

DESCHUTES COUNTY OFFICIAL RECORDS
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DESCHUTES COUNTY CLERK

CERTIFICATE PAGE



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**BYLAWS
of
AWBREY COURT HOMEOWNERS ASSOCIATION, INC.**

**ARTICLE 1
PLANNED COMMUNITY PLAN OF
LOT OWNERSHIP; DEFINITIONS**

1.1. Lot Ownership. Lots 1 through 19 and the adjacent common area of Awbrey Court, in Deschutes County, Oregon (the "Property" or "Project"), are submitted to the provisions of the Oregon Planned Community Act, Oregon Revised Statutes, Sections 94.550-94.783.

1.2. Bylaws Applicability. The provisions of these Bylaws are applicable to Lots 1 through 19, the Awbrey Court Homeowners Association, Inc. ("Association"), and the entire management structure thereof.

1.3. Personal Application. All present or future Owners, tenants, occupants, their guests and employees, or any other person that might use the facilities of the Project in any manner, are subject to the regulations set forth in these Bylaws.

1.4. Definitions. The terms herein shall have the same meaning as set forth in Article 1 of the Declaration of Covenants, Conditions and Restrictions.

The acquisition, occupancy or rental of any of the Lots of the Project or the mere act of occupancy of any said Lots will constitute acceptance and ratification of these Bylaws and agreement to comply with all the provisions hereof.

**ARTICLE 2
ASSOCIATION MEMBERSHIP, VOTING,
MAJORITY OF OWNERS, QUORUM, PROXIES**

2.1. Membership in the Association. Upon recordation of a conveyance or contract to convey a Lot, the grantee or purchaser named in such conveyance or contract shall automatically be a member of the Association, and shall remain a member of said Association until such time as such person's ownership ceases for any reason. For all purposes of the Declaration and the administration of the property, Lot ownership shall be determined from the records maintained by the Association. The record shall be established by the Owner filing with the Association a copy of the deed to or land sale contract for his or her Lot, to which shall be affixed the certificate of the recording officer of the County of Deschutes, Oregon, showing the date and place of recording of such deed or contract. No person shall be recognized as an Owner unless a copy of the deed or contract has been filed with the Association as provided above showing him or her to be the current Owner or contract purchaser of a Lot. Notwithstanding the foregoing, the Declarant shall be the Owner of all previously unsold Lots, although no deed or land sale contract, with respect to such Lots, has been filed with the Association.

2.2. Voting Rights. The Association shall have one class of voting members. Owner(s) shall be entitled to one vote. When more than one person (other than spouses) or entity owns a Lot/Unit, the vote for such Lot/Unit may be cast as the majority of owners shall determine, but in no event will fractional voting be allowed. Spouses shall be deemed one owner for purposes of all voting. If the co-owners cannot agree

upon the vote, the vote associated with such Lot shall be disregarded completely in determining the proportion of votes given with respect to such matter.

The Declarant, its successors and assigns, shall have three (3) votes for each Lot or Unit owned. Provided, however, that these special Declarant's voting rights shall cease upon the earlier of a date seven years from the recording of this Declaration or the conveyance by the Declarant of Lots or Units representing 75% of the total number of votes. Thereafter, the Declarant, shall be entitled to one (1) vote for each Lot or Unit owned. The total number of votes shall be equal to the total number of Lots annexed to the Property and subjected to this Declaration.

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

2.4. Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Owners holding forty percent (40%) or more of the outstanding votes in the Association, as defined in Section 2.2, shall constitute a quorum. A legal meeting is one duly called pursuant to these Bylaws where a quorum is present in person or by proxy at a formal gathering, or if a vote is taken by written ballots, when ballots are returned representing more than forty percent (40%) of the vote.

2.5. Place of Meetings. Formal meetings of the Association shall be held at the principal office of the Project or such other suitable place convenient to the Owners as may be designated by the Board of Directors. Any vote taken by written ballot shall be determined by the Board of Directors within forty-eight (48) hours of the deadline for return of ballots. Each Owner shall be notified by mail or other delivery of written notice of the results of the ballot meeting or that a quorum of ballots was not returned, within ten (10) days after the ballots have been counted.

2.6. Turnover Meeting. The Declarant shall call a meeting for the purpose of turning over administrative control of the Association from the Declarant to the members within ninety (90) days of the date of relinquishment of Declarant's control reserved herein.

The Declarant shall give notice of the meeting to each Owner as provided in the Bylaws. If the Declarant does not call the meeting required under this section, any Owner may do so.

