenure of Office.** At the next annual meeting following termination of the Class B membership, the interim directors shall resign and the directors specified in Section 8.11 of the Declaration shall be elected as provided in such Section. The first directors elected by the members shall serve staggered terms of one year, two years and three years as they among themselves shall determine. Thereafter, all directors shall be elected for three year terms. All directors shall hold office until their respective successors have been elected as provided in such Section. Election shall be by plurality.

4.5 **Vacancies.** A vacancy in the Board of Directors shall exist upon the death, resignation or removal of any director. Vacancies in the Board of Directors, other than interim directors, shall be filled by vote of the remaining directors until the next annual meeting, which time its vacancy shall be filled by election in the manner described in Section 8.11 of the Declaration. Each such director shall hold office for the balance of the unexpired term to and until his or her successor is elected. Vacancies in interim directors shall be filled by Declarant.

4.6 **Removal of Directors.** Any director, other than interim directors, may be removed, with or without cause, at any meeting of the members entitled to vote on the election of such director by vote of a majority of the number of votes entitled to be cast at the election of such director. No removal of a director shall be effective unless the matter of removal was an item on the agenda and stated in the notice of the meeting as provided in these Bylaws.

4.7 **Powers.** The Board of Directors shall have all of the powers and duties necessary for the administration of the affairs of the Association, except such powers and duties as by law or by the Declaration or by these Bylaws may not be delegated to the Board of Directors by the members. The Board of Directors may delegate responsibilities to committees or a managing agent, but shall retain ultimate control and supervision. The powers and duties to be exercised by the Board of Directors shall include, but not be limited to those set forth in Section 8.7 of the Declaration and the following:

(a) Carry out the maintenance program described in the Declaration and these Bylaws.

(b) Determine the amounts required for operation, maintenance and other affairs of the Association, and the making of such expenditures.

(c) Prepare a budget for the Association, and assessment and collection of the Assessments.

(d) Employ and dismiss such personnel as necessary for such maintenance, upkeep and repair.

(e) Employ legal, accounting or other personnel for reasonable compensation to perform such services as may be required for the proper administration of the Association; provided, however, the Board may not incur or commit the Association to incur legal fees in excess of \$5,000 for any specific matter unless the members have enacted a resolution authorizing the incurring of such fees by a vote of two-thirds (2/3) of the Voting Units present in person or by absentee ballot or proxy at a meeting at which a quorum is constituted. This limitation shall not be applicable to legal fees incurred in defending the Association or the Board of Directors from claims or litigation brought against them. The limitation set forth in this paragraph shall increase by \$500 on each fifth anniversary of the recording of these Bylaws. To the extent required by the Oregon Planned Community Act, the Board shall notify the members before instituting litigation or administrative proceedings. With regard to any pending litigation involving the Association, the Board shall periodically report to the members as to the status (including settlement offers), progress, and method of funding such litigation. Nothing in this

paragraph shall be construed as requiring the Board to disclose any privileged communication between the Association and its counsel.

(f) Appoint to or remove members from and otherwise administer the Design Review Board after surrender of Declarant's right pursuant to Section 9.5 of the Declaration.

(g) Open bank accounts on behalf of the Association and designating the signatories required therefor.

(h) Prepare or cause to be prepared and filed any required income tax returns or forms for the Association.

(i) Purchase Lots at foreclosure or other judicial sales in the name of the Association, or its designee.

(j) Sell, lease, mortgage, vote the votes appurtenant to (other than for the election of directors), or otherwise deal with Lots acquired by the Association or its designee.

(k) Obtain insurance or bonds pursuant to the provisions of these Bylaws or the Declaration, and reviewing such insurance coverage at least annually.

(l) Make additions and improvements to, or alterations of, the Common Areas.

