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**BYLAWS OF
STONE CREEK HOMEOWNERS' ASSOCIATION**
Declarant: Lands Bend Corp., an Oregon corporation
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BYLAWS OF STONE CREEK HOMEOWNERS' ASSOCIATION

Recitals, Intent and Purpose

The Real Property shall be held, transferred, sold, conveyed and occupied subject to the Oregon Planned Community Act as may be amended from time to time (ORS 94.550 to 94.783) and subject to these Bylaws, which shall be binding upon all parties having or acquiring any right, title or interest in the Property or any part thereof, and which shall inure to the benefit of the Association and of each Owner.

ARTICLE 1 PLAN OF LOT OWNERSHIP; DEFINITIONS

1.1 Bylaws Applicability. These Bylaws apply to the Lots, Commonly Maintained Property and any Common Area in Stone Creek, a planned community in Deschutes County, Oregon, that have been subjected to the Declaration as referenced above, as well as to the Stone Creek Homeowners' Association (the "Association") and the entire management structure thereof.

1.2 Lots; Property. The Lots, Commonly Maintained Property and any Common Area may be collectively referred to in these Bylaws as the "Property" or "Project" and the Lots individually as a "Lot" or collectively as the "Lots."

1.3 Personal Application. All present or future Owners, tenants, Occupants, and their employees, and any other person that might occupy any portion of the Property in any manner, shall be subject to the provisions set forth in these Bylaws. The acquisition, rental, or occupancy of any of the Lots shall constitute acceptance and ratification of these Bylaws and agreement to comply with all the provisions hereof.

1.4 Definitions. Capitalized terms used but not defined herein shall have meanings attributed to them in Article 1 of the Declaration.

1.5 Oregon Planned Community Act. The Property, all Lots and Owners thereof, the Association and all Members thereof, shall be subject to the Oregon Planned Community Act, ORS 94.550 et seq. (the "PCA").

ARTICLE 2 ASSOCIATION MEMBERSHIP; VOTING; MAJORITY OF OWNERS; QUORUM; PROXIES

2.1 Membership in the Association. Upon recordation of a conveyance or contract to convey a Lot, the grantee or purchaser named in such conveyance or contract shall automatically be and shall remain a Member of the Association until such time as such person's ownership ceases for any reason. For all purposes of the Declaration and the administration of the Property, Lot ownership shall be determined from the records maintained by the Association. Owners shall file with the Association a copy of the recorded deed to or land sale contract for such Owner's Lot bearing the certificate of the recording officer of Deschutes County, Oregon,

showing the date and place of recording. The grantee or buyer under such instrument shall be recognized as an Owner unless the Association obtains a subsequently recorded instrument showing title or a contract to obtain title to the Lot is held by some other person. Notwithstanding the foregoing, Declarant shall be the Owner of all previously unsold Lots, although no deed or land sale contract, with respect to such Lots, has been filed with the Association.

2.2 Voting Rights. The Association shall have two (2) classes of voting Members:

2.2.1 Class A. Class A Members shall be all Owners of Lots other than Declarant, and each Class A Member shall be entitled to one (1) vote for each Lot owned with respect to all matters upon which Owners are entitled to vote.

2.2.2 Class B. The Class B Member shall be Declarant, its successors and assigns. The Class B Member shall have three (3) votes for each Lot owned; provided, however, that Class B membership shall cease on the Termination Date, as defined in Section 3.3. After termination of Class B membership, each Owner (including Declarant) shall be entitled to one (1) vote for each Lot owned with respect to all matters upon which Owners are entitled to vote, and the total number of votes shall equal the total number of Lots annexed to the Property and subjected to these Bylaws.

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 shall fractional voting be allowed. Fractionalized or split votes shall be disregarded, except for purposes of determining a quorum.

2.3 Majority of Owners. As used in these Bylaws, the term "majority" shall mean those Owners holding over fifty percent (50%) of the voting rights allocated to the Owners in accordance with the Declaration and Section 2.2 above. "Majority of Owners present" shall mean Owners holding over fifty percent (50%) of the votes present at any legal meeting.

2.4 Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Owners holding twenty-five percent (25%) or more of the outstanding votes in the Association, as defined in Section 2.2 of this Article, shall constitute a quorum.

2.5 Voting; Proxies. Owners may cast votes in person, by written ballot, or by proxy. Proxies must be filed with the Secretary of the Association ("Secretary") before or during the appointed meeting. A proxy shall expire one (1) year after the date it was signed unless a shorter period is specified in the proxy. The proxies may require the holder to cast a vote for or against any special proposal set out in the notice calling the meeting. Unless withdrawn, a proxy given to another person to vote at a specific meeting shall also be valid at an adjourned meeting called under the provisions of Section 3.8. Proxies and ballots must be retained by the Association for one (1) year from the date of the determination of the vote, except that proxies and ballots relating to an amendment must be retained by the Association for one (1) year from the date the amendment is effective.

2.6 Authority to Vote. All Owners, including those who have leased their Lot to a third party, shall be entitled to vote. An Owner's right to vote may not be revoked except for non-payment of assessments pursuant to a resolution adopted by the Board of Directors. A

purchaser under a land sale contract entitled to immediate possession of the Lot shall be deemed the Owner thereof, unless otherwise provided in such contract.

