

After Recording Return To:

**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS FOR**

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**DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR (XYZ SUBDIVISION)**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF (XYZ SUBDIVISION) (“Declaration”) is made this _____ day of _____ 2013 by (xyz builder/developer) an Oregon Corporation, as the Declarant.

WHEREAS, the Declarant is the owner, or controls, all that certain real property and improvements thereon located in the county of Clackamas, State of Oregon, referred to as the Plat of (xyz subdivision), recorded _____, 2013, as Document No. _____.

WHEREAS, Declarant intends to develop the property as a planned community, and to establish the planned development project of _____, Declarant desires to impose these mutually beneficial covenants, conditions and restrictions, easements, assessments and liens on the property under a comprehensive general plan of improvement and development for the benefit of all of the Owners, the Lots and Common Area within _____ and _____.

WHEREAS, Declarant has deemed it desirable for the preservation of the values and amenities in (x subdivision name) to create a Homeowners Association, to which will be delegated and assigned the powers and authority to own, maintain and administer the Association and the Common Area and facilities and administer and enforce the covenants, conditions and restrictions of this Declaration, and collect and disburse the assessments and charges hereinafter created.

NOW THEREFORE, the Declarant declares that the Property shall be held, transferred, sold, conveyed and occupies subject to the following covenants, conditions, restrictions, easements, charges and liens or as noted herein, which shall run with the land and shall be binding upon all parties having or acquiring any right, title or interest in the Property or any part thereof and shall inure to the benefit of the Association and each Lot Owner.

ARTICLE 1

DEFINITIONS

The following words when used in this Declaration shall have the following meanings.

- 1.1 **“Association”** shall mean and refer to the _____ Homeowners Association, it’s successors and assigns.
- 1.2 **“Board” or “Board of Directors”** shall mean the Board of Directors of _____ Homeowners Association.
- 1.3 **“Building Site”** shall mean and refer to a lot intended for single family development as may be approved by the County of Clackamas.
- 1.4 **“Common Area”** shall mean and refer to Tract A as shown on the Plat of the Property, including any improvements thereon, which are intended to be devoted to the common use and enjoyment of the Owners of the Association.
- 1.5 **“Declarant”** shall mean _____ Development Company, an Oregon Corporation, and it’s successors and assigns if such successor or assign should acquire all of Declarant’s rights under this Declaration pursuant to a recorded instrument executed by Declarant.
- 1.6 **“Declaration”** shall mean the covenants, conditions, restrictions and all other provisions set forth in the Declaration of Covenants, Conditions and Restrictions for _____.
- 1.7 **“Dwelling Unit”** shall mean and refer to a single family Dwelling Unit located upon a lot designated for residential use.
- 1.8 **“Home” or “Living Unit”** shall mean and refer to any portion of a structure situated on a Lot designed and intended for use and occupancy as a residence by a single family or household.
- 1.9 **“Lot”** shall mean and refer to any plot of land shown upon any recorded subdivision map of said property and to any parcel of said property under one ownership consisting of a portion of one or more of such lots and /or contiguous portions of two or more contiguous lots and upon which a dwelling has been constructed or occupied.
- 1.10 **“Owner”** shall mean and refer to the record owner(including contract sellers) whether one or more persons or entities, of all or any part of said property, excluding those having such interest merely as security for the performance of obligation.

- 1.11 **“Plat”** shall mean and refer to the recorded Plat of _____ and any annexations to the original Plat.
- 1.12 **“Property”** shall mean and refer to all real property described on the Plat, and any annexations of additional property, including and Common Area Tract, and all improvements located on the real property, as may be brought within the jurisdiction of the Association and be made subject to this Declaration.
- 1.13 **“Purchaser”** shall mean individual or company who initially purchase the individual lots from Declarant.
- 1.14 **“Rules and Regulations”** shall mean and refer to the documents containing rules and regulations and policies adopted by the Board of the Association or the Architectural Review Committee (“ARC”), and as may be from time to time amended by the Board and/or ARC.
- 1.15 **“Set Back”** means the minimum distance between the dwelling unit and other structure referred to and given street or road or lot line, as established by the county of _____.
- 1.16 **“Turnover Meeting”** shall be the meeting called by the Declarant to turn over control of the Association to the Class A members.

ARTICLE 2

PROPERTY SUBJECT TO THIS DECLARATION

- 2.1 The Property which is and shall be held, transferred, sold, conveyed and occupied subject to this Declaration is located in _____ County, Oregon, in that certain Plat map entitled _____ filed in the plat records of _____ County, Oregon, more particularly described as Lots _____ thru _____.
- 2.2 At any time during the initial term of this Declaration, the Declarant may, at it’s sole option, annex additional property into the Association to be subject to the terms hereof to the same extent as if originally included herein and subject to such other terms, covenants, conditions, easements and restrictions as may be imposed thereon by Declarant. Declarant currently anticipates that there will be a total of approximately ___ Lots in the subdivision, but this number may be adjusted at the sole discretion of the Declarant. Declarant shall have no obligation of any kind to annex any additional land to the Property.
- (a) **Eligible Property.** There is no limitation on the number of Lots that Declarant may annex to the Property, or the right of Declarant to annex common Property, except as may be established by applicable ordinances, agreements, or land use approvals.
- (b) **Consent or Joinder Not Required.** No consent or joinder of any Class A member or other party except the record owner of the land being annexed shall be necessary to the effect any annexation made pursuant to this section.

- (c) **Declaration of Annexation.** Annexation shall be evidenced by a written Declaration of Annexation executed by the Declarant, or (in the case of an annexation by action of members) by the Board and the Owners of the property being annexed, setting forth the legal description of the property being annexed and any additional covenants, conditions and restrictions to be applied to such annexed property. Notwithstanding any provision apparently to the contrary, a declaration with respect to any annexed property may:
 - (i) establish such new land classifications and such limitations, uses, restrictions , covenants and conditions with respect thereto as Declarant may deem to be appropriate for the development of the annexed property;
 - (ii) with respect to existing land classifications, establish additional or different limitations, uses, restrictions, covenants and conditions with respect thereto as Declarant may deem to be appropriate for the development of such annexed property; an/or
 - (iii) contain provisions necessary or appropriate to comply with any condition ,requirement, or imposition of any governmental or regulatory authority.
- (d) **Voting Rights;** Allocation of Assessments. Upon annexation, additional lots so annexed shall be entitled to voting rights and shall be responsible for prorated payments or assessments as required for that fiscal year. At the beginning of the next fiscal year, assessments shall be reallocated and reapportioned equally based on the total number of lots following such annexations.
- (e) **No Duty to Annex.** Nothing herein contained shall establish any duty or obligation on the part of the Declarant or any member to annex any property into the Association and no owner of property excluded from the Association shall have any right to have such property annexed thereto.

ARTICLE 3

LOTS AND HOMES

- 3.1 **Land Use.** No building or structure shall be created, constructed, maintained or permitted up[on said Property except upon a Building Site as herein above defines, and no building or structure shall be erected, constructed, maintained or permitted on a building site other than a single family home, unless approved by the Homeowners Association and the County of _____.

 - (a) **Architectural Review.** Any construction will be deemed to be approved

If not challenged by the Board of Directors of the Association or the Architectural Review Committee (“ARC”) within 60 days after it is noted by the Board or ARC.

- (b) **ARC Decision.** If an architectural application is required, the ARC shall render its approval or denial decision with respect to said construction within twenty (20) working days after it has received all material required by it with respect to the application. All decisions shall be in writing. In the event the ARC fails to render its decision of approval or denial in writing within (60) days of receiving all requested material, the application shall be deemed approved. Approval by the ARC does not imply governmental approval, which is solely the responsibility of the Owner.

3.2 **Easements.** The common Area and Lots are subject to easements and rights of way shown on, or noted on the Plat of _____.

- (a) **Additional Easements.** While Declarant owns any Lot, Declarant reserves an easement over, under and across the Common Areas. Declarant also reserves for itself, and for its successors and assigns a perpetual easement and right-of-way over, upon and across the Common Areas for construction, utilities, communication lines, drainage and ingress and egress for the benefit of the Lots or other property owned by Declarant.

3.3 **Fences.** Fencing location placement will be limited and fence material and location shall be approved by the Association.

3.4 **Animals.** No animals, livestock or poultry of any kind shall be raised, bred or kept on any part of said property, except dogs, cats or other household pets provided that such household pets are not kept, bred or maintained for any commercial purpose or do not become a nuisance.

3.5 **Rubbish and Trash.** No part of said property shall be used or maintained as a dumping ground for rubbish, trash, garbage, or any other waste. No garbage, trash or other waste shall be kept or maintained on any part of said property except in a sanitary container. All incinerators or other equipment for the storage or disposal of such materials shall be kept in a clean and sanitary condition and shall be screened from public view.