(m) From time to time, adopt, modify, or revoke such Policies and Procedures governing the conduct of persons and the operation and use of the Lots and the Common Areas as the Board of Directors may deem necessary or appropriate in order to assure the peaceful and orderly use and enjoyment of the Property. Such action may be modified by vote of not less than two-thirds (2/3) of the voting rights of Class A members present, in person or by proxy, at any meeting, the notice of which shall have stated that such modification or revocation of Policies and Procedures will be under consideration, together with the consent of the Class B member, if any.

(n) Enforce by legal means of the provisions of the Declaration, these Bylaws and any Policies and Procedures adopted thereunder.

(o) In the name of the Association, maintain a current mailing address of the Association.

(p) Subject to Article 8 of the Declaration, enter into management agreements with professional management firms. The professional manager may include Declarant or an affiliate of Declarant.

4.8 Meetings.

(a) Meetings of the Board of Directors shall be held at such place as may be designated from time to time by the Board of Directors or other persons calling the meeting.

(b) Annual meetings of the Board of Directors shall be held within sixty (60) days following the adjournment of the annual meetings of the members.

(c) Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the President or by any two directors.

(d) Unless other rules of order are adopted by resolution of the Association or the Board of Directors, all meetings of the Board of Directors shall be conducted according to the latest edition of *Robert's Rules of Order*, published by Robert's Rules Association.

4.9 Open Meetings; Notice.

(a) All meetings of the Board of Directors shall be open to members except that, in the discretion of the Board, the following matters may be considered in executive session: (a) consultation with legal counsel concerning the rights and duties of the Association regarding existing or potential litigation, or criminal matters; (b) personnel matters, including salary negotiations and employee discipline; and (c) the negotiation of contracts with third parties. Except in the case of an emergency, the Board of Directors shall vote in an open meeting on whether to meet in executive session. If the Board of Directors votes to meet in executive session, the presiding officer shall state the general nature of the action to be considered and, as precisely as possible, when and under what circumstances the deliberations can be disclosed to members. Meetings of the Board of Directors may be conducted by telephonic communication, except that if a majority of the Lots are principal residences of the occupants, then: (a) for other than emergency meetings, notice of each Board of Directors' meeting shall be posted at a place or places on the property at least three (3) days prior to the meeting, or notice shall be provided by a method otherwise reasonably calculated to inform the members of such meeting; (b) emergency meetings may be held without notice, if the reason of the emergency is stated in the minutes of the meeting; (c) only emergency meetings of the Board of Directors may be conducted by telephonic communication.

(b) Notice of the time and place of special meetings shall be given to each director orally or delivered in writing personally or by mail or telecopy at least twenty-four (24) hours before the meeting. Notice shall be sufficient if actually received at the required time or if mailed or telecopied not less than seventy-two (72) hours before the meeting. Notice mailed or telecopied shall be directed to the address shown on the Association's records or to the director's actual address as ascertained by the person giving the notice. Such notice need not be given for an adjourned meeting if such time and place is fixed at the meeting adjourned.

(c) Attendance of a director at a meeting shall constitute a waiver of notice of such meeting except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

4.10 Quorum and Vote.

(a) A majority of the directors shall constitute a quorum for the transaction of business. A minority of the directors, in the absence of a quorum, may adjourn from time to time but may not transact any business.

(b) The action of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors unless a greater number is required by law, the Declaration, the Articles of Incorporation or these Bylaws.

4.11 **Liability.** A member of the Board of Directors or an officer of the Association shall not be liable to the Association or any member thereto for any damage, loss or prejudice suffered or claimed on account of any action or failure to act in the performance of his or her duties, except for acts of gross negligence or intentional acts or omissions. In the event any member of the Board of Directors or any officer of the Association is made a party to any proceeding because the individual is or was a director or officer of the Association, the Association shall indemnify such individual against liability and expenses incurred to the maximum extent permitted by law. The managing agent of the Association, and its officers and employees, shall not be liable to the members or any third parties on account of any action or failure to act in the performance of its duties as managing agent, except for acts of gross negligence or intentional acts or omissions, and the Association shall indemnify the managing agent and its officers and employee from any such claims, other than for gross negligence or intentional misconduct.