2.7 Fiduciaries and Joint Owners. An attorney-in-fact, executor, administrator, guardian, conservator or trustee may vote, in person or by proxy, at any meeting of the Association with respect to any Lot owned or held by such person in such capacity, whether or not the same shall have been transferred to such person's name, provided that such person has satisfied the Secretary that such person is the attorney-in-fact, executor, administrator, guardian, conservator or trustee holding such Lot in such capacity. Whenever any Lot is owned by two (2) or more persons jointly according to the records of the Association, the vote 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 such protest, no one co-owner shall be entitled to vote without the approval of all co-owners. In the event of disagreement among the co-owners, the vote of such Lot shall be disregarded for all purposes, except for determining whether a quorum is present.

ARTICLE 3 **ADMINISTRATION**

3.1 Association Responsibilities. The Owners shall constitute the Members of the Association. Except as otherwise provided in the Declaration or these Bylaws, decisions and resolutions of the Association shall require approval by a majority of the Owners present at any legal meeting. A legal meeting is one duly called pursuant to these Bylaws at which a quorum is present, in person or by proxy at a formal gathering or, if a vote is taken by written ballots, when ballots are returned representing a quorum, unless a larger vote is required to approve a ballot item, in which case the quorum requirements shall be the number of votes required to approve the proposal.

3.2 Place of Meetings. Formal meetings of the Association shall be held at suitable places convenient to the Owners as may be designated by the Board of Directors of the Association (the "Board").

3.3 Turnover Meeting. Declarant shall call a meeting (which shall be the initial meeting) for the purpose of turning over administrative control of the Association from Declarant to the Members within sixty (60) days after of the earliest of the following dates (the "Termination Date"):

3.3.1 Twenty Years. The date twenty (20) years from the date the Declaration is recorded; and

3.3.2 Termination of Class B Membership. The date on which Declarant delivers written notice to the Association of termination of Class B membership.

Declarant shall give notice of the Turnover Meeting to each Owner as provided in these Bylaws. If Declarant does not call such meeting as required under this Section 3, the transitional advisory committee or any Owner may do so.

At the Turnover Meeting, Declarant shall relinquish control of the administration of the Association and the Owners shall assume such control and shall elect the Board in

accordance with the provisions of Article 4 of these Bylaws. Additionally, Declarant shall deliver to the Association all business and financial records, together with all Association bank accounts, funds and other assets as required by ORS 94.616. The turnover meeting may not be conducted by written ballot.

3.4 Transitional Advisory Committee. Declarant shall form a transitional advisory committee (the "Committee") to provide for the transition of administrative control of the Association from Declarant to the Class A Members. Within sixty (60) days after Declarant has conveyed fifty percent (50%) or more of the total number of Lots the Declarant has reserved the right to annex to Owners other than a successor declarant, Declarant shall call a meeting of Owners for the purpose of selecting the Committee, which shall consist of three (3) Members. The Class A Members shall, by majority vote, elect two (2) Members, and Declarant shall elect one (1) Member.

The Committee's function shall be facilitating the transfer of control of the administration of the Association from Declarant to the Owners. The Committee shall have access to the information, documents and records that Declarant must turn over to the Owners under the PCA and this Article 3.

Declarant shall give notice of the meeting required under this Section 3.4 to each Owner at least seven (7), but not more than fifty (50), days prior to the meeting. The notice shall state the purpose of the meeting and the time and place where it is to be held. If Declarant does not call such meeting within the time specified, an Owner may call such meeting. If the Owners, other than Declarant, do not select Members for the Committee under this Section 3.4, Declarant shall have no further responsibility to form the Committee.

3.5 Annual Meetings. The Board, by a Board action, shall cause the first annual meeting of the Association to be held during the calendar year following the calendar year in which the Turnover Meeting is held. The Board, at its discretion, from time to time, may change the meeting date, provided that the meeting is held annually. At such meetings, the Owners shall elect new members of the Board in accordance with the requirements of Section 4.7 of these Bylaws to replace those Directors whose terms have expired. The Owners also may transact such other business of the Association as may properly come before them. Annual meetings of the Association may not be conducted by written ballot.

3.6 Special Meetings. The President shall call a special meeting of the Owners if so directed by a resolution of the Board or a petition, presented to the Secretary and signed by thirty percent (30%) or more of the Owners. All meetings called because of petition of Owners shall be held at a formal gathering, and not by written ballot, notice of which shall be sent within thirty (30) days after the Secretary's receipt of the petition. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business other than that stated in such notice shall be transacted at a special meeting unless by consent of all the Owners of the Lots or as otherwise set out in these Bylaws.

