

**BYLAWS
OF
THE RESERVE IN THE PINES HOMEOWNERS ASSOCIATION**

1. DEFINITIONS

The terms specified below shall have the following meanings when used in these Bylaws:

1.1 "Articles" mean the Articles of Incorporation for the non-profit corporation, The Reserve In The Pines Homeowners Association, or such similar name approved by and filed with the Oregon Secretary of State, corporations division, as amended from time to time in accordance with the provisions thereof.

1.2 "Association" means The Reserve In The Pines Homeowners Association, an Oregon nonprofit mutual benefit corporation, formed for the purposes set forth in these Bylaws, the Declaration and the Articles.

1.3 "Board" or "Board of Directors" means the Board of Directors of the Association constituted in accordance with Section 5 of these Bylaws.

1.4 "Common Maintenance Areas" has the meaning given it in the Declaration.

1.5 "Declaration" means the Declaration of Covenants, Conditions, Restrictions and Easements for The Reserve In The Pines, as amended from time to time in accordance with the provisions thereof.

1.6 "Director" means a member of the Board elected or appointed in accordance with Section 5.3 of these Bylaws.

1.7 "Improvement" has the meaning given it in the Declaration.

1.8 "Lot" has the meaning given it in the Declaration. No Common Area and no areas deeded to a governmental authority shall constitute a "Lot".

1.9 "Member" means each member of the Association and shall include every Owner of a Lot.

1.10 "Officer" means an officer of the Association as described in and elected in accordance with Section 6 of these Bylaws.

1.11 "Owner" means the record Owner, whether one or more persons or entities, of the fee simple title to any Lot or a purchaser in possession under a land sale contract. The foregoing does not include persons or entities that hold an interest in any Lot merely as security for the performance of an obligation.

1.12 "Plat" has the meaning given it in the Declaration.

1.13 "President" means the President of the Association as described in Section 6.5 of these Bylaws.

1.14 "Property" has the meaning given it in the Declaration.

1.15 "Secretary" means the Secretary of the Association as described in Section 6.6 of these Bylaws.

1.16 "Treasurer" means the Treasurer of the Association as described in Section 6.7 of these Bylaws.

1.17 Other Defined Terms. All other capitalized terms not otherwise defined in these Bylaws shall have the meaning given to them in the Declaration.

2. OFFICES

2.1 Principal Office. The principal office of the Association in the State of Oregon shall be at a location determined by the Board. The Association may have such other offices as the Board may determine or as the affairs of the Association may require from time to time.

2.2 Registered Office and Agent. The Association shall have and continuously maintain in the State of Oregon a registered office, and a registered agent whose office is identical with such registered office, as required by the Nonprofit Corporation Act. The registered office of the Association may be, but need not be, identical with the principal office of the Association and the address of the registered office may be changed from time to time by the Board.

3. MEMBERSHIP, VOTING RIGHTS, AND POWERS AND OBLIGATIONS

3.1 Membership. Every Owner of a Lot by virtue of ownership of such Lot, including Declarant for so long as Declarant owns a Lot, shall, immediately upon creation of the Association and thereafter during the entire period of such Owner's ownership of a Lot, be a Member of the Association. Such membership shall commence, exist and continue simply by virtue of such ownership, shall expire automatically upon termination of such ownership, and need not be confirmed or evidenced by any certificate or acceptance of membership.

3.2 Voting Rights. The Association shall have the classes of voting membership set forth in the Declaration

3.3 Suspension of Voting Rights. All voting rights of a Member shall be suspended during any period in which the Member is delinquent in the payment of any Assessment or is otherwise in default under these Bylaws, the Declaration or any rules and regulations of the Association.

3.4 Powers and Obligations. The Association shall have, exercise and perform all of the following powers, duties and obligations:

3.4.1 Governing Documents. The powers, duties and obligations granted to the Association by these Bylaws, the Articles or the Declaration, including, without limitation, the authority to levy Assessments against the Owners for the costs of operating and managing the Association and performing the Association's responsibilities under these Bylaws and the Declaration.

3.4.2 Statutory Powers. The powers and obligations of a nonprofit corporation pursuant to the Nonprofit Corporation Act, and of an owners association pursuant to the Planned Community Act, as either may be amended

from time to time, except as provided otherwise by these Bylaws or the Declaration.

3.4.3 General. Any additional or different powers, duties and obligations necessary or desirable for the purpose of carrying out the functions of the Association pursuant to the Declaration and these Bylaws or otherwise promoting the general benefit of the Members. The powers and obligations of the Association may from time to time be amended, repealed, enlarged or restricted by changes in these Bylaws made in accordance with the provisions herein, accompanied by changes in the Articles or Declaration made in accordance with such instruments, as applicable, and with the Planned Community Act and Nonprofit Corporation Act.