4.12 **Compensation.** No director shall receive any compensation from the Association for acting as such.

ARTICLE 5 OFFICERS

5.1 **Designation and Qualification.** The officers of the Association shall be the President, the Secretary and the Treasurer and such Vice Presidents and subordinate officers as the Board of Directors shall from time to time appoint. The President shall be a member of the Board of Directors, but the other officers need not be directors. Officers need not be members of the Association. Any two offices may be held by the same person except the offices of President and Secretary. Any Director may be an Officer of the Association.

5.2 **Election and Vacancies.** The officers of the Association shall be elected annually by the Board of Directors at the annual meeting of the Board. Officers shall serve for one year and until their respective successors are elected. If any office shall become vacant by reason of death, resignation, removal, disqualification or any other cause, the Board of Directors shall elect a successor to fill the unexpired term at any meeting of the Board of Directors.

5.3 Removal and Resignation.

(a) Any officer may be removed upon the affirmative vote of a majority of the directors whenever in their judgment the best interests of the Association will be served thereby. The removal of an officer shall be without prejudice to the contract rights, if any, of the officer so removed.

(b) Any officer may resign at any time by giving written notice to the Board of Directors, the President or the Secretary of the Association. Any such resignation shall take effect upon receipt of such notice or at any later time specified therein. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective,

provided that the Board of Directors may reject any post-dated resignation by notice in writing to the resigning officer. The effectiveness of such resignation shall not prejudice the contract rights, if any, of the Association against the officer so resigning.

5.4 **President.** The President shall be the chief executive officer of the Association and shall have general supervision, direction and control of the business and affairs of the Association. He shall preside at all meetings of the members and of the Board of Directors. He shall be an ex officio member of all the standing committees, including the executive committee, if any, shall have the general powers and duties of management usually vested in the office of president of a nonprofit corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

5.5 **Vice Presidents.** The Vice Presidents, if any, shall perform such duties as the Board of Directors shall prescribe. In the absence or disability of the President, the President's duties and powers shall be performed and exercised by the Senior Vice President as designated by the Board of Directors.

5.6 **Secretary.**

(a) The Secretary shall keep or cause to be kept a Book of Minutes of all meetings of directors and members showing the time and place of the meeting, whether it was regular or special, and if special, how authorized, the notice given, the names of those present at directors' meetings, the number of memberships present or represented at members' meetings and the proceedings thereof.

(b) The Secretary shall give or cause to be given such notice of the meetings of the Association and of the Board of Directors as is required by these Bylaws or by law. The Secretary shall keep the seal of the Association, if any, and affix it to all documents requiring a seal, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

(c) If there are no Vice Presidents, then in the absence or disability of the President, the President's duties and powers shall be performed and exercised by the Secretary.

5.7 **Treasurer.** The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts and disbursements. The books of accounts shall at all reasonable times be open to inspection by any director. The Treasurer shall deposit all moneys and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Association as may be ordered by the Board, shall render to the President and directors, whenever they request it, an account of all of the Treasurer's transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

5.8 **Compensation of Officers.** No officer who is a member of the Board of Directors shall receive any compensation from the Association for acting as an officer, unless

such compensation is authorized by a resolution duly adopted by the members. The Board of Directors may fix any compensation to be paid to other officers.

ARTICLE 6 EXECUTIVE AND OTHER COMMITTEES

Subject to law, the provisions of the Articles of Incorporation, the Declaration and these Bylaws, the Board of Directors, by a vote of a majority of the directors in office, may appoint an executive committee and such other standing or temporary committees as may be necessary from time to time, consisting of not less than one of the directors in office and having such powers as the Board of Directors may designate. Such committees shall hold office at the pleasure of the Board.