3.7 Notice of Meetings. The Secretary shall mail by first class mail, hand deliver, or deliver via electronic communication, a notice of each annual and special meeting, stating the purpose thereof and the time and place where such meeting is to be held, to each Owner of

record at least ten (10) but not more than fifty (50) days before such meeting or the date on which ballots for a ballot meeting are required to be returned. The Board of Directors may propose that the Owners take an action by written ballot without a meeting, pursuant to the provisions of the PCA and the Oregon Nonprofit Corporation Act. Such notices shall be mailed to the Owner's mailing address last given to the Secretary in writing by the Owner or such Owner's vendee or via electronic communication as allowed by law. If Lot ownership is split or the Lot has been sold on a contract, notice shall be sent to a single address, of which the Secretary has been notified in writing by such parties. If no address has been given to the Secretary in writing, then mailing to the Lot shall be sufficient. The mailing or delivery via electronic communication of a notice in the manner provided in this Section shall be considered notice served. Provided however, an owner may decline to receive notices or ballots via electronic communication by written notice to the Secretary.

3.8 Adjourned Meetings. If any gathering of Owners is not a legal meeting because a quorum has not attended, the Owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours or more than twenty (20) days from the time of the original meeting. The adjournment provisions of this Section do not apply to actions proposed to be taken by written ballot.

3.9 Ballot Meetings. Unless prohibited or limited by the Articles of Incorporation of the Association, any action that may be taken at any annual or special meeting of the Owners may be taken without a meeting if the Association delivers a written ballot to every Owner entitled to vote on the matter as provided in ORS 94.647. Provided, however, action by written ballot may not substitute for the turnover meeting, annual meeting, meeting to remove a director or special meeting called at the request of the Owners. Such ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action. A proposed action shall be deemed to be approved by written ballot when the number of votes cast by ballot equals or exceeds any quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. The Board must provide Owners with at least ten (10) days' notice as required by ORS 94.647 before written ballots are mailed or otherwise delivered. If, at least three (3) days before written ballots are scheduled to be mailed or otherwise distributed, at least ten percent (10%) of the Owners petition the Board 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 making and returning the ballot. The Board of Directors may extend the date for counting the ballots of a ballot meeting, in one or more extensions, for up to ninety (90) days after the originally scheduled ballot return date if a quorum of ballots has not been returned and/or for matters on which a certain percentage approval is required and that vote has not been received nor have sufficient votes in opposition been received to negate such approval. Provided, however, if a secret ballot is required, secrecy ballots may not be examined or counted prior to the date certain specified in the notice or any extension thereof.

3.10 Order of Business. The order of business at all annual meetings shall be as follows:

Roll call;
Proof of notice of meeting or waiver of notice;
Approval of minutes of the preceding meeting;
Reports of officers;
Reports of committees;
Election of inspectors of election;
Election of Directors;
Unfinished business;
New business;
Adjournment.

ARTICLE 4

BOARD OF DIRECTORS

4.1 Number and Qualification. The Board shall be composed of five (5) persons, all of whom must be an Owner or a co-owner of a Lot; provided, however, that if a Lot is owned by more than one (1) Owner, only one (1) co-owner of that Lot may serve on the Board of Directors at any one time. An officer or employee of a corporation, a member of a limited liability company, the trustee of a trust, the personal representative of an estate, or an employee of a trust or estate may serve on the Board if the corporation, limited liability company, trust or estate owns a Lot.

4.2 Powers and Duties. The Board shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law or by these Bylaws directed to be done by the Owners.

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

4.3.1 Upkeep of Common Area and Commonly Maintained Property. Care, upkeep and supervision of any Common Area and the Commonly Maintained Property.

4.3.2 Reserves. Establishment and maintenance of replacement Reserve Accounts which the Board deems prudent for replacement of any Common Area improvements or facilities and the Commonly Maintained Property.

4.3.3 Assessment Collection. Designation and collection of assessments from the Owners, in accordance with these Bylaws and the Declaration.

4.3.4 Budget; Voucher System. Establishment of a budget and payment of all common expenses of the Association and institution and maintenance of a voucher system for such payment, which shall require a sufficient number of signatories thereon as may be reasonably necessary to prevent any misuse of Association funds, in accordance with these Bylaws and the Declaration.

4.3.5 Insurance. Procurement and maintenance of insurance policies and payment of premiums therefor out of the common expense funds, as more specifically provided in Article 8 of these Bylaws.

4.3.6 Personnel. Designation and dismissal of the personnel necessary for the maintenance and operation of the Project.

4.3.7 Financial Statements. Causing the preparation and distribution of annual financial statements of the Association to each of the Owners, as more specifically provided in the Declaration.

4.3.8 Rules. Adoption and amendment of administrative Rules and Regulations governing the details of operation and use of any Common Area and Commonly Maintained Property administration of the Association, including a fine schedule for violations of these Bylaws, the Declaration or any rules or regulations promulgated thereunder. Provided, however, that any such Rules and Regulations shall always be subject to rescission or amendment by the Association upon a majority vote of Owners present at any properly called meeting.

4.3.9 Copies of Documents; Bank Accounts. Causing the Association to comply with ORS 94.670 relating to maintenance within the State of Oregon of documents delivered to the Association by the Declarant, depositing all assessments in a separate federally insured account in the name of the Association, payment of all expenses of the Association from the Association's bank account, and maintenance and distribution of financial statements and to maintain copies suitable for duplication of the following: the Declaration, the Articles of Incorporation, the Bylaws, the Association rules and regulations and any amendments thereto, the most recent annual financial statement, and the current operating budget of the Association. Further, the Board of Directors shall cause to be maintained and kept current the information required to enable the Association to comply with ORS 94.670.