4. MEMBER MEETINGS

4.1 Annual Meetings. A meeting of the Members shall be held annually. The first annual meeting of the Members shall be held not later than the first anniversary of the date of incorporation of the Association and each subsequent regular annual meeting of the Members shall be held annually on a date within thirty (30) days of the anniversary date of the first annual meeting of the Members or at such other time as is set by the Board. Subject to the foregoing, the date and time of the annual meeting shall be set by the Secretary. At the annual meeting, the President, and any other Officer or person whom the President may designate, shall report on the activities and financial condition of the Association.

4.2 Special Meetings. Special meetings of the Members may be called at any time by the President, by a majority of the Directors, or by the President or Secretary upon receipt of a written request of the Members holding at least twenty-five percent (25%) of the outstanding votes of the Association. If the Members request a special meeting as provided herein and notice of the meeting is not given to the Members within thirty (30) days after the date the written request for the meeting was delivered to the President or Secretary, then any Member who signed the request may set the date, time and place of the meeting and give the required notice. Business transacted at a special meeting shall be restricted to the purposes set forth in the notice for the meeting.

4.3 Place of Meetings. Meetings of the Members shall be held at the principal office of the Association or at such other suitable and convenient place within Deschutes County, Oregon, as may be designated in the notice for the meeting.

4.4 Notice of Meetings. Any meeting held pursuant to this Section 4 shall be held on such date, at such time, and at the principal office of the Association or such other place within Deschutes County, Oregon, as may be designated by the Secretary. Written notice of each meeting of the Members under this Section 4 shall be given by, or at the direction of, the Secretary or other person authorized to call the meeting at least ten (10) days before the meeting, but not more than fifty (50) days before the meeting, to each Member entitled to vote at the meeting and to any mortgagee of a Lot having requested notice thereof in writing. A mortgagee of a Lot may designate a representative to attend a meeting called under this Section 4. The notices shall be given in accordance with the notice provisions set forth in Section 17.1 and shall specify the place, day, and hour of the meeting, and the items on the agenda, including the general nature of any proposed amendment to the Declaration or these Bylaws, any budget changes, or any proposal to remove a Director. Notice of any such meeting may be waived by a Member at any time.

No Member who is present at a meeting may object to the adequacy or timeliness of the notice given.

4.5 Quorum. The presence at any Member meeting of a number of Members, whether in person, by proxy or by absentee ballot (if authorized by the Board), who are entitled to cast at least one-third (1/3) of the outstanding votes of the Association shall constitute a quorum for any action except as otherwise provided in the Articles, the Declaration, or these Bylaws. If a quorum is not constituted at a meeting, the Members who are present, either in person or by proxy, and entitled to vote shall have the power to adjourn the meeting until another date and time, without notice other than announcement at the meeting. The quorum requirement for any such subsequent meeting shall be reduced to a number of Members, whether in person, by proxy or by absentee ballot (if authorized by the Board), who are entitled to cast at least one-fifth (1/5) of the outstanding votes of the Association; provided that (i) the meeting is adjourned to a date that is at least forty-eight (48) hours from the time the original meeting was called or (ii) the original meeting notice states that the quorum requirement will be reduced if the meeting cannot be organized because of a lack of quorum and specifies the reduced quorum requirement. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

4.6 Majority Vote. A vote by the Members holding more than fifty percent (50%) of the voting power of the Association present in person, by proxy or by absentee ballot (if authorized by the Board) at a meeting at which a quorum is constituted shall be binding upon all Members for all purposes unless a higher voting percentage is specifically required by these Bylaws, the Articles, the Declaration, the Planned Community Act or any other applicable law, in which case such higher voting percentage shall apply.

4.7 Proxies and Absentee Ballots. At all meetings of the Members, each Member may vote in person, by proxy or, if authorized by the Board, by absentee ballot. All proxies shall be in writing, dated and signed by the Member, filed with the Secretary and in compliance with all other proxy requirements of the Planned Community Act. Proxies may only be revoked upon the giving of actual notice of revocation to the person presiding over the meeting or to the Board if a vote is being conducted by written ballot. Proxies shall automatically cease upon cessation of membership or restriction of the Member's voting rights. An absentee ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action. All solicitations for absentee ballots shall include instructions for return delivery of the completed absentee ballot and information about whether or not the absentee ballot may be canceled if it is returned in accordance with the instructions. If an absentee ballot is delivered by a Member, the Member may vote in person at the meeting if the Member returned the absentee ballot and canceled the absentee ballot, if cancellation was permitted in the instructions included with the absentee ballot.

4.8 Turnover Meeting. Declarant shall call a Turnover Meeting within ninety (90) days following the Conversion Date, as defined in the Declaration, for the purposes of turning over control of the Association to the Members. The Turnover Meeting shall be conducted in accordance with Section 13 of these Bylaws.