ARTICLE 7 ASSESSMENTS, PROGRAMS, RECORDS AND REPORTS

7.1 **Assessments.** As provided in the Declaration, the Association, through its Board of Directors, shall do the following:

- (a) Assess and collect from the Owners the Assessments in the manner described in the Declaration.
- (b) Keep all funds received by the Association as Assessments, other than reserves described in Section 10.8 of the Declaration, in the Operations Fund and keep all reserves collected pursuant to Section 10.8 of the Declaration in the Reserve Fund, and use such funds only for the purposes described in the Declaration.
- (c) From time to time, and at least annually, prepare a budget for the Association, estimating the common expenses expected to be incurred with adequate allowance for reserves, and determine whether the Annual Assessment should be increased or decreased. Within thirty (30) days after adopting a proposed annual budget, the Board of Directors shall provide a summary of the budget to all Owners. If the Board of Directors fails to adopt a budget, the last annual budget shall continue in effect.
- (d) Fix the amount of the Annual Assessment against each Lot at least thirty (30) days in advance of each Annual Assessment period. Written notice of any Assessment shall be sent to every Owner subject thereto and to any first mortgagee requesting such notice. The due dates shall be established by the Board of Directors, which may fix a regular flat Assessment payable on a monthly, quarterly or annual basis. The Board of Directors shall cause to be prepared a roster of the Lots showing Assessments applicable to each Lot. The roster shall be kept in the Association office and shall be subject to inspection by any Owner or mortgagee during regular business hours. Within ten (10) business days after receiving a written request, and for a reasonable charge, the Association shall furnish to any Owner or mortgagee a recordable certificate setting forth the unpaid Assessments against such Owner's Lot. Such certificate shall be binding upon the Association, the Board of Directors, and every Owner as to the amounts of unpaid Assessments.
- (e) Enforce the Assessments in the manner provided in the Declaration.

(f) Keep records of the receipts and expenditures affecting the Operations Fund and Reserve Fund and make the same available for examination by members and their mortgagees at convenient hours, maintain an Assessment roll showing the amount of each Assessment against each Owner, the amounts paid upon the account and the balance due on the Assessments, give each member written notice of each Assessment at least 30 days prior to the time when such Assessment shall become due and payable; and for a reasonable charge, promptly provide any Owner or mortgagee who makes a request in writing with a written certificate of such Owner's unpaid Assessment.

7.2 Records. The Association shall keep correct and complete financial records sufficiently detailed for proper accounting purposes, shall keep minutes of the proceedings of its members, Board of Directors and committees having any of the authority of the Board of Directors, and retain all documents, information and records turned over to the Association by Declarant. All documents, information and records delivered to the Association by Declarant pursuant to ORS 94.616 shall be kept within the State of Oregon.

7.3 Statement of Assessments Due. The Association shall provide, within ten (10) business days after receipt of a written request from an Owner, a written statement that provides: (a) the amount of assessments due from the Owner and unpaid at the time the request was received, including regular and special assessments, fines and other charges, accrued interest, and late-payment charges; (b) the percentage rate at which interest accrues on assessments that are not paid when due; and (c) the percentage rate used to calculate the charges for late payment or the amount of a fixed-rate charge for late payment. The Association is not required to comply with this Section if the Association has commenced litigation by filing a complaint against the Owner and the litigation is pending when the statement would otherwise be due.

7.4 Inspection of Books and Records. During normal business hours or under other reasonable circumstances, the Association shall make available to Owners, prospective purchasers and lenders, and to holders of any mortgage of a Lot, current copies of the Declaration, Articles, Bylaws, Policies and Procedures, amendments or supplements to such documents and the books, records, financial statements and current operating budget of the Association. Upon written request, the Association shall make such documents, information and records available to such persons for duplication during reasonable hours. In addition, the Association shall make all other records of the Association available for examination by an Owner or any mortgagee. The Association may charge a reasonable fee for furnishing copies of such documents, information or records. The fee may include reasonable personnel costs for furnishing the documents, information or records.