3.6 **Offensive or Unlawful Activities.** No noxious or offensive activities shall be carried upon any Lot, nor shall anything be done or placed on any Lot which interferes with or jeopardizes the enjoyment of other Lots, or which is a source of annoyance to residents of the Property. Without limitation of the foregoing, no noxious or offensive odors or noises shall be permitted to emanate from a lot to the other lots. No unlawful use shall be made of a lot or any part thereof, and all laws, zoning ordinances, and regulations of all governmental bodies having jurisdiction over the Property shall be observed.

- 3.7 **Parking.** No boats, trailers, trucks, (except SUV's), campers or truck campers and like equipment, or junk cars or other unsightly vehicles shall be allowed on any part of said property nor on public ways adjacent thereto, excepting only within the confines of an enclosed garage or other screened enclosure, and no portion of same may be prescribed by written approval by the ARC. All other parking of equipment or vehicles shall be prohibited except as approved by the ARC.
- 3.8 **Antennas, Aerials, and Satellite Dish.** No exterior antennas or aerials shall be permitted, unless required for reception. A satellite dish may be allowed, if it can be situated in the lot so far as not to be visible from any other lot or roadway in or around the subject Lot. The authority of the Association and the ARC in this matter shall be subject to any regulations issued by the Federal Communications Commission ("FCC") or any other applicable governmental authority.
- 3.9 **Underground Facilities, Poles and Towers.** No outdoor overhead wire or service drop for the distribution of electrical energy or for telecommunication purposes nor any pole, tower or other structure, supporting said outdoor overhead wires, shall be erected, placed or maintained within said property. All purchasers of building sites, their heirs, successors and assigns shall use underground service wires to connect their dwelling units to the underground electric or telephone utility facilities.
- 3.10 **Temporary Structures.** Declarant and original builders of Homes in the _____ Subdivision are permitted to erect temporary or portable sheds as tool houses and for other uses common to residential construction, and to maintain them until such Home is finished.
- 3.11 **Signs.** No signs shall be erected or maintained on any Lot except that not more than one "For Sale" or "For Rent" sign placed by the Owner, Declarant or by licensed real estate agent, not exceeding twenty (24) inches high and thirty six (36) inches long, may be temporarily displayed on any Lot, subject to the provisions of Section 8.2 below. The restrictions contained in this paragraph shall not prohibit the temporary placement of "political" signs on any Lot by the owner or Occupant, or construction and marketing related signage by the Declarant or his/her/their contractors.
- 3.12 **Exterior Colors, Building Designs and Roofing Material.** All exterior paint colors, architectural building design and roofing materials must be approved by the Architectural Review Committee. No maintenance of the homes is provided by the Association and is the sole responsibility of the Lot Owner.
- 3.13 **Landscaping.** The entire front, rear and side yard landscaping must be completed within six months of the date escrow closes. A variance of two months is available if unsuitable weather delays installation. Said variance is at the sole discretion of the Association Board of Directors and/or the Associations ARC. All landscape maintenance on Lots is the sole responsibility of the Owner of each Lot.
- 3.14 **Owners Maintenance Obligations.** All improvements upon any Lot shall at all times be maintained by the Owner in a clean and attractive condition, painted and in good repair, and in such a fashion as not to create a hazard of any kind. Owners are responsible for maintenance, replacement, painting, repair and general upkeep of all building exteriors.

ARTICLE 4

COMMON AREA

- 4.1 **Use of Common Areas.** Use of common areas is subject to the provisions of the Declaration, Bylaws, Articles and Rules and Regulations promulgated by the Board of Directors. There shall be no use of the Common Area except by Owners and their invitees. There shall be no obstruction of any part of the Common Area. Nothing shall be stored or kept in the Common Area without the prior written consent of the Board of Directors. No alterations or additions to the Common Area shall be permitted without the prior written approval by the Board of Directors. Nothing shall be stored or kept in the Homes or Common Area, which will increase the rate of insurance on the Common Area without the prior written consent of the Board.
- 4.2 **Maintenance of Common Area.** The Association shall be responsible for maintenance, repair, replacement and upkeep of the Common Area, not maintained by a public agency, fencing and any other improvements that may be included in Common Area. The Association shall keep the Common Area and improvements thereon in good condition and repair, provide for all necessary services and cause all acts to be done which may be necessary or proper to assure the maintenance of the Common Area in first class condition.
- 4.3 **Alterations to Common Area.** Only the Association shall construct, reconstruct, or alter any improvements situated upon the Common Area. A proposal for any construction of or alteration, maintenance or repair to an improvement may be made at any meeting. A proposal may be adopted by the Board, subject to the limitations contained in the Bylaws and the Declaration.
- 4.4 **Funding.** Expenditures for alterations, maintenance or repairs to an existing capital improvement for which a reserve has been collected shall be made from the reserve account. As provided in Section 9.8, the Board may levy a special assessment to fund any construction, alteration, repair or maintenance of an improvement (or any portions of the Common Area). For which no reserve has been collected or for which the reserve account is insufficient to cover the cost of the proposed improvement.
- 4.5 **Landscaping.** All landscaping on the Common Area shall be maintained and cared for in a manner consistent with the standard of design and quality as originally established by Declarant or the ARC. The Association shall be responsible for all landscaping located in any Common Area properties. Any Owner maintained areas shall be kept free of weeds and diseased or dead lawn, tree, ground cover or shrubs shall be promptly removed and replaced. All lawn areas shall be fertilized and neatly mowed, and trees and shrubs shall be fertilized and neatly trimmed on a regular basis.
- 4.6 **Condemnation of Common Area.** If all or any portion of the Common Area is taken for any public or quasi public use under any statute, by right of eminent domain or by public purchase in lieu of eminent domain, the entire award shall be received by and expended by the Board of Directors in a manner which in their discretion is in the best interest of the Association. The Association shall represent the interest of all Owners in any negotiations, suit or action or settlement in connection with such matters.

- 4.7 **Damage or Destruction of Common Area.** In the event any Common Area is damaged or destroyed by an Owner or any of his or her Occupants, guests, tenants, licensees, agents or members of his /her family in a manner that would subject such Owner to liability for such damage under Oregon law, such Owner does hereby authorize the Association to repair such damage. The Association shall repair the damage and restore the area in the workmanlike manner as originally constituted or as may be modified or altered subsequently by the Association in the discretion of the Board of Directors. The reasonable cost necessary for such repairs shall become a special assessment upon the Lot of the Owner who caused or is responsible for such damage.

ARTICLE 5

ARCHITECTURAL REVIEW COMMITTEE

- 5.1 **Architectural Review.** No improvement shall be commenced, erected, placed or Altered on any Lot until the construction plans and specifications showing the nature, shape, heights, materials, colors, and proposed location of the improvement have been submitted to and approved in writing by the ARC. It is the intent and purpose of this Declaration to assure quality workmanship and materials and to assure harmony of exterior design with the existing improvements and landscaping. The ARC is not responsible for determining compliance with structural and building codes, solar ordinances, zoning codes or other governmental regulations, all of which are the responsibility of the Lot Owners. The procedure and specific requirements for review and approval of construction may be set forth in design guidelines adopted from time to time by the ARC. Construction by the Declarant is presumed to have been approved and is thereby exempt from this review. In all cases, which the ARC consent is required by the Declaration, the provision of the Article shall apply.
- (a) PLANS AND SPECIFICATIONS ARE NOT APPROVED FOR ENGINEERING, STRUCTURAL DESIGN OR QUALITY OF MATERIALS, AND BY APPROVING SUCH PLANS AND SPECIFICATIONS NEITHER THE ARC, THE BOARD OF DIRECTORS, THE MEMBERS, THE MANAGING AGENT NOR THE ASSOCIATION ASSUMES LIABILITY OR RESPONSIBILITY FOR THESE MATTERS, NOR FOR ANY DEFECT IN ANY STRUCTURE CONSTRUCTED FROM SUCH PLANS AND SPECIFICATIONS. OWNER IS SOLELY RESPONSIBLE FOR ALL IMPROVEMENTS, PERMITS AND COSTS OF SAID WORK.
- 5.2 **Architectural Review Committee, Appointment and Removal.** The ARC shall consist of no fewer than (2) members and no more than (3) members, as the board may appoint from time to time. The Declarant reserves the right to appoint all members of the ARC and all replacements thereto until turnover. The Declarant

may appoint a single person to serve as the ARC. After build out, Declarant shall delegate the right to appoint and remove members of the ARC to the Board of Directors. The terms of office for each member of the ARC shall be for (1) year unless lengthened by the Board at the time of appointment or unless the Board serves as the ARC in which event the terms of the ARC members shall be the same as their terms as Board members. The Board may appoint any or all of its members for the ARC and there should be no requirement for non-Board members on the ARC who are not Owners, but who have special expertise regarding the matters, which come before the ARC. In the sole discretion of the Board, such non-Owner members of the ARC may be paid and that cost paid by applicants of the Association.