4.9 Action without A Meeting. Any action which applicable law, the Declaration or these Bylaws require or permit the Members to take at a meeting may be taken without a meeting by written or electronic ballot if the procedures set forth in ORS 94.647 and 94.661, as applicable, are followed. For votes of the Members by written or electronic

ballot, the Board shall provide the Members with at least ten (10) days' notice before ballots are mailed or otherwise distributed. The notice shall state the general subject matter of the ballot vote, the right of Members to request secrecy procedures in accordance with ORS 94.647, the date after which ballots may be distributed, the date and time by which any petition requesting secrecy procedures must be received by the Board, and the address where such a petition may be delivered. If, at least three (3) days before the ballots are scheduled to be mailed or otherwise distributed, at least ten percent (10%) of the Members petition the Board requesting secrecy procedures, then the Board must comply with the secrecy procedures set forth in ORS 94.647. The secrecy procedures shall not apply to the ballot of a Member if the consent or approval of that particular Member is required under these Bylaws, the Declaration or the Planned Community Act. All ballots must set forth each proposed action and provide an opportunity to vote for or against each proposed action. All solicitations for votes by written or electronic ballot shall state the number of responses needed to satisfy any applicable quorum requirement, the required percentage of votes needed for approval, and the period during which the Association will accept ballots for counting. Electronic ballots include any ballots given by electronic mail, facsimile transmission, posting on a website or other means of electronic communication approved by the Board. Approval by written or electronic ballot shall be valid only when the number of votes cast by written or electronic ballot equals or exceeds any quorum required to be present if a meeting was held to authorize the action and the number of approvals equals or exceeds the number of votes required to approve the matter if a meeting was held to authorize the action. Notwithstanding the foregoing, action by written or electronic ballot may not substitute for any meeting that must be held in person or via electronic communication pursuant to the Oregon Planned Community Act.

5. BOARD OF DIRECTORS

5.1 General. The affairs of the Association shall be managed by the Board, which shall be comprised of the number of Directors specified in Section 5.2 below. The Board shall have all requisite power, duty and authority to perform its obligations under the Declaration, the Articles, these Bylaws, the Nonprofit Corporation Act and the Planned Community Act, including, without limitation, the power, duty, and authority to enforce the provisions of the Declaration and these Bylaws and to acquire and pay for, out of the funds received from the collection of Assessments pursuant to the Declaration, all goods and services necessary or appropriate for the proper functioning of the Association in accordance with the Declaration and these Bylaws. In performing its duties, the Board shall be governed by ORS 94.640 and the applicable provisions of ORS 65.357, 65.361, 65.367, 65.369 and 65.377.

5.2 Number and Qualification. Declarant shall have the right to appoint an interim Board as described in Section 5.3. Following the Turnover Meeting, the Board shall consist of five (5) directors elected by the Owners in accordance with these Bylaws. To assure staggered term, at the first annual meeting after the Turnover Meeting, the three Directors receiving the most votes shall serve two-year terms and the other two Directors shall serve one-year terms. Thereafter, all Directors shall serve two-year terms. Each Director shall be a Member; provided, however, if a corporation, limited liability company, partnership or trust owns a Lot or an interest in an entity that owns a Lot, then an officer, employee or agent of the corporation, member, manager, employee or agent of the limited liability company, partner, employee or agent of the partnership or trustee of the trust, as applicable, may serve as a Director. Additionally, an executor, administrator, guardian, conservator or other individual appointed by a court to serve in a fiduciary capacity for a Member, or an officer or employee of an entity if the appointee is an entity,

may serve as a Director. Prior to election to the Board, any individual wishing to serve on the Board in the capacity as a representative or fiduciary of a Member pursuant to this Section 5.2 shall provide the Board with documentation satisfactory to the Board that the individual is qualified to represent the Member in compliance with the requirements of this Section 5.2. An individual serving on the Board as a representative or fiduciary of a Member in accordance with this Section 5.2 shall be disqualified from serving as a Director and his or her seat on the Board shall automatically be vacated if the individual no longer meets the requirements set forth in this Section 5.2.

5.3 Appointment by Declarant Prior to Turnover Meeting. Declarant shall have the right to appoint an interim Board consisting of one (1) to three (3) Directors, who shall serve as the Board until replaced by Declarant or until their successors have been elected by the Owners at the Turnover Meeting. Until the Turnover Meeting, Declarant shall appoint all Directors, and may remove and replace any Director, with or without cause, except that Declarant may revocably or irrevocably delegate the power to appoint, remove and replace Directors hereunder by written instrument delivered to the Association naming the party to whom the power to appoint Directors has been delegated. At and after the Turnover Meeting, the Directors shall be elected in the manner provided in Section 5.4 and Section 3. Voting for Directors shall not be cumulative.