At the turnover meeting the Declarant shall relinquish control of the administration of the Association and the Owners shall assume such control and the Owners shall elect a board of directors in accordance with the provisions of Article 3 of these Bylaws. Additionally, the Declarant shall deliver to the Association those items specified in the Oregon Planned Community Act to be turned over by the Declarant at the turnover meeting.

2.7. Annual Meetings. The first annual meeting of the Association shall be held in the calendar year following the calendar year in which the turnover meeting is held and shall be set by action of the Board of Directors. The date for this meeting, at the discretion of the Board of Directors, may be changed from time to time, but must be held annually under the rules and regulations as set out in the Bylaws. At such meetings, new

members of the Board of Directors shall be elected by the Owners in accordance with the requirements of Section 3.9 of these Bylaws, to replace those directors whose terms have expired. The Owners may also transact such other business of the Association as may properly come before them.

2.8. Special Meetings. It shall be the duty of the President to call a special meeting of the Owners as directed by resolution of the Board of Directors or upon a petition signed by twenty-five percent (25%) or more of the Owners having been presented to the Secretary. All meetings called because of petition of Owners shall be held at a formal gathering and not by ballot, and shall be held within sixty (60) days after receipt of the petition. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice unless by consent of all the Owners of the Lots or as otherwise set out in these Bylaws.

2.9. Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual, special or meeting by ballot, stating the purpose thereof and the time and place where it is to be held, to each Owner of record at least seven (7) but not more than fifty (50) days prior to such meeting or the date when ballots for a ballot meeting are required to be returned. The mailing shall be to the Owner's address last given the Secretary in writing by the Owner or his or her vendee. If Lot ownership is split or the Lot has been sold on a contract, notice shall be sent to a single address of which the Secretary has been notified in writing by such parties. If no address has been given the Secretary in writing, then mailing to the Project Lot address shall be sufficient. The mailing of a notice in the manner provided in this Section shall be considered notice legally served.

2.10. Adjourned Meetings. If any gathering of Owners is not a legal meeting because a quorum has not attended, the Owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours nor more than ten (10) days from the time the original meeting was called. The adjournment provisions of this Section do not apply to meetings by ballot.

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

- (a) Roll call.
- (b) Proof of Notice of meeting or waiver of notice.
- (c) Reading of minutes of the preceding meeting.
- (d) Reports of officers.
- (e) Reports of committees.
- (f) Election of inspectors of election.
- (g) Election of directors.
- (h) Unfinished business.
- (i) New business.

ARTICLE 3 BOARD OF DIRECTORS

3.1. Number and Qualification. The affairs of the Association shall be governed by a Board of Directors composed of three (3) persons, each of whom must be an Owner of a Lot. An officer or employee of a corporation, or the trustee of a trust, or

personal representative of an estate, or an employee of the trust or estate may serve on the Board of Directors, if the corporation, trust or estate owns a Lot.

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

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

3.3.1 Care, upkeep and supervision of the Common Property.

3.3.2 Establishment and maintenance of replacement reserve accounts and other reserves which are required to be maintained by the Oregon Planned Community Act, the Declaration or these Bylaws and such other reserve accounts as are permitted by these Bylaws.

3.3.3 Designation and collection of monthly assessments from the Owners, in accordance with these Bylaws, the Declaration and the Oregon Planned Community Act.

3.3.4 Establishment of a budget and payment of all common expenses of the Association and institution and maintenance of a voucher system for such payment, which shall require a sufficient number of signatories thereon as may be reasonably necessary to prevent any misuse of Association funds.

3.3.5 Obtaining and maintaining insurance policies and payment of premiums therefore out of the common expense funds in respect to both the Common Property and Living Units as more specifically provided in Article 7 of these Bylaws.

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

3.3.7 Causing the preparation and distribution of annual financial statements of the Association to each of the Owners as more specifically provided in section 3.6.

3.3.8 Adoption and amendment of administrative rules and regulations governing the details of operation and use of the Common Property. Provided, however, any such rules or regulations shall always be subject to rescission or amendment by the Association upon majority vote of Owners present at any properly called meeting.

3.3.9 Causing the Association to comply with the Oregon Planned Community Act relating to maintenance of documents delivered to the Association by the Declarant and maintenance and distribution of financial statements. Also to maintain copies suitable for duplication of the following: Declaration, Bylaws, Association rules and regulations and any amendments thereto, the most recent annual financial statement and the current operating budget of the Association.

3.4. Limited Authority. The Board of Directors shall be prohibited from taking any of the following actions, except with the vote or written assent of a majority of the voting power of the owners other than the Declarant:

3.4.1 Entering into a contract with a third party wherein the third person will furnish goods or services for the common area or the Association for a term longer than one year with the following exceptions:

(a) Management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration.