4.3.10 Tax Returns. Causing the Association to file the necessary tax returns of the Association.

4.3.11 Mailing Address. Establishing and maintaining a current mailing address for the Association.

4.3.12 Professional Services. Employment of legal, accounting, and other personnel or consultants for reasonable compensation to perform such services as may be required for the proper administration of the Association, and preparing and filing the required income tax returns or forms.

4.4 Limited Authority. The Board shall not take any of the following actions, except with the vote or written assent of a majority of the voting power of the Owners other than Declarant:

4.4.1 Third Party Contracts. Enter into a contract with a third party wherein the third person will furnish goods or services for any Common Area, the Commonly Maintained Property, or the Association for a term longer than one (1) year with the following exceptions:

(a) Management contract, the provisions of which have been approved by the Federal Housing Administration, U.S. Housing and Urban Development or Veterans Administration.

(b) A contract with a public utility company in Deschutes County, or a service contract if the rates charged for the materials or services are regulated by the Oregon Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate.

(c) A prepaid casualty and/or liability insurance policy the term of which does not exceed three (3) years, provided that the policy permits short-rate cancellation by the insured.

4.4.2 Capital Expenditures. Incur aggregate expenditures for capital improvements (as opposed to maintenance, repair and replacement costs) to any Common Area, the Commonly Maintained Property, during any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

4.4.3 Compensating Board Members. Pay compensation to members of the Board or officers of the Association for services performed in the conduct of the Association's business; provided, however, that the Board may cause a member or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

4.5 Management Agent. The Board shall employ a management agent, to be compensated in an amount established by the Board, to perform such duties and services as the Board shall authorize, including, but not limited to, the duties listed in Section 4.3 of these Bylaws. Any such management contract must be cancelable without penalty upon ninety (90) days' written notice. Any management contract entered into by the Declarant before the Turnover Meeting may be canceled by the Board of Directors elected at the turnover meeting upon thirty (30) days' written notice given not later than sixty (60) days after the turnover meeting.

4.6 Interim Board and Officers. Declarant hereby reserves administrative control of the Association until the Turnover Meeting. Declarant, in its sole discretion, may appoint and remove members of the Board and officers of the Association whose terms of service shall end on or before the date of the Turnover Meeting. However, at the Turnover Meeting, at least one (1) Director shall be elected by Owners other than Declarant, even if Declarant otherwise has voting power to elect all three (3) Directors.

4.7 Election and Term of Office. At the Turnover Meeting of the Association, the term of office of three (3) Directors shall be fixed for two (2) years. The term of office of two (2) Directors shall be fixed at one (1) year. Should the number of Directors serving on the Board be increased, the same sequential election terms shall apply as nearly as is practicable. Upon expiration of the initial term of office of each respective Director, such Director's 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 Owners may elect Directors by using a ballot that permits each Owner to

vote for five (5) nominees. In such event, the three (3) nominees receiving the highest number of votes shall be the two (2) year Directors and the two (2) nominees receiving the next highest number of votes shall be the one (1) year Directors.

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

4.9 Removal of Directors. At any legal annual or special meeting at which removal of a Director is on the agenda (not including actions proposed to be taken by written ballot without a meeting), any one (1) or more of the Directors may be removed with or without cause, by a majority vote of the total voting power of the Owners and a successor may be then and there elected to fill the vacancy thus created; provided, however, that the notice of meeting shall specifically indicate that the removal of one (1) or more named Directors is an agenda item for such meeting. The owners must vote on removal of each Director whose removal is proposed as a separate question. Any Director whose removal has been proposed by the Owners shall be given an opportunity to be heard at such meeting.

4.10 Organizational Meeting. The first meeting of a newly elected Board shall be held within ten (10) days of election at such place as shall be fixed by the Directors at the Association meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order to hold such meeting legally, providing a majority of the newly elected Directors are present.

4.11 Regular Meetings. Regular meetings of the Board 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 may be called by the President on at least three (3) days' notice to each Director, given personally or by mail, telephone, e-mail or facsimile, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

4.12 Special Meetings. Special meetings of the Board may be called by the President or Secretary or on the written request of at least two (2) Directors. Special meetings of the Board may be called on at least three (3) days' notice to each Director, given personally or by mail, telephone, e-mail or facsimile, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

4.13 Waiver of Notice to Directors. Before, at or after any meeting of the Board, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by such Director of the time and place thereof. 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.

4.14 Board of Directors' Quorum. At all meetings of the Board, 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. If quorum requirements are not met at any meeting of the Board, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business that might have been transacted at the meeting as originally called may be transacted without further notice.

4.15 Board Meetings Open to All Association Members. Except for executive sessions, all meetings of the Board shall be open to any and all Members of the Association; provided, however, that no Association Member shall have a right to participate in the Board's meetings unless such Member is also a member of the Board. The President shall have authority to exclude any Association Member who disrupts the proceedings at a meeting of the Board. At the discretion of the Board, the Board may meet in executive session closed to the Owners to:

4.15.1 Consult with legal counsel;

4.15.2 Consider the following:

- (a) Personnel matters, including salary negotiations and employee discipline;
- (b) Negotiations of contracts with third parties;
- (c) Collection of unpaid assessments; or
- (d) Any other matters for which the Planned Community Act permits.