5.4 Election of Directors. At the Turnover Meeting, the Members shall elect five (5) Directors. Each Director shall serve for a term of two (2) years; provided, however, to minimize turnover of the Board in any one year, the initial terms of Directors elected by the Members (as opposed to appointed by the Declarant) shall be staggered as provided in Section 5.2 above. In voting for Directors, Members shall have the votes specified in the Declaration. Voting for Directors shall not be cumulative. A Director may serve more than one (1) term.

5.5 Resignation. A Director may resign at any time by sending a written notice of resignation to the Secretary. Unless otherwise specified in the resignation notice, a resignation shall take effect upon receipt of the notice by the Secretary.

5.6 Removal. Any Director may be removed, with or without cause, by the affirmative majority vote of the Members entitled to vote, at any meeting of the Members at which a quorum is present. No removal of a Director is effective unless the matter of removal is included in the notice of the meeting. At such meeting, the Members shall elect a replacement Director to serve the remainder of the removed Director's term.

5.7 Vacancies. Vacancies on the Board caused by the death, resignation, or disqualification of a Director shall be filled by the affirmative majority vote of the remaining Directors, even if they constitute less than a quorum. Any Director so elected shall serve the remainder of the replaced Director's term. Vacancies on the Board caused by the removal of a Director pursuant to Section 5.6 above shall be filled in accordance with the procedures set forth in Section 5.6 above.

5.8 Meetings of the Board.

5.8.1 The initial meeting of the Board shall occur within sixty (60) days after the date the Articles of the Association are filed. Thereafter, the Board shall meet at least annually, within thirty (30) days after each annual meeting of the Members. At each annual meeting, the Board shall adopt a budget for the following fiscal year and determine the amount of the Regular Assessment and Reserve Assessment for such year. Within thirty (30) days after adopting the

annual budget, the Board shall provide a summary of the budget to all Owners. In addition, the Treasurer shall present to the Board a report on the financial condition of the Association, including a report of receipts and disbursements for the preceding calendar year, the allocation thereof to each Lot, and the estimated receipts and expenses for the coming year. If the Board fails to adopt a budget, the last adopted annual budget shall continue in effect.

5.8.2 Special meetings of the Board may be called at any time by the President or two (2) Directors. Such meetings shall be scheduled by the Secretary within thirty (30) days after the Secretary's receipt of a written request signed by the President or at least two (2) Directors; provided that if the purpose of a special meeting is to elect a successor Secretary or to consider removal of the Secretary, then such meeting may be scheduled by the President or, if the meeting is also for the purpose of electing a successor President or removing the President, any other Director.

5.8.3 Meetings of the Board shall be held at the principal office of the Association or such other place within Deschutes County, Oregon, as may be designated from time to time by the Board.

5.8.4 The Secretary shall give written notice to each Director of each Board meeting at least three (3) but not more than thirty (30) days prior to the date set for the meeting, stating the purpose, time, and place of the meeting. Notice shall be given in accordance with the notice provisions set forth in Section 17.1 below. Notice of any meeting may be waived by any Director at any time. No Director who is present at a meeting may object to the adequacy or timeliness of the notice given. When a meeting is adjourned for fewer than thirty (30) days, whether or not a quorum is present at the adjourned meeting, no notice of the resumption or reconvening of such adjourned meeting need be given other than by announcement at the meeting at which such adjournment takes place. Notwithstanding the foregoing, emergency meetings of the Board may be held without notice if the reason of the emergency is stated in the minutes of the meeting.

5.8.5 All meetings of the Board shall be open to the Members, except that at the discretion of the Board, the following matters may be considered in executive session, as provided by law: (a) consultation with legal counsel; (b) personnel matters, including salary negotiations and employee discipline; (c) the negotiation of contracts with third parties; (d) collection of unpaid Assessments; and (e) any other matters permitted by applicable law. For other than emergency meetings, notice of Board meetings shall be posted at the Property at least three (3) days prior to the meeting or shall be provided to the Members by another method reasonably calculated to inform the Members of the meeting. Except in an emergency, the Board shall vote in an open meeting whether to meet in executive session. If the Board votes to meet in executive session, the President shall state the general nature of the action to be considered and when and under what circumstances the deliberations can be disclosed to the Members. The statement, motion, or decision to meet in executive session must be included in the minutes of the meeting. A contract or action considered in executive session does not become effective unless the Board, following the executive session, reconvenes in an open meeting and votes on the contract or action, which must be reasonably identified in the open meeting and included in the minutes. To the maximum extent permitted by applicable law, Board meetings may be conducted by

telephonic communication or by the use of other means of electronic communication.