- 5.3 **Majority Action.** Except as otherwise provided in the Declaration, a majority of the members of the ARC shall have the power to act on behalf of the ARC, without the necessity of a meeting and without the necessity of consulting the remaining member of the ARC. The ARC may render its decision only by written instrument setting forth the action taken by the members consenting thereto.
- 5.4 **Duties.** The ARC shall consider and act upon the proposals and/or plans submitted pursuant to this Article. The ARC, from time to time at its sole discretion, may adopt architectural rules, regulations and guidelines (“Architectural Standards”). The Architectural Standards shall interpret and implement the provisions of the Declaration for architectural review and guidelines for architectural design, placement of buildings, color schemes, exterior finishes and materials and similar features which may be used in Property; provided, however that the Architectural Standards shall not be in derogation of the minimum standards established by this Declaration.
- 5.5 **ARC Decision.** The ARC shall render its approval or denial decision with respect to the construction proposal within twenty (20) working days after it has received all material required by it with respect to the application. All decisions shall be in writing. In the event the ARC fails to render its decision of approval or denial in writing within sixty (60) days of receiving all material required by it with respect to the proposal, the application shall be deemed approved. Approval by the ARC does not imply government approval, which is solely the responsibility of the Owner.
- 5.6 **ARC Discretion.** The ARC may, at its sole discretion, withhold consent to any Proposed work if the ARC finds the proposed work would be inappropriate for the particular Lot or incompatible with the design standards that the ARC intends for _____ subdivision. Consideration such as siting or location on the Lot, shape, size color, design, height, solar access, or other effect on the enjoyment of other Lots or Common Area, and any other factors which the ARC reasonably believe to be relevant, may be taken into consideration by the ARC in determining whether or not to consent to any proposed work.
- 5.7 **Non-waiver.** Consent by the ARC to any matter proposed to it or within its Jurisdiction shall not be deemed to constitute a precedent or waiver impairing the ARC’s right to withhold approval as to any similar matter thereafter proposed or submitted to it for consent.
- 5.8 **Appeal.** At any time after Declarant has delegated appointment of the members of the Board of Directors pursuant to Section 5.2, any Owner adversely impacted

by action of the ARC may appeal such action to the Board of Directors. Appeals shall be made in writing within (10) days of the ARC's action and shall contain specific objections or mitigating circumstances justifying the appeal. If the Board is already acting as the ARC, the appeal shall be treated as a request for a rehearing, but in such case the Board must actually meet and receive evidence and argument. A final, conclusive decision shall be made by the Board of Directors within fifteen (15) days after receipt of such notification. The determination of the Board shall be final.

- 5.9 **Effective Period of Consent.** The ARC's consent to any proposed work shall automatically be revoked three (3) months after issuance unless construction of the work has been commenced or the Owner has applied for and received an extension of time from ARC.
- 5.10 **Determination of Compliance.** The ARC shall inspect, from time to time, all work performed and determine whether it is in substantial compliance with the approval granted. If the ARC finds that the work was not performed in substantial conformance with the approval granted, or if the ARC finds that the approval required was not obtained, the ARC shall notify the Owner in writing of the noncompliance. The notice shall specify the particulars of any noncompliance and shall require the Owner to take the necessary action to bring the work into compliance with the approved project.
- 5.11 **Non-Compliance.** If the ARC determines that an Owner has not constructed an Improvement consistent with the specifications on which approval is based, and if the Owner fails to diligently commence to remedy such noncompliance in accordance with the provisions of the notice of noncompliance, then at the expiration of the third (3) day from the date of such notification, the ARC shall provide a notice of hearing to consider the Owner's continuing noncompliance. The hearing shall be set for no more than thirty days from the date of noncompliance. At the hearing if the ARC finds that there is no valid reason for the continuing noncompliance, the ARC shall determine the estimated costs of correcting it. The ARC shall then require the Owner to remedy or remove the same within a period of not more than 10 days from the date of the ARC's determination. If the Owner does not comply with the ARC's ruling within such period or within any extension of such period as the ARC, at its discretion, may grant, the Association may (a) remove the non-complying improvement, (b) remedy the noncompliance, or (c) file suit to compel compliance. The costs of such action shall be assessed against the Owner and his Lot, including all attorney's fees and other costs expended and incurred to enforce compliance before suit or action is filed and at trial or on any appeal or review of same.
- 5.12 **Liability.** Neither the ARC, the Board, their agents, nor any member thereof shall be liable to any Owner, Occupant, or builder for any damage, loss or prejudice suffered or claimed to be suffered arising from any action by the ARC or a member thereof or failure of the ARC or a member thereof, provided only that the member has acted in good faith in accordance with the actual knowledge possessed by him.
- 5.13 **Estoppel Certificate.** Within fifteen (15) days after written request is delivered to the ARC by an Owner, and upon payment to the ARC of a reasonable fee fixed by the ARC to cover costs, the ARC shall provide such Owner with a certificate executed by the Chairman of the ARC, and acknowledged, certifying with respect

to any Lot owned by the Owner, that as of the date thereof either (a) all improvements made or done upon or within such Lot by the Owner comply with this Declaration or any Rules and Regulations either promulgated by the Board or the ARC, or (b) such improvements do not so comply, in which event, the certificate shall also identify the non-complying improvements and set forth with partnership the nature of such noncompliance. The Owner, his heirs, devisees, successors and assigns shall be entitled to rely on the certificate with respect to the matters set forth. The certificate shall be conclusive as between the Declarant, the ARC, the association and all Owners, and all such persons deriving an interest through any of them.

ARTICLE 6

(XYZ SUBDIVISION) HOMEOWNERS ASSOCIATION

- 6.1 **Members.** Each Owner shall be a member of the Association. Membership in the Association shall be appurtenant to, and may not be separated from, ownership of any Lot. Transfer of ownership of a Lot automatically transfers membership in the Association. Without any other act or acknowledgement, Occupants and Owners shall be governed and controlled by this Declaration the Articles, Bylaws and Rules and Regulations and any amendments thereof.
- 6.2 **Proxy.** Each Owner may cast his/her vote in person, pursuant to a proxy executed by the Owner, or be written ballot, as provided by ORS 65.222. An Owner may not revoke a proxy given pursuant to this Section except by actual notice or revocation to the person presiding over a meeting of the Association. 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.
- 6.3 **Voting Rights.** The Association shall have two(2) classes of voting members
- Class A.** Class A members shall be all Owners of Lots other than the Declarant, and with 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.
- Class B.** Class B member shall be Declarant, its successors and assigns. The Class B member shall have Five (5) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership upon the earlier of: (i) When eighty percent (80%) of the Lots have been sold and conveyed to Owners other than Declarant (“Termination Date”); or (ii) At such earlier time as Declarant may elect in writing to terminate Class B membership.
- Thereafter, each Owner, including the Declarant , shall be entitled to one (1) vote for each Lot owned with respect to all matter upon which Owners are entitled to vote, and the total number of votes shall be equal to the total number of Lots. When more than one (1) person or entity owns a Lot, the vote for such Lot may be cast and they shall determine, but in no event will fractional voting be allowed. Fractional or split votes shall be disregarded, except for purposes of determining a quorum. The total number of votes as of the Termination Date and thereafter shall be equal to the total number of Lots.