Except in the case of an emergency, the Board shall vote in an open meeting whether to meet in executive session. If the Board votes to meet in executive session, the presiding officer of the Board shall state the general nature of the action to be considered, as precisely as possible, when and under what circumstances the deliberations can be disclosed to Owners. The statement, motion or decision to meet in executive session must be included in the minutes of the meeting. A contract or an action considered in executive session does not become effective unless the Board, following the executive session, reconvenes in open meeting and votes on the contract or action, which must be reasonably identified in the open meeting and included in the minutes.

4.16 Notice to Association Members of Board Meetings. For other than emergency meetings, notice of Board of Directors meetings 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 Lot Owners of such meetings.

4.17 Emergency Meetings. In the event of an emergency, Board of Directors meetings may be conducted by telephonic communication or by the use of a means of communication that allows all Board members participating to hear each other simultaneously or otherwise to be able to communicate during the meeting. No notice to either Directors or Association members shall be required for such meetings of the Board of Directors to be held for any emergency action. Provided, however, that no such 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 reach each Director.

4.18 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

5.1 Designation. The principal officers of the Association shall be a President, a Secretary and a Treasurer, all of whom shall be elected by the Directors. The Directors may appoint an assistant treasurer and an assistant secretary, and any such other officers as in their judgment may be necessary.

5.2 Election of Officers. The officers of the Association may be elected by the Board at the organizational meeting of each new Board or any Board meeting thereafter, and shall hold office at the pleasure of the Board.

5.3 Removal of Officers. Upon an affirmative vote of a majority of the Board, any officer may be removed, either with or without cause, and such officer's successor may be elected at any regular or special meeting of the Board.

5.4 President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Association and of the Board. 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 the President may, in the President's discretion, decide is appropriate to assist in the conduct of the affairs of the Association.

5.5 Secretary. The Secretary shall keep the minutes of all meetings of the Board and the minutes of all meetings of the Association and shall have charge of such books and papers as the Board may direct; and shall, in general, perform all the duties incident of the office of secretary.

5.6 Treasurer. The Treasurer shall have responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. The Treasurer 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.

5.7 Directors as Officers. Any Director may be an officer of the Association.

ARTICLE 6

OBLIGATIONS OF THE OWNERS

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 Declaration. Assessments shall be payable on a periodic basis, not more frequently

than monthly, as determined by the Board. Declarant (before turnover) and the Board (after turnover) may, but shall not be required to, impose interest or a service charge for late installment payments or allow a discount for payment of the annual assessment or any installment in advance.

6.2 Investment of Reserve Account Funds. Assessments paid into Reserve Accounts shall be kept with a safe and responsible depository, shall be accounted for separately and, if invested, the Association must comply with the restrictions set forth in the Planned Community Act. Assessments paid into the Reserve Accounts are the property of the Association and are not refundable to sellers of Lots. However, nothing contained herein shall prevent sellers of Lots from treating their outstanding allocable share of Reserve Accounts as a separate or reimbursable item in a sales agreement. No Owner shall have any individual rights in any of these reserves, although it is understood that the value of an Owner's Lot may increase in proportion to such Lot's right to receive repair, maintenance and replacement therefrom.

6.3 Initial Assessment. The amount of the initial assessment due from Lot Owners in Stone Creek and for any Lots subsequently annexed to Stone Creek other than the Declarant shall be determined by the Declarant. The amount of the annual assessment thereafter shall be subject to review and modification by the Board of Directors.

6.3.1 Contribution to Working Capital. At closing of the sale and re-sale of each Lot, other than to a successor declarant, each purchaser shall contribute to the Association a sum equal to one-sixth (1/6) of the annual assessments, with respect to the Lot being purchased, as a contribution to the working capital of the Association. If the amount of the assessments is reduced pursuant to the authority granted to the Declarant herein, the deposit to the Association budget, equal to one-sixth (1/6) of the annual assessment, shall be based on the projected amount of such annual assessments after substantial or full occupancy of the Lots rather than on the reduced amount. The working capital contribution is in addition to regular assessments and shall not be used as a prepayment of assessments by any Owner. The Declarant may not use the working capital funds to defray any of its expenses, reserve contributions, or construction costs, or to make up any budget deficits while the Declarant is in control of the Association.

6.3.2 Procedures. If the Declarant or any other person pays all of the operating expenses of the Association or subsidizes such expenses, the assessment shall be reduced by such amount, but shall not be reduced to a sum less than the total amount of the replacement reserve items.

The Declarant, or such other person paying all operating expenses or subsidizing such expenses, shall give sixty (60) days' written notice to individual Lot Owners before their obligation to pay the full assessment begins. In the event that the Declarant has collected initial assessments from Lot purchasers at closing and thereafter elects to pay or subsidize the operating expenses, thereby causing the amount of the assessment to be reduced, the one-time initial contribution collected from Lot purchasers shall be held by the Declarant in a separate Association account. On the date on which Lot Owners are required to pay full assessments, the aggregate sums held in such separate account shall be deposited to the Association's general account to be used as working capital.