7.5 Payment of Vouchers. The Treasurer or managing agent shall pay all vouchers for all budgeted items and for any nonbudgeted items up to \$1,000 signed by the President, managing agent, manager or other person authorized by the Board of Directors. Any voucher for nonbudgeted items in excess of \$1,000 shall require the authorization of the President or a resolution of the Board of Directors.

7.6 Execution of Documents. The Board of Directors may, except as otherwise provided in the Declaration, Articles of Incorporation or these Bylaws, authorize any officer or agent to enter into any contract or execute any instrument in the name of and on behalf of the

Association. Such authority may be general or confined to specific instances. Unless so it authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Association by any contract or engagement, or to pledge its credit, or to render it liable for any purpose or for any amount.

7.7 Reports and Audits. An annual financial statement consisting of a balance sheet and income and expense statement for the preceding year shall be rendered by the Board of Directors to all Owners and to all mortgagees who have requested the same within ninety (90) days after the end of each fiscal year. From time to time, the Board of Directors, at the expense of the Association, may obtain an audit of the books and records pertaining to the Association and furnish copies thereof to the members. At any time any Owner or holder of a mortgage may, at their own expense, cause an audit or inspection to be made of the books and records of the Association.

7.8 Programs. Pursuant to the Declaration, the Articles of Incorporation and these Bylaws, the Board of Directors shall prepare a program for the maintenance, upkeep, repair and replacement of common property as provided in Article 10 of the Declaration and the method of payment for the expense of such program.

ARTICLE 8 INSURANCE

8.1 Types of Insurance. For the benefit of the Association and its members, the Board of Directors shall obtain and maintain at all times, and shall pay for out of the Operations Fund, the following insurance:

(a) Property Damage Insurance.

(i) The Association shall maintain a policy or policies of insurance covering loss or damage from fire, with standard extended coverage and "all risk" endorsements, and such other coverages as the Association may deem desirable.

(ii) The amount of the coverage shall be for not less than one hundred percent (100%) of the current replacement cost of the structural improvements on the Common Areas (exclusive of land, plant materials, foundation, excavation and other items normally excluded from coverage), subject to a reasonable deductible, and as specified in Section 8.7(b) of the Declaration.

(iii) The policy or policies shall include all fixtures and building service equipment to the extent that they are part of the Common Areas and all personal property and supplies belonging to the Association.

(b) Liability Insurance.

(i) The Association shall maintain comprehensive general liability insurance coverage insuring the Declarant, the Association, the Board of Directors, and the managing agent, against liability to the public or to Owners and their invitees or tenants, incident to the operation, maintenance, ownership or use of the Common Areas, including legal liability

arising out of lawsuits related to employment contracts of the Association. There may be excluded from such policy or policies coverage of an Owner (other than as a member of the Association or Board of Directors) for liability arising out of acts or omission of such Owner and liability incident to the ownership and/or use of the part of the property as to which such Owner has the exclusive use or occupancy.

(ii) Limits of liability under such insurance shall not be less than One Million Dollars (\$1,000,000) on a combined single-limit basis.

(iii) Such policy or policies shall be issued on a comprehensive liability basis and shall provide a cross liability endorsement wherein the rights of named insureds under the policy or policies shall not be prejudiced as respects his, her or their action against another named insured.

(c) **Workers' Compensation Insurance.** The Association shall maintain workers' compensation insurance to the extent necessary to comply with any applicable laws.

(d) **Fidelity Bonds or Insurance.**

(i) The Board of Directors may cause the Association to maintain blanket fidelity bonds or insurance for all officers, directors, trustees and employees of the Association and all other persons handling or responsible for funds of, or administered by, the Association. In the event the Association has retained a management agent, the Board of Directors may require such agent to maintain fidelity bonds or insurance for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Association. The cost of such insurance, if any, may be borne by the Association.

(ii) The total amount of fidelity coverage required shall be based upon the best business judgment of the Board of Directors.