- 6.4 **Procedure.** All meetings of the Association , the Board of Directors, and Association Committees, including any Board authorized ARC shall be conducted with such rules of order as may from time to time be adopted by the Board of Directors. Notwithstanding which rule of order is adopted, the chairman shall be entitled to vote on all matters, not merely to break a tie vote. A tie vote does not constitute a majority of approval of any motion or resolution.
- 6.5 **Turnover Meeting.** Declarant shall call a meeting for the purpose of turning over administrative control of the Association from Declarant to the Class A Members within 120 days of when eighty percent of the lots are compromised of Class A Members. At the Turnover Meeting, Declarant shall relinquish control of the administration of the Association and the Owners shall assume such control and elect a Board of Directors in accordance with the provisions of these Bylaws. Additionally, Declarant shall deliver to the Association those items specified in the Oregon Planned Community Act to be turned over by Declarant at the Turnover Meeting. There is no quorum requirement for the Turnover Meeting.
- 6.6. **Transitional Advisory Committee.** Declarant shall form a Transitional Advisory Committee to provide for the transition of administrative control of the Association from Declarant to the Class A Members within sixty days of which fifty percent of the lots are comprised of Class A Members. The function of the Transitional Committee shall be to facilitate transition from control by the Owners. Declarant shall give notice of the meeting stating the purpose, time and place of the meeting. If the Owners, other than Declarant, do not select Members for the Committee under this Section, Declarant shall have no further responsibility to form the committee.
- 6.7 **Annual Meetings.** The Annual Meeting of the Association shall be held as directed by the Board of Directors in accordance with the Bylaws, but in no event less than each calendar year. At such meeting, members of the Board of Directors shall be elected in accordance with Section 5.3 below, and the Bylaws. The Owners may transact such other business of the Association as may properly come before them.
- 6.8 **Special Meetings.** Special meetings of the Owners may be called by the President of the Association, a resolution of the Board of Directors upon a petition signed by twenty five percent or more of the Directors, or by Petition signed by twenty percent of more of the Owners.
- 6.9 **Notice of Meetings.** It shall be the duty of the Secretary of the Association to mail a notice of each annual , special or meeting by ballot, stating the purpose, time and place of the meeting. Notice shall be mailed at least seven days, but not more than fifty days prior to such meeting. The notice shall be mailed to the Owners address last given to the Secretary in writing by the Owner. If Lot ownership is split or the Lot has been sold on contract, notice shall be sent to a single address of which the Secretary had been notified in writing by such parties.
- 6.10 **Association Rules and Regulations.** The Board of Directors, from time to time may adopt, modify or revoke Rules and Regulations governing the conduct of persons the operation or use of Lots and Common Areas, as it may be deem necessary or appropriate in order to assure the peaceful and orderly use and enjoyment of the

property. A copy of any Rules and Regulations, upon adoption, amendment, modification or revocation thereof, shall be delivered by the Board of Directors promptly to each Owner and shall be binding upon all Owners and Occupants of all Lots upon the date of delivery or actual notice thereof. The method of adoption of such Rules and Regulations shall be provided in the Bylaws of the Association.

- 6.11 **Security.** The Association is not responsible for security of the neighborhood or any homes. The Owners are exclusively responsible for security of their Home and Property.

ARTICLE 7

DECLARANT CONTROL

- 7.1 **Interim Board of Officers.** The Declarant hereby reserves administrative control of the Association. The Declarant, in its sole discretion, shall have the right to appoint and remove members of the Interim Board of Directors, which shall manage the affairs of the Association and which shall be vested with all the powers and rights of the Board of Directors. The Interim Board shall consist of from one to three members. Notwithstanding the provision of this section, at the Turnover Meeting (as hereinafter defined) at least one (1) Director shall be elected by Owners other than the Declarant, even if the Declarant otherwise has voting power to elect all of the members of the Board.
- 7.2 **Turnover Meeting.** The Declarant shall call a meeting for purposes of turning over the administrative control of the Association from the Declarant to the Class A members within ninety (90) days of the earlier: (a) Upon Sale of Lots. The date that Lots representing eighty percent of Lots subject to this Declaration, plus any recorded annexation of additional Lots, have been conveyed to persons other than the Declarant; or (b) Declarant's Earlier Election. At such earlier time as Declaration may elect in writing to terminate Class B membership

ARTICLE 8

DECLARANT'S SPECIAL RIGHTS

- 8.1 **General.** Declarant is undertaking the work of developing Lots and other Improvements within _____ The completion of the development work and the marketing and sale of Lots is essential to the establishment and welfare of the Property as a residential community. Until the Homes on all Lots on the Property have been constructed, fully completed and sold, with respect to the Common Areas and each Lot on the Property, the Declarant shall have the special right set forth in this Article 8.
- 8.2 **Marketing Rights.** Declarant shall have the right to maintain a sales office and model on one or more of the Lots which the Declaration may or may not own, to be staffed by the employees of the Declarant or any licensed real estate sales agents. The

Declarant may maintain a reasonable number of For Sale signs at reasonable locations of the Property, including, without limitation, the common Area.

8.3 **Declarant's Easements.** The Declarant has reserved easements over the Property as more fully described in Article 3.2 hereof.

8.4 **Construction by Declarant.** All construction by Declarant is presumed to have been approved by the ARC and to meet any Design Guidelines of the Association.

ARTICLE 9

FUNDS AND ASSESSMENTS

9.1 **Purpose of Assessment.** The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the Owners and Occupants and for the improvement, operation and maintenance of the Common Area, and or other areas, as specified elsewhere in this document, including administrative costs and insurance for the Association. No individual structure insurance will be provided by the Association.

(a) **Insurance by the Association.** The Board shall obtain, and maintain in effect, from reputable insurance companies authorized to do business in the State of Oregon, public liability insurance with respect to all the Common Area in such amounts and in such forms as the Board deems advisable to provide adequate protection for bodily injury, including deaths of persona and property damage, whether caused by the negligence of the Association or otherwise; provided, however, that such policy(ies) shall not be for an amount of less than \$1,000,000,00 per person, per occurrence, and that such policy (ies) shall provide that the coverage there under cannot be canceled or substantially modified without at least 10 days written notice to the Association. No fire and casualty coverage will be purchased for Homes. The Association may obtain such other and further policies of insurance, as it deems advisable. The named insured on the policy may read _____ Homeowners Association. The casualty insurance to be obtained by the Association pursuant to this paragraph 7.1 (b) shall include the following items, if the Board determines they are reasonably available:

- (i) A waiver of subrogation by the insurer as to any claims against the Board, any Owner, or any guest of an Owner;
- (ii) A waiver by the insurer of its right to repair and reconstruct instead of paying cash;
- (iii) A provision that no policy may be cancelled, invalidated, or suspended because of the action of an Owner.
- (iv) A provision that no policy may be cancelled, invalidated or suspended because of the conduct of any director, officer, or employee of the

Association unless the insurer gives the Association a prior written demand that the Association correct the defect that allows the Association reasonable time to make the correction; and

- (v) A provision that any "other insurance" clause in any policy shall exclude from its coverage all owners policies.

At the discretion of the Board, the Association may purchase and maintain on behalf of any person who is or was a director, Officer, employee, or agent of the Association, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his/ her/ their status as such, whether or not the Association would have the power to indemnify him or her against such liability under the provisions of the Article of Incorporation of the corporation.

9.2 **Covenants to Pay.** Declarant, on behalf of each and every subsequent Owner of any Lot, covenants and agrees that each Lot will pay the Association the assessments and any additional charges levied pursuant to the Article IX.

- (a) **Funds Held.** The assessment collected by the Association shall be held by the Association for and on behalf of each Owner and shall be used solely for the operation, care and maintenance of _____, subdivision as provided by this Declaration. Upon the sale or transfer of any Lot, the Owner's interest in the funds shall be deemed automatically transferred to the successor in interest of such Owner and is not refundable.

9.3 **Basis of Assessments and Commencement of Assessments.** Assessments are to be levied against all Lots, commencing with the latter date on which either the Articles of Incorporation are recorded with the Oregon Corporation Division, or the plat is recorded with the county of _____ County. Assessments for all Lots shall commence with the date of conveyance of the first Lot to an Owner, other than Declarant, successors or assigns. Assessments for Lots conveyed by the Declarant to purchaser/Owner, either by deed or land sales contract, shall begin on the day of the recording of the deed or land sale contract conveying or contracting to convey the Lot of the new Owner and will be prorated from said date. Declarant may elect to defer payment of their assessment until the date of the conveyance of the Lot to an Owner, other than Declarant. Declarant may advance funds, at their sole discretion, for Association operating and reserve expenditures, which will be considered as an advance of any assessments deferred to the conveyance of Lots to an Owner.

9.4 **Annual Assessments.** Annual Assessments for each fiscal year shall be established when the Board approves the budget for that fiscal year. The fiscal year shall be the calendar year unless another calendar year is adopted by a vote of the Board members. Annual assessments shall be invoiced at such intervals as determined by the Board. Assessments will be due and payable within 30-days of the invoice date. The Association may assess all interest, fines and late charges allowable under the Oregon Revised Statutes.

9.5 **Initial Assessment Contribution.** Upon acquiring title to a Lot, the Owner of a Lot shall pay to the Association an "Initial Assessment" of \$100.00 per Lot. The Declarant is exempt from this assessment. Said Initial Assessment shall constitute an

initial contribution to the working capital of the Association by such Owner and shall be used by the Association to pay Operating and Reserve Common Expenses of the nature described in this Declaration.