6.3.3 Temporary Reduction of Assessment Amount. If the Association expenses are temporarily less than projected by the Declarant because some or most of the Lots are not yet sold or occupied, the Declarant shall have the authority to reduce temporarily the amount of the assessment to reflect the lower expenses of the project.

6.4 Statement of Assessments.

6.4.1 The Association shall provide, within ten (10) business days of receipt of a written request from an Owner, a written statement that provides:

6.4.1.1 The amount of assessments due from the Owner and unpaid at the time the request was received, including:

- (a) Regular and special assessments;
- (b) Fines and other charges;
- (c) Accrued interest; and
- (d) Late payment charges.

6.4.1.2 The percentage rate at which interest accrues on assessments that are not paid when due.

6.4.1.3 The percentage rate used to calculate the charges for late payment or the amount of a fixed charge for late payment.

6.4.2 The Association is not required to comply with Section 6.4.1 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.

6.5 Default. Failure by an Owner to pay any assessment of the Association shall be a default by such Owner of such Owner's obligations pursuant to these Bylaws and the Declaration. The Association shall be entitled to the remedies set forth in the Declaration.

6.6 Maintenance and Repair.

6.6.1 Lots. Except as otherwise specifically provided in the Declaration and these Bylaws, every Owner must perform promptly all maintenance and repair work to such Owner's Lot and the exterior of the improvements thereon (which do not constitute Commonly Maintained Property) and keep the same in good repair and sanitary and neat condition.

6.6.2 Common Area and Commonly Maintained Property. The Association shall repair and maintain any Common Area and any Commonly Maintained Property, subject to the provisions of subsection 6.6.3.

6.6.3 Reimbursement of Association. An Owner shall reimburse the Association for any expenditures incurred in repairing or replacing any portion of any Common Area or of any Commonly Maintained Property that was damaged through such Owner's fault and that is not otherwise covered by insurance policies carried by the Owner or the Association for the Owner's and the Association's benefit. In such circumstances, the insurance obtained by

the Owner shall be deemed to be the primary coverage. The Board of Directors shall have the unfettered discretion to refuse to make a claim on the Association's policy even though coverage may pertain. Such discretion is for the purpose of maintaining the Association's insurability and controlling the amount of the premiums for the Association's insurance. Such charge shall be collectible as a reimbursement assessment as provided in the Declaration.

6.7 Right of Entry; Easements for Maintenance.

6.7.1 Emergencies. Present and future Owners, tenants, Occupants, and any other persons that occupy any portion of the Property, by virtue of acquisition, rental, or occupancy of any of the Lots, grant to the management agent or to any other person authorized by the Board or the Association the right to enter upon such Lot in the event of an emergency originating in or threatening any Owner's Lot.

6.7.2 Maintenance Easements. Declarant grants an easement to the Association in and through any Lot and any Common Area providing access at reasonable times and with reasonable notice for purposes of maintenance, repair and replacement of any Common Area and Commonly Maintained Property. If, in performing such repair and maintenance, the Association needs to alter or damage any Lot, Commonly Maintained Property or any Common Area, it may do so without providing compensation, provided that it promptly restores the Lot and/or any Common Area to substantially its prior condition.

ARTICLE 7

USE AND OCCUPANCY RESTRICTIONS; RULES OF CONDUCT

In addition to the restrictions and rules of conduct set forth in the Declaration, the following shall apply:

7.1 Use of the Common Area and Commonly Maintained Property. No Owner shall place or cause to be placed on any portion of any Common Area or Commonly Maintained Property any trash, structure, equipment, improvement, furniture, package or object of any kind. Any Common Areas and Commonly Maintained Property shall be used for no purpose other than what is customary for such areas.

7.2 Appearance of Lots. Owners shall keep their Lots and the improvements thereon in good repair, clean, and with painted, stained or other finished exteriors compatible with the Architectural Standards, the Declaration and Rules and Regulations. Provided, however, the Association shall have such obligations with respect to the Commonly Maintained Property.

7.3 Improper, Offensive or Unlawful Use. No Owner or Occupant shall make any improper, offensive or unlawful use of any part of the Property. Owners and Occupants shall observe all valid laws, zoning ordinances and regulations of governmental bodies having jurisdiction over the Property. The responsibility for meeting the requirements of governmental bodies for maintenance, modification or repair of the Property shall be carried out and paid for in the same manner as the responsibility for the maintenance and repair of the Property concerned.

7.4 Additional Rules. In addition to the rules set forth in this Article 7 and the Declaration, the Board may promulgate and amend, from time to time, Rules and Regulations

concerning other use of the Property and shall furnish copies of such Rules and Regulations to any Owner or Occupant requesting such copies.

7.5 Enforcement. The Association, through its Board of Directors, shall have the power to enforce the covenants and restrictions in these Bylaws and in the Declaration. Owners shall also have the right to bring actions or suits regarding covenants and restrictions, but shall have no right or power to require the Association or Board of Directors to take any enforcement action.