5.8.6 The presence in person of a majority of the Directors shall constitute a quorum for voting at a Board meeting. The Board shall have the power to adjourn a meeting even if less than a quorum is present. Each Director shall have one vote. So long as a quorum is constituted, the vote of a majority of the Directors present at the meeting shall be a binding vote of the Board for all purposes, unless a greater percentage is required by law, these Bylaws or the Declaration. A Director who is present at a meeting of the Board at which action is taken on any Association matter is presumed to have assented to the action unless the Director votes against the action or abstains from voting on the action because the Director claims a conflict of interest. When action is taken on any matter at a meeting of the Board, the vote or abstention of each Director present shall be recorded in the minutes of the meeting. The Directors may not vote by proxy or by secret ballot at Board meetings, except that the Directors may elect Officers by secret ballot.

5.9 Action Without A Meeting. Any action which applicable law, the Declaration or these Bylaws permit the Board to take at a meeting may be taken without a meeting if a written consent setting forth the action so taken is signed by all of the Directors entitled to vote on the matter. The consent, which shall have the same effect as a unanimous vote of the Board, shall be filed in the records of the Association.

5.10 Compensation. No Director shall receive compensation for any service rendered to the Association. However, a Director may be reimbursed for the Director's actual expenses incurred in the performance of his or her duties.

6. OFFICERS

6.1 Enumeration and Qualifications. The Officers shall be the President, the Treasurer, and the Secretary, each of whom shall be elected by the Board. The Board may designate such additional Officers as it deems appropriate. All Officers must be individuals. The Officers shall be Members; provided, however, if a corporation, limited liability company, partnership or trust owns a Lot or an interest in an entity that owns a Lot, then an officer, employee or agent of the corporation, member, manager, employee or agent of the limited liability company, partner, employee or agent of the partnership or trustee of the trust, as applicable, may serve as an Officer. Additionally, an executor, administrator, guardian, conservator or other individual appointed by a court to serve in a fiduciary capacity for a Member, or an officer or employee of an entity if the appointee is an entity, may serve as an Officer. Any individual wishing to serve as an Officer in the capacity as a representative or fiduciary of a Member pursuant to this Section 6.1 shall provide the Board with documentation satisfactory to the Board that the individual is qualified to represent the Member in compliance with the requirements of this Section 6.1. Any Officer serving in a representative or fiduciary capacity of a Member in accordance with this Section 6.1 shall be disqualified from serving as an Officer and his or her office shall automatically be vacated if he or she no longer meets the requirements set forth in this Section 6.1. An Officer may not simultaneously hold more than one (1) office.

6.2 Election and Term of Office. The Officers shall be elected annually by the Board and shall hold office at the pleasure of the Board and until their successors are

elected and qualified. If any office becomes vacant, the Board shall elect a successor to fulfill the unexpired term at a special meeting of the Board called for such purpose.

6.3 Removal. The Board may remove any Officer, at any time, with or without cause, and a successor may be elected at a special meeting of the Board called for such purpose.

6.4 Compensation. Other than reimbursement of out-of-pocket expenses incurred on behalf of the Association, no Officer shall receive any compensation from the Association for acting as an Officer, unless such compensation is authorized by the Board.

6.5 President. The President shall be a Director and shall be the chief executive officer of the Association. The President shall preside at all meetings of the Board and shall have all of the general powers and duties normally incident to the office of the chief executive officer of a corporation. The President shall perform all of such duties at the expense of the Association.

6.6 Secretary. The Secretary shall be a Director. The Secretary shall keep, or cause to be kept, the minutes of all proceedings of the Board and all other Association records and shall attend to the giving of all notices to the Board and Members and any other notices pursuant to these Bylaws or the Declaration or required by law. The Secretary shall perform all other duties incident to the office of secretary of a corporation or as may be directed by the Board. The Secretary shall perform all of such duties at the expense of the Association.

6.7 Treasurer. The Treasurer shall be a Director and be responsible for Association funds and shall keep full and accurate financial records and books of account sufficient for proper accounting purposes showing all receipts and disbursements necessary for the preparation of all financial data and tax returns. The Treasurer shall be responsible for the deposit of all Association funds in such depositories as may from time to time be designated by the Board, and shall disburse Association funds for such purposes as may be permitted under these Bylaws or the Declaration. The Treasurer shall perform all other duties incident to the office of the Treasurer of a corporation or as may be directed by the Board. The Treasurer may retain outside professional services to assist in accomplishing such duties. The Treasurer shall perform all such duties at the expense of the Association.

7. SHARES OF STOCK AND DIVIDENDS PROHIBITED

The Association shall not have or issue shares of stock. No dividends shall be paid and no part of the income of the Association shall be distributed to its Directors or Officers, or to the Owners.

8. LOANS TO DIRECTORS AND OFFICERS PROHIBITED

8.1 No Loans to Directors or Officers. No loan shall be made by the Association to its Directors or Officers. The Directors who vote for or assent to the making of a loan to a Director or Officer and any Officers participating in the making of such loan, shall be jointly and severally liable to the Association for the amount of such loan until the repayment thereof.