9.6 **Budget.** Regardless of the number of Members or the amount of assets of the Association, each year the Board shall prepare, approve and make available to each member a pro forma operating statement (budget) containing; (i) estimated revenue and expenses on an accrual basis; (ii) the amount of the total cash reserves of the Association currently available for replacement or major repair of the Common Area and for contingencies; (iii) an itemized estimate for the remaining life of, and the methods of funding to defray repair, replacement or additions to major components of the Common Area; and (iv) a general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs and repair, replacement or additions to major components of the Common Area. For the first fiscal year, the budget shall be approved by the Board no later than the date on which annual assessments are scheduled to commence. Thereafter, the Board shall annually prepare and approve the budget and distribute a copy thereof to each Member, together with written notice of the amount of the annual assessments to be levied against the Owner's Lot, not less than thirty (30) days and not more than ninety (90) days prior to the beginning of the fiscal year.

9.7 **Reserve Funds.**

(a) **Reserve Fund for Replacing Common Area Improvements.** Declarant shall in addition establish a reserve fund in the name of the Association for replacement, in whole or in part, of the Common Area and any improvements located in, on, or under the Common Area for which the Association is responsible, pursuant to this Declaration, that will normally require replacement in more than three (3) and fewer than thirty (30) years, including any exterior painting, if the Common Area includes exterior painted surfaces. The reserve account need not include those items that could reasonably be funded from the maintenance fund. For purposes of funding the reserve fund, the Declarant initially, and thereafter the Association shall impose an assessment to be called the "Reserve Fund Assessment" against each Lot, which assessment shall be spread equally over the Lots. The Reserve Fund Assessment shall be based on the Reserve Study, and updates thereof, described in Section 9.7 (b), or other sources of reliable information. Nothing herein shall limit the authority of the Declarant or the Association to establish other separate and unrelated reserve funds that are funded by assessments for the reserves that are in addition to the Reserve Fund or that relate only to a particular type or category of Lot. The Reserve Fund shall be kept separate from other funds and may be used only for purposes for which reserves have been established as specified in this section.

After the Turnover Meeting, the Board may borrow funds from the Reserves Fund to meet high seasonal demands on the regular operating funds or to meet other unexpected increases in expenses. Such funds borrowed from the Reserve Fund shall be repaid from regular annual or special assessments against the Lots, if the Board had adopted a resolution, which may be an annual, continuing resolution, authorizing the borrowing of

fund. Not later than the adoption of the budget for the following year the Board shall adopt by resolution a written payment plan providing for repayment of the borrowed funds within a reasonable period.

The Board may adjust the amount of the Reserve Fund Assessment as indicated by any reserve study or update, and provide for any other reserve items that the Board, in its discretion, may deem appropriate during a fiscal year. In addition, after the second anniversary of the turnover meeting, the Association may elect to reduce or increase future Reserve Fund Assessments by a 75% vote of the Owners.

Any funds established for any of the purposes mentioned in the Section shall be deemed to be within the Reserve Fund notwithstanding that it may not be so designated by the Board of Directors. The amount of the Reserve Fund shall constitute an asset of the Association and shall not be refunded or distributed to any Owner.

(b) **Reserve Study.** The Board of Directors shall annually conduct a reserve study, or review and update an existing study, of the Common Area components to determine the requirements of the reserve fund described in Section 9.7 (a) above. The Reserve study shall include; (a) identification of all items for which reserves are required to be established; (b) the estimated remaining useful life of each item as of the date of the reserve study; (c) the estimated cost of maintenance, repair, or replacement of each item at the end of its useful life; and (d) a thirty (30) year plan with regular and adequate contributions, adjusted by estimated inflation and interest earned on the reserve fund, to meet the maintenance, repair, and replacement schedule.

9.8 **Special Assessments.** The Board of Directors shall have the power to levy special assessments against an Owner of all Owners in the following manner for the following purposes:

- (a) **Deficits in Operating Budget.** To correct a deficit in the operating budget, by vote of a majority of the Board;
- (b) **Breach of Documents.** To collect amounts due to the Association from an Owner for breach of the Owner's obligations under the Declaration, the Bylaws or the Rules and Regulations, by vote of a majority of the Board;
- (c) **Repairs.** To make repairs or renovations to the Common Area if sufficient funds are not available from the operating budget or replacement reserve accounts by vote of a majority of the Board; or
- (d) **Capital Additions.** To make capital acquisitions, additions or improvements, by vote of at least seventy-five percent (75) of all votes allocated to the Lots.

9.9 **Accounts.**

- (a) **Types of Accounts.** Assessments collected by the Association should be deposited into at least two (2) separate accounts with a bank, which accounts shall be designated as (i) the Current Operating Accounts and (ii) the Reserve Account. Those portions of the assessments collected for current maintenance and operation levied under this Article IX will be in the Current Operating

- Account and those portions of the assessments collected as reserves for replacement and deferred maintenance of capital improvement into the Reserve Account. Special Assessments shall be deposited into one of the two accounts, whichever is deemed by the Board to be appropriate. Withdrawal of funds for the Association' Reserve Account shall require the signature of two (2) directors.
- (b) **Reserve Account.** The Association shall pay out of the Reserve Account only those costs that are attributable to the maintenance, repair or replacement of capital improvements for which reserves have been collected and held. No funds collected for the Reserve Account may be used for ordinary maintenance and operation purposes, unless repaid within (6) months of withdrawal, or as approved by majority of Owners.
 - (c) **Current Operating Account.** All ordinary maintenance and operating expenses shall be paid form the Current Operating Account.

9.10 Default in Payment of Assessment, Enforcement of Liens

- (a) **Personal Obligation.** All assessments properly imposed under this Declaration or the Bylaws shall be the joint and several personal obligation of all Owners of the Lot to which such assessment pertains. In a voluntary conveyance (that is, one other than through foreclosure or a deed in lieu of foreclosure) the grantees shall be jointly and severally liable with the grantors for all Association assessments imposed through the recording date of the instrument affecting the conveyance. A suit for a money judgment may be initiated by the Association to recover such assessments without either waiving or foreclosing the Association's lien.
- (b) **Association Lien.** At any time any assessment (of any type provided for by this Declaration or the Bylaws) or installment thereof is delinquent, the Association, by and through it's Board or any management agent, may file a notice of lien in the deed records of _____ County, Oregon against the Lot in respect to which the delinquency pertains. Once filed, such lien shall accumulate all future assessments or installments, interest, late fees, penalties, fines, attorneys' fees (whether or not suitor action is instituted) and other appropriate costs properly chargeable to an Owner by the Association, until such amounts are fully paid. The provisions regarding the attachment, notice, recordation and duration of liens established on real property under ORS 94.704 to 94.716 as the same may be amended, shall apply to the Associations lien. The lien shall be foreclosed in accordance with the provisions regarding the foreclosure of liens under ORS Chapter 88. The Lien of the Association shall be superior to all other liens and encumbrances except property taxes and assessments, any first mortgage, deed of trust or land sale contract recorded previously to the association's notice of lien and any mortgage or deed of trust granted to an institutional lender which is recorded previously to the Associations notice of lien.
- (c) **Interest: Fines; Late Fees: Penalties.** The Board in its reasonable discretion may from time to time adopt resolutions to set the rate of interest, and to impose late fees, fines and penalties on delinquent assessments or for violations of the

provisions of this Declaration, the Bylaws, and Rules and Regulations, and any rules and regulations adopted by the Board or ARC. The adoption of such impositions shall be communicated to all Owners in writing not less than thirty (30) days before the effective date by a notice mailed to the assessment billing addresses of such Owners. Such impositions shall be considered assessments, which may be liened, and are collectible in the same manner as any other assessments. Provided, however no fine or penalty for violation of this Declaration, the Bylaws or any Rules and Regulations (other than late fees, fines or interest arising from an Owner's failure to pay regular or special assessments) may be imposed against an Owner or his/her Lot until such Owner is given an opportunity for a hearing.

- (d) **Acceleration of Assessments.** In the event an Owner is delinquent in payment of any assessment or installment on any assessment, the Association, upon not less than ten (10) days written notice to the Owner, may accelerate the due date of the full annual assessment for that fiscal year and all future installments of any special assessments.
- (e) **Association's Right to Rents/Receiver.** In any foreclosure suit by the Association with respect to such lien, the Association shall be entitled to collect reasonable rent from the defaulting Owner for the use of his/her Lot or shall be entitled to the appointment of a Receiver. Any default by the Owner in any provisions of the Declaration of Bylaws shall be deemed to be a default by the Owner of any mortgage to which the Owner is party or to which the Lot is subject.

ARTICLE 10

GENERAL PROVISIONS

- 10.1 **Remedies for Violations-Invalidations.** For a violation or a breach of any of these covenants, conditions and restrictions by any person claiming by, through, or under the Declarant, or by virtue of any judicial proceedings, the Declarant, and the lot owners, or any of them severally, shall have the right to proceed at law or in equity to compel a compliance with the terms hereof or to prevent the violation or breach of any of them. In addition to the foregoing right, the Declarant shall have the right, whenever there shall have been built on any Lot any structure which is in violation of these restrictions, to enter upon the property where such violation of these covenants upon the property where such violations of these Covenants, Conditions and Restrictions exists and summarily abate or remove the same at the expense of the owner, and any such entry and abatement or removal shall not be deemed a trespass. The failure to not promptly enforce any of the Covenants, Conditions and Restrictions to any person or circumstances in no way shall affect any of the other Covenants, Conditions and Restrictions or their application to other persons or circumstances, but they shall remain in full force and effect.