7.6 Restriction on Exterior Installations. Except as permitted by law, no Owner, resident or tenant shall install wiring for electrical or telephone installation, machines or air conditioning units or similar devices on the exterior of the building(s) or cause them to protrude through the walls or the roof of the building(s) except as authorized in writing by the Board of Directors, and, if the modification or installation would require an easement pursuant to the Declaration, then prior approval by the required percentage of Owners. No window guards, awnings or shades shall be installed without the prior written consent of the Board of Directors.

7.7 Fines. The Board of Directors may, after giving written notice and an opportunity to be heard, levy reasonable fines for violations of the Declaration, Bylaws and rules and regulations of the Association, provided that fines levied are based on a schedule previously adopted by Board resolution that is mailed to the mailing address of each Lot or mailed to the mailing address designated in writing by the Owner(s).

ARTICLE 8 **INSURANCE**

8.1 General. The Board shall obtain and maintain at all times insurance of the type and kind and in the amounts hereinafter provided and additional insurance for such other risks of a similar or dissimilar nature as are now or as shall be hereafter customarily covered by insurance obtained by other planned communities similar in construction and design. Such additional insurance shall be governed by this Article 8.

8.2 Types of Insurance Policies Maintained By the Association. For the benefit of the Association and the Owners, the Board shall obtain and maintain at all times, and shall pay for out of the common expense funds, the following insurance to the extent that it is available at reasonable cost:

8.2.1 Property Insurance. A policy or policies of property insurance, including, but not limited to, fire, extended coverage, vandalism and malicious mischief, for the full insurable replacement value of the Townhomes, improvements on any Common Area and Commonly Maintained Property to the extent such insurance is available and, if available at a reasonable cost, shall obtain building code and actual replacement cost endorsements and subject to a deductible to be determined by the Board of Directors in its sole discretion.

8.2.2 Liability. A policy or policies insuring the Association, its Board, the Owners individually, and the manager against any liability to the public or the Owners and their invitees or tenants, incident to the ownership, supervision, control or use of the Property. Limits of liability under such insurance shall be not less than one million dollars (\$1,000,000) per

occurrence for bodily injuries and property damage liability. Such limit and coverage shall be reviewed at least annually by the Board, which may increase the limit of and/or coverage, in its discretion. Said policy or policies shall be issued on a commercial General Liability form and shall provide cross liability endorsements wherein the rights of the named insured under the policy or policies shall not be prejudiced as respects his, her or their action against another named insured.

8.2.3 Workers Compensation. Workers Compensation Insurance to the extent that it is necessary to comply with any applicable laws.

8.2.4 Crime; Employee Dishonesty Insurance. The Board must obtain a fidelity, employee dishonesty and crime insurance policy(ies) which insures the Association against theft or embezzlement of Association funds.

8.2.5 Directors' and Officers' Insurance. Directors' and officers' insurance insuring the directors and officers.

8.3 Fidelity Bond. For the benefit of the Association and Owners, the Board may obtain a fidelity bond naming such persons as may be designated by the Board as principals and the Association and the Owners as obligees, for the amount determined by the Board. The Board may pay for such bond out of the common expenses of the Association. In addition, the Board shall require that all officers and employees of the Association handling or responsible for Association funds to obtain adequate fidelity bonds and may pay for the premiums thereon.

8.4 Insurance Companies Authorized. All policies obtained under this Article 8 shall be written by a company licensed to do business in Oregon and holding a "Commissioner's Rating" of "B+" and a size rating of "IX," or better, by Best's Insurance Reports, or as may be otherwise acceptable to all mortgagees and Directors.

8.5 Provisions in Insurance Policies. The Board shall make every reasonable effort to secure insurance policies that will provide for the following:

8.5.1 Waiver of Subrogation. A waiver of subrogation by the insurer as to any claims against the Board, the officers, the manager, the Owners and their respective servants, agents, guests and tenants.

8.5.2 Noncancellation for Owner Conduct. A provision that the master policy on the Property cannot be canceled, invalidated or suspended on account of the conduct of any one or more individual Owners.

8.5.3 Noncancellation Without Opportunity to Cure. A provision that the master policy on the Property cannot be canceled, invalidated or suspended on account of the conduct of any officer, Board member or employee of the Board or the manager without prior demand in writing that the Board or manager cure the defect.

8.5.4 No Other Insurance Clauses. A provision that any "no other insurance" clause in the master policy exclude individual Owners' policies and not otherwise prevent such individual policies from providing coverage for damage to Homes, Lots or any Common Area.

8.6 Home and Lot Insurance Maintained By Each Owner. The Association shall have no responsibility to procure or to assist Owners or Occupants in procuring property loss insurance or liability insurance other than as expressly stated in this Article 8. Owners and Occupants shall procure all other insurance coverage that they deem necessary or prudent for their protection. Owners, other than Townhome Owners, shall be obligated to carry property insurance with extended coverage endorsements in the amount of the replacement value of such Owners' Homes. All Owners shall carry liability insurance with minimum combined limits of \$100,000 per occurrence. Insurance coverage obtained and maintained by the Board of Directors may be brought into contribution with that obtained and maintained by Owners or mortgagees only in the Board of Directors' sole and unfettered discretion.