8.2 Contribution; Subrogation. Any Director against whom a claim is asserted under or pursuant to this Section 8 shall be entitled to contribution from the other

Directors who voted for the action upon which the claim is asserted. To the extent that any Director is required to pay such claim, he or she shall be subrogated to the rights of the Association against the debtor on the loan.

9. CONTRACTS, CHECKS, DEPOSITS AND FUNDS

9.1 Contracts. The Board may authorize any Officer or agent of the Association, in addition to the Officers so authorized in these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances. Among other things, such contracts may provide for the employment of personnel necessary for the maintenance, upkeep, and repair of the Common Maintenance Areas.

9.2 Checks, Drafts, Etc. All checks, payment vouchers, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Association (including checks or vouchers for the payment of the expenses incurred in maintaining the Common Maintenance Areas), shall be signed by such Officers or agents of the Association and in such manner as shall from time to time be determined by the Board.

9.3 Deposits. All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in such banks, trust companies, or other depositories as the Board may select. All Assessments shall be deposited in one or more separate accounts in the name of the Association. All expenses of the Association shall be paid from such accounts. Reserve Assessments shall be maintained in a segregated account.

10. COMMITTEES

10.1 Committees. The Board may appoint such committees as deemed appropriate in carrying out its purposes, which may include for example, but not by way of limitation, a Maintenance Committee to advise the Board on all matters pertaining to the maintenance, repair or improvement of the Common Maintenance Areas, if any, and to perform such other functions as the Board in its discretion determines.

10.2 Committee Function. It shall be a function of each committee to receive complaints from the Owners on any matter involving Association duties and activities within its field of responsibility. It shall dispose of such complaints as it deems appropriate or refer them to such other committee, Director or Officer as is further concerned with the matter presented. Complaints received and the disposition of the complaints shall be reported promptly to the Board by the committee.

11. ASSOCIATION BOOKS AND RECORDS; FINANCIAL MATTERS

11.1 General. The Association shall keep accurate and complete books and records of its activities and accounts as required by the Planned Community Act and shall also keep minutes of the proceedings of the Board and committees having any of the authority of the Board and shall keep at its registered or principal office a record of the names and addresses of the Members and Directors. All books and records of the Association (except for those items which are exempt from disclosure under ORS 94.670) may be inspected by any Member, or his or her agent or attorney, for any proper purpose at any reasonable time. Without limiting the generality of the foregoing, the Association shall maintain a copy, suitable for duplication, of the following: (a) the Declaration, these

Bylaws, the Articles and any rules and regulations adopted by the Board; (b) the most recent financial statement of the Association prepared in accordance with Section 11.2 below; (c) the current operating budget of the Association; and (d) the reserve study for the Association (if any). The Board may adopt reasonable rules regarding the frequency, time, location, notice and manner of inspection and duplication of the Association's records and the imposition of a reasonable fee for furnishing copies of any documents. The fee may include reasonable personnel costs for furnishing such copies.

11.2 Financial Statements. Within ninety (90) days after the end of each fiscal year, the Board shall distribute to each Owner and, upon request, any mortgagee of a Lot, a copy of the annual financial statement of the Association, consisting of a balance sheet and income and expense statement for the preceding fiscal year. Additionally, if the annual Assessments of the Association exceed Seventy-Five Thousand Dollars (\$75,000) for the year (or such other thresholds as may be established by Oregon law from time to time), then the Board shall cause the financial statements to be reviewed within one hundred eighty (180) days after the end of the fiscal year by an independent certified public accountant licensed in Oregon in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants, *provided, however*, the Board need not cause such a review to be performed if so directed by an affirmative vote of at least sixty percent (60%) of the Members. If the annual Assessments of the Association are Seventy-Five Thousand Dollars (\$75,000) or less (or such other thresholds as may be established by Oregon law from time to time), then the Board shall cause such review to be performed within one hundred eighty (180) days after receipt of a petition requesting such review signed by at least a majority of the Members. The terms of this Section 11.2 are intended to comply with the requirements of ORS 94.670, as the same may be amended and/or supplemented from time to time, and all other applicable Oregon laws and shall be deemed modified, as applicable, to comply therewith.

11.3 Tax Returns. The Board shall cause to be filed the necessary income tax returns for the Association.

11.4 Fiscal Year. The Association's fiscal year shall commence January 1 and shall end on December 31.

12. INSURANCE

12.1 By the Association. The Board shall obtain, and maintain in effect, from reputable insurance companies authorized to do business in the State of Oregon: (i) a policy or policies insuring the Association, its Board and the Owners individually against any liability to the public or the Owners and their invitees or tenants, incident to the ownership, supervision, control or use of the Property, excepting portions of the Property under an Owner's exclusive use or occupancy. Limits of liability under such insurance shall be per occurrence for bodily injuries and property damage liability in such amounts as the Board deems advisable; and (ii) workers' compensation insurance to the extent necessary to comply with any applicable laws. The insurance coverage obtained and maintained by the Board may not be brought into contribution with insurance bought by Owners or their mortgagees. Any insurance policy obtained by the Association shall identify the Association as the named insured and shall, if possible, be written by an insurer with a "B" general policyholder's rating and a "III" financial size category in Best's "Key Rating Guide." The policies obtained by the Association may contain a reasonable deductible not to exceed the lesser of \$10,000 or one percent of the face value of the policy. The Board may adopt a resolution prescribing responsibility for payment of the

deductible under the Association's insurance policy. Any policies obtained by the Association shall, if reasonably available, provide a waiver of subrogation by the insurance company as to any claims against the Board, any Owner, or any guest of an Owner.