Should a Lot owner fail, neglect, or refuse to satisfy and discharge any amount incurred at the expense of the owner within 30 days, the Declarant, its successors and assigns shall have the right to charge interest on such amount at the rate of 12% per annum and shall be entitled to receive all costs of collection, including a reasonable attorney's fee. If any Lot owner, or the Declarant, or Board of Directors shall bring an action to enforce any provision hereof, the substantially prevailing party in such action shall be entitled to an award for such party's reasonable attorney's fees and expense of litigation.

10.2 **Severability:** Invalidation of any one of these covenants or restrictions by Judgment or court shall in no way invalidate any other provisions of the this Declaration, which shall remain in full force and effect.

10.3 **Terms:** The provisions outlined in this Declaration shall apply to all units in _____ Subdivision, and shall be binding on all lot Owners, their heirs, their successors, or assigns for a period of thirty years from the date this Declaration is recorded, thereafter, they shall automatically be extended for successive periods of 10 years.

10.4 **Amendments:** This Declaration, with the exception of provisions specifically stating the rights of the Declarant, may be emended by an instrument signed by not less than seventy-five (75%) of the Lot owners within _____ Any amendments must be recorded with Clackamas County.

IN WITNESS WHEREOF, The Declarant has executed this Declaration on this _____ day of _____, 2013.

XYZ Development Company

By: _____

Title: _____

State of Oregon)

)ss.

County of Clackamas)

The foregoing instrument was acknowledged before me on this _____ day of _____, 2013. by _____, who is the _____ of _____ Development Corporation.

Notary Public for Oregon

My Commission Expires

After Recording Return To:

BYLAWS OF

_____ **HOMEOWNERS ASSOCIATION**

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- 1.1 Association
- 1.2 Articles of Incorporation
- 1.3 Declaration
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- 2.1 Membership
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- 3.1 Place of Meetings
- 3.2 Turnover Meeting
- 3.3 Annual Meeting
- 3.4 Special Meeting
- 3.5 Notice of Meeting
- 3.6 Quorum
- 3.7 Voting Rights
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- 4.4 Election and Tenure of Office
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- 7.2 Insurance by Lot Owners
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- 9.1 How Proposed
- 9.2 Adoption
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BYLAWS OF

_____ HOMEOWNERS ASSOCIATION

ARTICLE 1.

DEFINITIONS

- 1.1 **Association.** “Association” means _____ Homeowners association, a non profit corporation organized and existing under the laws of the State of Oregon.
- 1.2 **Articles of Incorporation.** “ Articles of Incorporation” means the Articles of Incorporation of the Association.
- 1.3 **Declaration.** The “Declaration” means the Declaration of Protective Covenants, Conditions and Restrictions for _____ to which these Bylaws are attached, 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 that are defined in Article 1 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, immediately upon creation of the Association and thereafter 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 and 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 the such reasonable place convenient to the members as may be designated in the notice of the meeting.
- 3.2 **Turnover Meeting.** Declarant shall call the first meeting of the Owners to organize the Association within ninety days after termination of the Class B Membership as provided in Section 3.7 below. Notice of such meeting shall be given to all Owners as provided in Section 3.5. 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. No quorum is required for the Turnover Meeting. Nothing in this section shall be construed as preventing Declarant from calling the Turnover Meeting before such date or from calling informal, informational meetings of the Owners.
- 3.3 **Annual Meeting.** The annual meeting of the members 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 September, then at 7:00 p.m. on the second Thursday in October. The first annual meeting shall be held within 30 days of the date of this turnover meeting.
- 3.4 **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 at least 30 percent of the voting rights entitled to be cast at such a meeting. Business transacted at a special meeting shall be confined to the purpose stated in the notice of meeting.
- 3.5 **Notice of Meeting.** (a) Written or printed notice stating the place, day and hour of the meeting, the items on the agenda, including the general nature of any proposed amendment to the Declaration 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 or more than fifty 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. Notices to Declarant shall be mailed. If mailed, such notices shall be deemed to be delivered when deposited in the United States mail, with postage fully prepaid thereon, addressed to the member at his or her most recent address as it appears on the records of the Association or to the mailing address of his or her Lot.

(b) When a meeting is adjourned for thirty 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.

3.6 **Quorum.** At any meeting of the Association, except the Turnover Meeting, Members having at least twenty percent of the voting rights 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 hours or more than thirty days from the time the original meeting was called until a quorum is present. The quorum for the adjourned meeting shall be reduced to ten percent of the voting rights entitled to be cast at the meeting, present or in person.

3.7 **Voting Rights.** Voting rights within the Association shall be allowed as follows;

(a) Residential Lots and Commercial Lots: Residential Lots shall be allocated one vote per living Unit located on such Lot.

(b) Classes of Voting Membership. The Association shall have two classes of voting membership.

Class A. Class A members shall be all Owners with the exception of the Declarant and shall be entitled to voting rights for each Lot owned computed in accordance with Section (a) above. When more than one person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more voting rights be cast with respect to any Lot than as set forth in Section (a) above.

Class B. The Class B member shall be Declarant and shall be entitled to three times the voting rights computed under section (a) for each Lot owned by Declarant. The class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier.

(i) When eighty percent of the Lots in the final phase of development of

_____ Subdivision have been sold and conveyed to Owners
Other than Declarant; or

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

- 3.8 **Fiduciaries and Joint Owners.** 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 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 the respect to such matter, unless a valid court order establishes the authority of a co-owner to vote.
- 3.9 **Tenants and Contract Vendors .** Unless otherwise expressly stated in the rental agreement or lease, all voting rights allocated to a Lot shall be exercised by the Owner. Unless otherwise stated in the contract, all voting rights allocated to a Lot shall be exercised by the vendee on any recorded land sale contract on the Lot.
- 3.10 **Absentee Ballots and Proxies.** A vote may be cast in person, by absentee ballot or by proxy. A proxy given by an Owner to any person who represents such Owner at meetings of the Association shall be in writing and signed by such Owner and shall be filed with the secretary, at any time prior or at the start of the meeting. An Owner may not revoke a proxy given pursuant to this Section except by actual notice of revocation to the person presiding over a meeting or to the Board of Directors if a vote is being conducted by written ballot in lieu of a meeting. A proxy shall not be valid if it is undated or purports to be revocable without notice. A proxy shall terminate one year after its date unless the proxy specifies a shorter term. Every proxy shall automatically cease upon sale of the Lot by its Owner. An Owner may pledge or assign such Owner's voting rights to a mortgagee. In such case, the mortgagee or its designated representative shall be entitled to receive all notices to which the Owner is entitled under these Bylaws and to exercise the Owner's voting rights from and after the time that the mortgagee shall give written notice of such pledge or assignment to the Board of Directors. Any first mortgagee may designate a representative to attend all or any meetings of the Association.
- 3.11 **Majority Vote.** The vote of a majority of the voting rights 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 by the members, unless a greater proportion is required by law, by the Declaration, by the Articles of Incorporation, or by these Bylaws.
- 3.12 **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 of Association.

3.13 **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, provided, however, that a ballot meeting may not substitute for the Turnover Meeting or, if a majority of the Lots are the principal residences of the occupants, for the annual meetings of the Association. The written ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed 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 days before written ballots are scheduled to be mailed or otherwise distributed, at least ten percent 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 marketing and returning the ballot. The notice shall state the general subject matter of the vote, the right of the Owners to request secrecy procedures, the date after which ballots may be distributed, the date and time by which any petition must be received by the Board requesting secrecy procedures and the address where any petition must be received. Notwithstanding the applicable provisions of paragraph (c) of the 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 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 Lot Owners 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 Lot Owners 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 returned.

(d) All solicitation for votes by written ballot shall state the number of responses needed to meet any applicable quorum requirements 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 had 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.