(iii) Such fidelity bond or insurance shall name the Association as obligee and shall contain waivers by the bond issuers or the insurer of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees" or similar terms or expressions. The bonds or insurance shall provide that they may not be canceled or substantially modified (including cancellation for nonpayment of premium,) without at least 10 days' prior written notice to the Association.

8.2 Insurance by Lot Owners. Each Owner shall be responsible for obtaining, at his or her own expense, homeowner's insurance covering the Improvements and personal property on the Owner's Lot to the extent not covered by the Association policy, and liability resulting from use or ownership of the Lot, unless the Association agrees otherwise. The insurance coverage maintained by the Association shall not be brought into contribution with the insurance obtained under this Section by the Owners.

8.3 Planned Community Act Requirements. The insurance maintained by the Association shall comply with the requirements of the Oregon Planned Community Act, ORS 94.550 to 94.780.

ARTICLE 9 GENERAL PROVISIONS

9.1 **Seal.** The Board of Directors may, by resolution, adopt a corporate seal.

9.2 **Notice.** All notices to the Association or to the Board of Directors shall be sent care of the managing agent, or if there is no managing agent, 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 members shall be sent to the member's Lot address or to such other address as may have been designated by the member from time to time in writing to the Board of Directors.

9.3 **Waiver of Notice.** Whenever any notice to any member or director is required by law, the Declaration, the Articles of Incorporation, or these Bylaws, a waiver of notice in writing signed at any time by the person entitled to notice shall be equivalent to the giving of the notice.

9.4 **Action Without Meeting.** Any action which the law, the Declaration, the Articles of Incorporation or the Bylaws require or permit the members or directors to take at any meeting may be taken without a meeting if a consent in writing setting forth the action so taken is signed by all of the members or directors entitled to vote on the matter. The consent, which shall have the same effect as a unanimous vote of the members or directors, shall be filed in the records of minutes of the Association.

9.5 **Conflicts.** These Bylaws are intended to comply with the Oregon Nonprofit Corporation Law, the Declaration, the Articles of Incorporation and the Oregon Planned Community Act. In case of any irreconcilable conflict, such statutes and documents shall control over these Bylaws.

ARTICLE 10 AMENDMENTS TO BYLAWS

10.1 **How Proposed.** Amendments to these Bylaws shall be proposed by either a majority of the Board of Directors or by members holding at least thirty percent (30%) of the voting rights entitled to be cast for such amendment. The proposed amendment must be reduced to writing and shall be included in the notice of any meeting at which action is to be taken thereon or be attached to any request for consent to the amendment.

10.2 **Adoption.** A resolution adopting a proposed amendment may be proposed by either the Board of Directors or by the members and may be approved by the membership at a meeting called for that purpose or by ballot vote. Members not present at the meeting considering such amendment may express their approval in writing or by proxy. Any resolution must be approved by members holding a majority of the voting rights, together with the written consent of the Class B member, if any. Amendment or repeal of any provision of these Bylaws that is also contained in the Declaration or Articles of Incorporation must be approved by the same voting requirement for amendment of such provision of the Declaration or Articles of Incorporation.

Notwithstanding the provisions of the preceding paragraph, until termination of the Class B membership, Declarant shall have the right to amend these Bylaws in order to comply with the requirements of the Federal Housing Administration, the Veterans Administration, the Farmers Home Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, any department, bureau, board, commission or agency of the United States or the State of Oregon, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon which insures, guarantees or provides financing for a planned community or lots in a planned community. After the termination of Class B membership, any such amendment shall require the approval of a majority of the voting rights of the Association, voting in person, by proxy, or by ballot, at a meeting or ballot meeting of the Association at which a quorum is represented.

10.3 Execution and Recording. An amendment shall not be effective until certified by the President and Secretary of the Association as being adopted in accordance with these Bylaws and ORS 94.625 and recorded in the Deed Records of Deschutes County, Oregon.