12.2 By the Owners. Each Owner of a Lot shall obtain, and maintain in effect, from reputable insurance companies authorized to do business in the State of Oregon, public liability and property damage insurance with respect to such Lot in an amount of not less than \$250,000.00 per person, per occurrence. Additionally, each Owner shall obtain, and maintain in effect, from such companies fire and extended coverage casualty insurance with respect to the Home and other Improvements located on the Owner's Lot in an amount equal to 100% of the replacement cost thereof. Each Owner shall also be responsible for obtaining fire and extended coverage casualty insurance with respect to the Owner's personal property. The Board of Directors shall have the right, from time to time, to increase the amount and type of insurance required pursuant to this Section 12.2 by providing Owners not less than ninety (90) days advance written notice.

12.3 Director and Officer Insurance and Fidelity Insurance. At the discretion of the Board, the Association may purchase and maintain insurance on behalf of any person who is or was a Director, Officer, employee, or agent of the Association, or is or was serving at the request 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 or her status as such, whether or not the Association would have the power to indemnify him or her against such liability under the Articles of the Association. The Board may also cause the Association to maintain fidelity insurance for Officers, Directors, trustees and employees of the Association and any other persons handling or responsible for funds of, or administered by, the Association. If the Association has retained a management agent, the Board may require the management agent to maintain fidelity insurance for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Association. The cost of such insurance, if any, may be borne by the Association. The total amount of fidelity insurance coverage, if any, shall be determined by the Board

12.4 General Provisions. Premiums for insurance obtained by the Board on behalf of the Association pursuant to this Section 12 shall be a common expense of the Association. At least annually, the Board shall review the insurance coverage of the Association. If reasonably available, the Board shall obtain insurance policies with the provisions specified in ORS 94.690 and with an "inflation guard" endorsement.

13. TRANSFER OF CONTROL; TURNOVER MEETING

Declarant shall call the Turnover Meeting within ninety (90) days following the Conversion Date for the purpose of turning over control of the Association to the Owners; provided, however, Declarant shall retain control over the Architectural Review process after the Turnover Meeting pursuant to Section 17 of the Declaration until Declarant elects to formally relinquish control.

Declarant shall give notice of the Turnover Meeting to each Member in accordance with Section 17.1 below. The notice shall state the time and place at which the meeting is to be held and the purpose of the meeting, which shall be the relinquishment by Declarant of control of the administration of the Association (except for Architectural Review) and the election of new Directors by the Members. If Declarant does not call the Turnover Meeting required by this Section 13 within the required period, any Member may call the Turnover Meeting and give notice of the Turnover Meeting as required by this Section 13. At the

Turnover Meeting: (a) Declarant shall relinquish control of the administration of the Association and the Members shall assume the control thereof; (b) the Directors then serving shall resign and, if a quorum of the Members is present, the Members shall elect new Directors in accordance with these Bylaws; and (c) Declarant shall deliver to the Association the books, records, and other materials belonging to the Association that are in Declarant's control.

14. RULES AND REGULATIONS

The Board shall have power to adopt and publish rules and regulations and to establish penalties for the infraction thereof as provided in the Declaration. The adoption and amendment of such rules and regulations must conform to the requirements of the Declaration. Upon adopting any such rules and regulations, the Board shall cause copies thereof to be delivered to each Owner in accordance with the notice provisions set forth in Section 17.1 below. All rules and regulations adopted by the Board shall become binding upon the date of delivery. Any rule or regulation which conflicts with these Bylaws or the Declaration shall be null and void.

15. MAINTENANCE

The Association shall have the maintenance responsibilities set forth in the Declaration, including, without limitation, in Section 5.2. Costs and expenses incurred by the Association in discharging its maintenance responsibilities shall be paid in the manner described in Section 9.2 of these Bylaws.

16. ASSESSMENTS

16.1 Generally. All Lots shall be subject to assessment in accordance with the provisions of the Declaration. All Assessments shall be due and payable on a monthly, quarterly, annual, or other basis as determined by the Board. Subject to amendment by the Board, the Association shall give written notice to each Member as to the amount of the operating and reserve Assessments with respect to each Lot on or before December 15 of each year for the calendar year commencing January 1 of the next year.