BOARD OF DIRECTORS

- 4.1 **Number and Qualification.** The affairs of the Association shall be governed by a Board of Directors of three to five 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, the members of any limited liability company 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, Declarant shall appoint an interim board of one to 3 directors, who shall serve until replaced by Declarant or until their successors have been replaced by the Owners as provided below.
- 4.3 **Transitional Advisory Committee.** Unless the Turnover Meeting has already been held , Declarant shall call a meeting of the Owners for the purpose of forming a Transitional Advisory Committee. The meeting shall be called within 60 days after the date Declarant conveys 50% or more of the Lots then existing in _____ Subdivision to Owners other than a successor Declarant. The committee shall consist of 2 or more Owners elected by the Owners other than Declarant and not more than 1 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 administrative control of the Association by Declarant to control by the Owners. The committee shall have access to any information, documents and records that Declarant must run over to the Owners 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 Owner. If the Owners 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.** (a) At the Turnover meeting, the interim directors shall resign and the members shall elect three directors, one director to serve for one year and 2 directors to serve for 2 years. The two nominees receiving the greatest number of votes shall serve for 2 years. In the event of a tie, term selection shall be by random means. Thereafter, the successors to each director shall serve for terms of 2 years each.
- (b) Upon a majority vote of the voting rights entitled to be case by the members present or represented by absentee ballot or proxy at a meeting or ballot meeting at which a quorum is present, the Board of Directors may be increased from 3 directors to 5 directors. At the next annual meeting or a special meeting called for such purpose, 2 additional directors

shall be elected, and 1 to serve for a 2 year term and one to serve for one year term. Term selection shall be in the same manner as provided in paragraph (a) above.

(c) All directors shall hold office until their respective successors shall have been elected by the members. Election shall be by plurality.

- 4.5 **Vacancies** (a) A vacancy in the Board of Directors shall exist upon the death, resignation or removal of any director, or if the authorized number of directors is increased, or if the members fail at any annual or special meeting of members at which any director or directors are to be elected to elect the full authorized number of directors to be voted for at that meeting. Vacancies in interim directors shall be filled by Declarant. (b) Vacancies in the Board of Directors, other than interim directors, may be filled by a majority of the remaining directors even though less than a quorum, or by a sole remaining director. Each director so elected shall hold office for the balance of the unexpired term and until his or her successor is elected.
- 4.6 **Removal of Directors**. All or any number of directors, other than interim directors, may be removed, with or without cause, at any meeting of members at which a quorum is present, by a vote of majority of the number of votes entitled to be cast at an election of directors. 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 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 Owners.. 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, these set forth in the Declaration and these Bylaws,, including the following: **(a)** Carry out the program for maintenance, upkeep, repair, and replacement of any property required to be maintained by the Association as 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 may be 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 litigation or claim matter unless the Owners have enacted a resolution authorizing the incurring of such fees by a vote of seventy five percent of the voting rights present in person or by absentee ballot or proxy at a meeting at which a quorum is constituted. The 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 the Declaration. To the extent required by the Oregon Planned Community Act, the Board shall notify the Owners before instituting litigation or administrative proceedings. With regard to any pending litigation involving the Association, the Board shall periodically report to the Lot Owners 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)** open bank accounts on behalf of the Association and designating the signatories required therefore. **(g)** Prepare and file, or cause to be prepared and filed, any required income tax returns or forms for the Association. **(h)** Purchase Lots at foreclosure or other judicial sales in the name of the Association or its designee. **(i)** 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. **(j)** Obtain insurance or bonds pursuant to the provision of these Bylaws and review such insurance coverage at least annually. **(k)** Make additions and improvement to, or alterations of, the Common Areas, or modify, close, remove, eliminate or discontinue use of any common facility, including any improvement or landscaping, except that any such modification, closure, removal, elimination or discontinuance (other than on a temporary basis) of any swimming pool, spa, or recreational or community building must be approved by a majority vote of the members at a meeting or by written ballot held or conducted in accordance with these Bylaws. **(l)** From time to time adopt, modify, or revoke such rules and regulations governing the details for the operation of the Association, the conduct of persons and the operation and use of the Property as the Board of Directors may deem necessary or appropriate to ensure the peaceful and orderly use and enjoyment of the Property. Such action may be overruled or modified by vote of not less than seventy five percent of the voting rights of each class of members present, in person or by proxy, at any meeting, the notice of which shall have stated that such modification or revocation of rules and regulations will be under consideration. **(m)** Enforce by legal means the provisions of the Declaration, these Bylaws and any rules and regulations adopted hereunder. **(n)** In the name of the Association, maintain a current mailing address of the Association, file annual reports with the Oregon Secretary of State, and maintain and keep current the information required to enable the Association to comply with ORS 94.670 (7). **(o)** Enter into management agreements with professional management firms

- 4.8 **Meetings.** **(a)** Meetings of the Board of Directors shall be held at such a place as may be designated from time to time by the Board of Directors or other person calling the meeting. **(b)** Annual meetings of the Board of Directors shall be held within thirty days following the adjournment of the annual meetings of the members. **(c)** Special meeting of the Board of Directors for any purpose or purposes may be called at any time by the President or by any two directors. Unless other rules of order are adopted by resolution of the Association or the Board of Directors, all meeting 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.** (a) All meetings of the Board of Directors shall be open to Owners except that, in the discretion of the Board, the following matters may be considered in executive session (i) consultation with legal counsel concerning the rights and duties of the Association regarding existing or potential litigation, or criminal matters (ii) personnel matters, including salary negotiations and employee discipline (iii) negotiation of contracts with third parties and (iv) collection of unpaid assessments. Except in the case of an emergency, the Board of Directors shall vote in an open meeting 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, as precisely possible, when under what circumstances the deliberations can be disclosed to Owners. The statement, motion or decision to meet in the executive session shall be included in the minutes of the meeting, and any contract or action considered in executive session shall not become affective unless the Board, following the executive session, reconvenes in open meeting and votes on the contract or action, which shall be reasonably identified in the open meeting and included in the minutes. (b) Meetings of the Board of Directors may be conducted by telephonic communication or by other means of communication that allows all members of the Board participating to hear each other simultaneously or otherwise to be able to communicate during the meeting, except that if a majority of the Lots are principal residences of the occupants, then (i) for other than emergency meetings, notice of each Board of Directors meetings shall be posted at a place or places on the property at least three days prior to the meeting, or notice shall be provided by a method otherwise reasonably calculated to inform the Owners of such meeting and (ii) only emergency meetings of the Board of Directors may be conducted by telephone communication or such means. The meeting and notice requirements of this Section may not be circumvented by chance or social meetings or by any other means.
- 4.10 **Notice of Meetings.** (a) Notice of the time and place of meetings shall be given to each director orally, or delivered in writing personally or by mail or telecopy, at least twenty four 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 hours before the meeting. Notice mailed or telecopied shall be directed to the address shown on the Association's records or to the directors actual address 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. (b) Attendance of a director at a meeting shall constitute a waiver of notice of such meeting except when 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.
- 4.11 **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 of these Bylaws.

- 4.12 **Liability.** Neither a member of the Board of Directors nor an officer of the Association shall be liable to the Association, any Owner or any third party 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 so long as the individual acted in good faith, believed that the conduct was in the best interests of the Association, or at least was not opposed to its best interests, and in the case of criminal proceedings, had no reason to believe the conduct was unlawful. 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 defend such individual against such claims and 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 Association, the Owners or any third party on account of any action or failure to act in the performance of it's duties as managing agent, except for acts of gross negligence or intentional acts, and the Association shall indemnify the managing agent and its officers and employees from any such claims, other than for gross negligence or intentional misconduct.
- 4.13 **Compensation.** No director shall receive any compensation form the Association for acting as such.
- 4.14 **Committees.** The Board may from time to time establish committees of the Board pursuant to ORS 65.354, including an Architectural Review Committee. Such standing or temporary committees as may be necessary from time to time consisting of Owners and at least one member of the Board of Directors shall have such powers as the Board of Directors may designate. Such committees shall hold office at the pleasure of the Board.
- 4.15 **Enforcement Procedures.** The Association shall have the power, as provided in the Declaration , to impose sanctions for any violation of the Declaration, these Bylaws to the Rules and Regulations. To the extent specifically required by the Declaration, the Board of Directors shall comply with the following procedures prior to the imposition of sanctions. **(a) Notice.** The Board of Directors or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a statement that the alleged violator shall have fourteen days to present a written request for a hearing before the Board of Directors or a Covenants Committee appointed by the Board of Directors, if any and (iv) a statement that the proposed sanction may be imposed as contained in the notice unless a hearing is requested within fourteen days of the notice. **(b) Response.** The alleged violator shall respond to the notice of the alleged violation in writing within such fourteen day period, regardless of whether the alleged violator is challenging the imposition of the proposed sanction. If the alleged violator cures the alleged violation and notifies the Board of Directors in writing within fourteen day

period the Board of Directors may, but shall not be obligated to, waive the sanction. Such waiver shall not constitute a waiver of the right to sanction future violations of the same or other provisions by any person. If a timely request for a hearing is not made, the sanction stated in the notice shall be imposed, provided, however, that the Board of Directors or Covenants Committee may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the 14 day period. Any response or request for a hearing shall be delivered to the Associations manager, President or Secretary, or as otherwise specified in the notice of violation. **(c) Proof of Notice.** Prior to the effectiveness of sanctions imposed pursuant to this section, proof of proper notice shall be placed in the minutes of the Board of Directors or Covenants Committee, as applicable. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative requests and appears at the hearing.