8.7 Review of Insurance Policies. At least annually, the Board shall review all insurance carried by the Association, which review shall include a consultation with a representative of the insurance carrier writing the master policy.

8.8 Deductible Provisions. The Board of Directors may negotiate the amount of the deductible in all Association insurance policies at such limits as are reasonable and customary under the circumstances and the deductible amount may be set at different levels for different insured risks. The Board shall adopt a resolution providing the responsibility for payment of the deductible. If no such resolution has been adopted, the Association shall be responsible for the deductible.

ARTICLE 9 **AMENDMENT**

Except as otherwise provided in this Article, and the restrictions set forth elsewhere herein, these Bylaws may be amended at any time by an instrument approved by at least a majority of the total votes of each class of Members that are eligible to vote. Any amendment must be executed, recorded and certified as provided by law. Provided, however, no amendment of these Bylaws may effect an amendment of the Declaration or the Articles without compliance with the provisions of such documents and the Oregon Nonprofit Corporation Act, and no amendment deleting or affecting any right of Declarant or its successor or assignee, including, without limitation, an amendment to this Article 9, or any amendment adversely affecting purchase money financing, may be adopted without the prior written consent of Declarant or its successor or assignee.

ARTICLE 10 **RECORDS AND AUDITS**

10.1 General Records. The Board and the managing agent or manager, if any, shall preserve and maintain minutes of the meetings of the Association, the Board and any Board committees as required by ORS 94.670. The Board shall maintain a list of Owners entitled to vote at meetings of the Association. The minutes of the Association, the Board and Board committees, and the Association's financial records shall be reasonably available for review and copying by the Owners. A reasonable charge may be imposed by the Association for providing copies.

10.2 Assessment Roll. The Board and the managing agent or manager, if any, shall maintain the assessment roll in a set of accounting books in which there shall be an account for each Lot. Such account shall designate the name and address of the Owner or Owners, the amount of each assessment against the Owner, the dates on which and the amounts in which the assessment comes due, the amounts paid upon the account and the balance due on the assessments.

10.3 Payment of Vouchers. The Treasurer or management agent shall pay all expenses authorized by the Board. The Treasurer or management agent shall maintain and follow reasonable procedures to assure the accounts and proper records, and to assure that all expenditures are proper. Except in cases where an emergency exists (for example, a repair must be made immediately to prevent further damage), any voucher for non-budgeted items shall require the signature of the President; provided, however, that any withdrawal from Reserve Accounts shall require the signature of two Board members or one Board member and an officer of the Association who is not a Board member.

ARTICLE 11

COMPLIANCE WITH THE PLANNED COMMUNITY ACT; CONFLICTS

These Bylaws are intended to comply with the provisions of the PCA. In case of any conflict among the provisions of the PCA, the Articles, the Declaration, or these Bylaws, the provisions of the PCA shall control over those of the Articles and Declaration, and the provisions of the Declaration shall be control over those of the Articles and these Bylaws.

ARTICLE 12

ASSESSMENT COLLECTION COSTS; SUITS AND ACTIONS

An Owner shall be obliged to pay reasonable fees and costs (including, but not limited to, attorneys' fees) and actual administrative costs incurred in connection with efforts to collect any delinquent unpaid assessments from such Owner, whether or not suit or action is filed. Assessments against Owners may include fees, late charges, fines and interest imposed by the Board, in addition to amounts owed toward operating expenses and the funding of reserves. If the Association brings against any Owner or Owners a suit or action for the collection of any amounts due pursuant to or for the enforcement of any provisions of the Declaration, the Articles or these Bylaws, such Owner or Owners, jointly and severally, shall pay, in addition to all other obligations, the costs of such suit or action, including actual administrative expenses incurred by the Association because of the matter or act which is the subject of the suit, reasonable attorneys' fees to be fixed by the trial court and, in the event of an appeal, the cost of the appeal, together with reasonable attorneys' fees in the appellate court to be fixed by such court.

ARTICLE 13

MISCELLANEOUS

13.1 Notices. All notices to the Association or to the Board 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 hereafter may designate from time to time. All notices to any

Owner shall be sent to such address as may have been designated by such Owner from time to time, in writing, to the Board, or if no address has been designated, then to such Owner's Lot.

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 that may have occurred and the number of times that the pertinent restriction, condition, obligation or provision was not enforced.

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.

ARTICLE 14 ADOPTION

It is hereby certified that these Bylaws have been adopted by Lands Bend Corp., and Oregon corporation, Declarant of Stone Creek, and shall be recorded in the deed records of Deschutes County, Oregon, together with the Declaration for said planned community.

DATED this 14 day of April, 20 .

LANDS BEND CORP., an Oregon corporation

By: [Signature]
Its: President

STATE OF OREGON)
) ss.
County of Deschutes)

April 14, 2016

Personally appeared before me the above-named Gary Miller who, being duly sworn, did say that he is the President of Lands Bend Corp., an Oregon corporation, and that said instrument was signed in behalf of said corporation by authority of its Board of Directors; and they acknowledged said instrument to be its voluntary act and deed.

Elizabeth J Trimble
Notary Public for Oregon