16.2 Request for Assessments Due. The Association shall provide, within ten (10) business days of receipt of a written request from a Member, a written statement that provides: (i) the amount of Assessments due from the Member and unpaid at the time the request was received, such as Regular, Reserve, Working Fund, and Special Assessments, fines, accrued interest, late payment charges and other charges; (ii) the percentage rate at which interest accrues on unpaid Assessments; and (iii) the percentage rate or fixed charge for late payments. The Association is not required to provide a statement of outstanding Assessments if the Association has commenced litigation by filing a complaint against the Member and the litigation is pending when the statement would otherwise be due.

17. NOTICES

17.1 Notices. Unless another form of notice is specifically permitted in these Bylaws or under the Planned Community Act, all notices given hereunder shall be delivered by: (i) messenger service (or hand delivery); (ii) overnight courier service; (iii) regular U.S. Mail; or (iv) electronic mail, facsimile transmission or any other form of electronic communication acceptable to the Board and permissible under the Planned Community Act. Notices delivered by messenger service (or hand delivery), overnight

courier service or regular U.S. Mail shall be sent to the mailing address last appearing on the books of the Association. Notices delivered by facsimile or email shall be sent to the email address or facsimile number last appearing on the books of the Association. Notwithstanding the foregoing, electronic mail, facsimile or other form of electronic communication may not be used to give notice of: (i) failure to pay an Assessment; (ii) foreclosure of an Association lien under ORS 94.709; or (iii) an action the Association may take against a Member. Additionally, a Member may decline to receive notice by electronic mail, facsimile or other form of electronic communication by giving written notice thereof to the Board. Notices shall be deemed given on the date the notices are sent in accordance with the procedures outlined herein.

17.2 Waiver. Whenever any notice is required to be given under the provisions of the Articles, the Declaration, these Bylaws or any applicable law or statute, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

18. DISPUTE RESOLUTION

To the fullest extent required by law, all claims, controversies, or disputes, whether they are statutory, contractual, tort claims, and/or counterclaims between or among the Association, and/or Owner(s) (collectively, the "Parties" and individually, a "Party") which arise out of or are related to the Property, the Lots, the Homes, the Planned Community Act, the Declaration, these Bylaws, the Articles, or any rules and regulations of the Association, or which relate to the interpretation or breach of the Planned Community Act, the Declaration, these Bylaws, the Articles, or any rules and regulations of the Association (collectively referred to as "Claims") shall be resolved in conformance with all applicable procedures specified in the Planned Community Act, including ORS 94.630(4). Except as otherwise required by the Planned Community Act, the following matters are excluded from these dispute resolution provisions and do not constitute Claims: (i) judicial or non-judicial foreclosure or any other action or proceeding to collect or enforce Assessments, fines, interest or a trust deed, mortgage, Association lien, or land sale contract; (ii) a forcible entry and detainer action; (iii) actions by the Association related to removal of a structure or other condition that violates the Declaration, these Bylaws, or any rules and regulations of the Association; (iv) actions for the appointment of a receiver; (v) provisional remedies such as injunctions or the filing of a lis pendens; or (vi) the filing or enforcement of a mechanic's lien. The filing of a notice of pending action (lis pendens) or the application to any court having jurisdiction thereof for the issuance of any provisional process remedy described in Rules 79 through 85 of the Oregon Rules of Civil Procedure (or corresponding federal statutory remedies), including a restraining order, attachment, or appointment of receiver, shall not constitute a waiver of the right to mediate or arbitrate under this Section 18, nor shall it constitute a breach of the duty to mediate or arbitrate. The proceeds resulting from the exercise of any such remedy shall be held by the Party obtaining such proceeds for disposition as may be determined by an agreement of the Parties pursuant to a mediation or by the arbitration award.

19. AMENDMENTS TO BYLAWS

These Bylaws may be amended or repealed and new bylaws may be adopted by a majority of the Directors present at any regular meeting or at any special meeting, if at least three (3) days' written notice is given of intention to amend or repeal and adopt new bylaws at such meeting accompanied by a copy or summary of the amendment; provided, however, that the Board shall have no authority to amend or repeal any provision of these

Bylaws relating to the election, qualifications, powers, duties, compensation or terms of Directors without the approval of the Owners given at a special meeting called for such purpose; and provided, further, that all such amendments shall be consistent with the provisions of the Declaration. An amendment is not effective unless it is certified by the President and Secretary of the Association as having been adopted in accordance with these Bylaws and ORS 94.625, acknowledged in the manner provided for acknowledgment of deeds and recorded in the official records of Deschutes County, Oregon.

20. CONFLICTS

These Bylaws are intended to comply with applicable law and the Declaration. In case of any irreconcilable conflict, applicable law and the Declaration shall control over these Bylaws, any amendments hereto and any rules or regulations adopted hereunder.