(d) Hearing. If a hearing is requested within the allotted fourteen day period, the hearing shall be held before the Board of Directors or the Covenants Committee, as applicable. The alleged violator shall be afforded a reasonable opportunity to be heard. The minutes of the meeting shall contain a written statement of the results of the hearing (i.e., the decision) and the sanction if any, to be imposed. **(e) Appeal.** Following a hearing before the Covenants Committee, if applicable, the violator shall have the right to appeal the decision to the Board of Directors. To exercise this right, the violator must deliver a written notice of appeal to the Association's manager, President of Secretary within 10 days after the hearing date. **(f) Enforcement Policies.** The Board of Directors, be resolution, may adopt additional policies and procedures governing enforcement of the Declaration, these Bylaws or the Rules and Regulations.

ARTICLE 5.

OFFICERS

- 5.1 **Designation and Qualification.** The officers of the Association shall be the President, Secretary, the Treasurer, and such Vice Presidents and subordinate officers as the Board of Directors shall from time to time appoint. Each officer shall be a member of the Board of Directors. Any two offices, except the offices of President and Secretary, may be held by the same person.
- 5.2 **Election and Vacancies.** The officers of the Association shall be elected annually by the Board of Directors at the organization meeting of each new Board to 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, however, that the Board of Directors may reject any postdated 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 is against the officer so resigning.
- 5.4 **President.** The president shall be the chief executive officer of the Association and shall, subject to the control of the Board of Directors, have powers of general supervision, direction and control of the business and affairs of the Association. He or she shall preside at all meetings of the members and of the Board of Directors. He or she 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 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 the director's meeting, 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 members and of the Board of Directors as is required by these Bylaws or by the 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. (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 or cause to be deposited 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. The Treasurer shall disburse or cause to be disbursed the funds of the Association as may be ordered by the Board, shall render to the President and directors, whenever they request it, and 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 of 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.

ASSESSMENTS, RECORDS AND REPORTS

- 6.1 **Assessments.** As provided in the Declaration, the Association, through its Board of Directors, shall do the following **(a)** Assess and collect from every Owner Assessments in the manner described in the Declaration. **(b)** Keep all funds received by the Association as Assessments, other than reserves described in the Declaration, in the Operation Fund and keep all reserves collected pursuant to 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 based upon the reserve study required by the Declaration, and determine whether the Annual Assessment should be increased or decreased. Within thirty 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 adopted annual budget shall continue in effect. **(d)** Fix the amount of the Annual Assessment against each Lot at least thirty 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, semiannual 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 10 days 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)** If additional Properties are annexed to the Property, the Board of Directors shall assess any Lots included therein in accordance with the provisions of the Declaration. **(f)** Enforce the Assessments in the manner provided in the Declaration. **(g)** 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 and least 30 days before the time when such Assessments 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 Owners unpaid Assessment.

- 6.2 **Records.** The Association shall keep within the State of Oregon correct and complete financial records sufficiently detailed for proper accounting purposes, 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.
- 6.3 **Statement of Assessments Due.** The Association shall provide, within ten business days after receipt of a written request from the 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 payments 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.
- 6.4 **Inspection of Books and Records.** Except as otherwise provided in ORS 94.670(5), during normal business hours or under other reasonable circumstances, the Association shall make reasonably available for examination and, upon written request, available for duplication, by Owners, lenders, and holders of any mortgage of a Lot that make the request in good faith for a proper purpose, current copies of the Declaration, Articles, Bylaws, Rules and Regulations, amendments or supplements to such documents and the books, records, financial statements and current operating budget of the Association. The Association shall maintain a copy, suitable for purposes of duplication, of each of the following: (a) the Declaration, these Bylaws, the Rules and Regulations and any amendments or supplements to

them, (b) the most recent financial statement of the Association, and (c) the current operating budget of the Association. The Association, within 10 business days after receipt of a written request by an Owner, shall furnish copies of such documents, information and records available to such persons for supplication during reasonable hours. The Board of Directors, by resolution, may adopt reasonable rules governing the frequency, time, location, notice and manner of examination and duplication of Association records and the imposition of a reasonable fee for furnishing copies of such documents, information or records. The fee may include reasonable personnel; cost for furnishing the documents, information and records.

- 6.5 Payment of Vouchers. The Treasurer or managing agent shall pay all vouchers for all budgeted items and for any non-budgeted items up to 1,000 signed by the President, managing agent, manager or other person authorized by the Board of Directors. Any voucher for a non-budgeted item in the excess of 1,000 shall require the authorization of the President or a resolution of the Board of Directors.
- 6.6 Execution of Documents. The Board if 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 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, to pledge it's credit, or to render it liable for any purpose or for any amount.
- 6.7 Reports and Audits. An annual financial statement consisting of a balance sheet and an 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 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 members. At any time any Owner or holder of a mortgagee may, at their own expense, cause an audit or inspection to be made of the books and records of the Association. Subject to ORS 94.670 (4) and its applications, if the Association has annual assessments exceeding 75,000 it shall cause the financial statement required herein to be reviewed within 180 days after the end of the fiscal year by an independent certified public accountant licensed by the State of Oregon.

ARTICLE 7.

INSURANCE

- 7.1 Types of Insurance. For the benefit of the Association and the Owners, the Board of

Directors shall obtain and maintain at all times, and shall pay for out of the Operations Fund, the following insurance.

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 coverage as the Association may deem desirable.
- (ii) The amount of the coverage shall be for not less than one hundred percent of the current replacement cost of the improvements on the Common Areas (exclusive of land, foundation, excavation and other items normally excluded from coverage), subject to a reasonable deductible.
- (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.

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 Area, 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 member of the Association or Board of Directors) for liability arising out of acts or omissions 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 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 or named insureds under the policy or policies shall not be prejudiced as respects his, her or their action against another named insured.

Workers Compensation Insurance.

- (i) The Association shall maintain workers compensation insurance to the extent necessary to comply with any applicable laws.

Fidelity Insurance

- (i) The Board of Directors may cause the Association to maintain blanket fidelity insurance for all officers, directors, trustee and employees of the Association and all other persons handling or responsible for funds of, or administered by, the Association. In the event that the Association has retained a management agent, the Board of Directors may require such agent to maintain fidelity bonds 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, shall be borne by the Association.
- (ii) The total amount of fidelity insurance coverage required shall be based upon the best business judgment of the Board of Directors.
- (iii) Such fidelity insurance shall name the Association as obligee and shall contain waivers by the insurance issuers of all defenses based upon the exclusion of persons serving without compensation from the definition of “employees” or similar terms or expressions. The insurance shall provide that they may not be canceled or substantially modified (including cancellation for non payment of premium) without at least ten days prior written notice to the Association.

7.2 **Insurance by Lot Owners.** Each Owner shall be responsible for obtaining , at his or her own expense, homeowner’s insurance covering the improvement on the Owner’s Lot 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.

7.3 **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 8.

GENERAL PROVISION

- 8.1 **Seal.** The Board of Directors may, by resolution, adopt a corporate seal.
- 8.2 **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 unit or to such other address as may have been designated by the member from time to time in writing to the Board of Directors.

- 8.3 **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.
- 8.4 **Action Without Meeting.** Any action that 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 or ballot 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.
- 8.5 **Conflicts.** These Bylaws are intended to comply with the Oregon Planned Community Act, the Oregon Non Profit Corporation Law, the Declaration and the Articles of Incorporation. In case of any irreconcilable conflict, such statutes and documents shall control over these Bylaws.

ARTICLE 9.

AMENDMENTS TO BYLAWS

- 9.1 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 of the voting rights entitled to be cast for such amendment. The proposed amendments 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.
- 9.2 Adoption. (a) 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 such purpose, by a ballot meeting pursuant to Section 3.13, or by written consent of the members. 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 must be approved by the same voting requirement for amendment of such provision of the Declaration. (b) Notwithstanding the provision of the preceding paragraph, until the Turnover Meeting has occurred, Declarant shall have the right to amend these Bylaws in order to comply with the requirements of the Federal Housing Administration, the United States Department of Veterans Affairs, the Farmers Home Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Mortgage Loan

Corporation, any department bureau, board commission or agency of the United States or the State of Oregon, or any corporation wholly owned, direct or indirectly, by the United States or the State of Oregon that insure, guarantees or provides financing for planned community or lots in a planned community. After the Turnover Meeting, 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.

9.3 Execution and Recording.