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

(c) Prepaid casualty and/or liability insurance policies of not to exceed three years duration provided that the policy permits short rate cancellation by the insured.

(d) Lease agreements for laundry room fixtures and equipment of not to exceed five years duration provided that the lessor under the agreement is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(e) Agreements for cable television services and equipment or satellite television services and equipment of not to exceed five years duration provided that the supplier is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(f) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five years duration provided that the supplier or suppliers are not entities in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

3.4.2 Incurring aggregate expenditures for capital improvements to the common area of any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

3.4.3 Selling during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

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

3.5 Income Tax Returns; Determination of Fiscal Year.

3.5.1 The fiscal year of the Association shall be the calendar year unless otherwise determined by the Board of Directors.

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

3.6 Budgets and Financial Statements.

3.6.1 The following financial and related information shall be regularly prepared and distributed by the Board of Directors to all members of the Association:

(a) A pro forma operating budget for the immediately ensuing fiscal year consisting of at least the following information shall be distributed not less than 45 days and not more than 60 days prior to the beginning of the fiscal year.

(1) Estimated revenue and expense on an accrual basis.

(2) The amount of the total cash reserves of the Association currently available for replacement or major repair of common facilities and for contingencies.

(3) An estimate of the current replacement costs of, and the estimated remaining life of, and the methods of funding used to defray the future repair, replacement

or additions to, those major components of the common areas and facilities which the Association is obligated to maintain.

(4) A general statement setting forth the procedures used by the governing body in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the common areas and facilities for which the Association is responsible.

(b) A balance sheet as of an accounting date which is the last day of the month closest in time to six months from the date of closing of the first sale of an interest in the Project and an operating statement for the period from the date of the first closing to the said accounting date, shall be distributed within 60 days after the accounting date. This operating statement shall include a schedule of assessments received and receivable identified by the number of the subdivision interest and the name of the entity assessed.

(c) A report consisting of the following shall be distributed within 120 days after the close of the fiscal year.

(1) A balance sheet as of the end of the fiscal year.

(2) An operating (income) statement for the fiscal year.

(3) A statement of changes in financial position for the fiscal year.

(4) For any fiscal year in which the gross income to the Association exceeds \$75,000, a copy of the review of the annual report prepared in accordance with generally accepted accounting principals by a certified public accountant licensed by the State of Oregon.

3.6.2 If the report referred to in Section 3.6.2 above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statement was prepared from the books and records of the Association without independent audit or review.

3.6.3 In lieu of the distribution of the pro forma operating budget required by Section 3.6.1, the Board of Directors may elect to distribute a summary of the items described in Section 3.6.1 to all members of the Association with a written notice that the budget is available at the business office of the Association or at another suitable location and that copies will be provided upon request and at the expense of the Association. If any member requests copies of the pro forma operating budget including the items described in Section 3.6.1 to be mailed to the member, the Association shall provide such copies to the member by first-class United States mail at the expense of the Association and mailed within five days. The written notice that is distributed to each of the Association members shall be in at least 10-point bold type on the front page of the summary of the statements.

3.6.4 In addition to financial statements, the Board of Directors shall annually distribute within 60 days prior to the beginning of the fiscal year, a statement of the Association's policies and practices in enforcing its remedies against members for defaults in the payment of regular and special assessments including the recording and foreclosing of liens against members' subdivision interests.

3.6.5 The Board of Directors shall do the following not less frequently than quarterly:

(a) Cause a current reconciliation of the Association's operating accounts to be made and review the same.

(b) Cause a current reconciliation of the Association's reserve accounts to be made and review the same.

(c) Review the current year's actual reserve revenues and expenses compared to the current year's budget.

(d) Review the most current account statements prepared by the financial institution where the Association has its operating and reserve accounts.

(e) Review an income and expense statement for the Association's operating and reserve accounts.

(f) The failure of the Board of Directors to timely prepare and/or to present a budget to the Owners shall not be cause for any Owner to fail or refuse to pay assessments. Assessments shall continue, based upon the last adopted or accepted budget, until a new budget is created and announced. Retroactive increases and/or special assessments may be made by the Board of Directors to make up for any deficiency.

(g) In the event the Board of Directors fails to timely adopt a budget for a new fiscal year, Owners holding a majority of the votes of the entire Association, at any general or specially called meeting, may adopt such a budget, announce it to the Owners and immediately commence assessments based on the newly adopted budget. Additionally, at any general or specially called meeting, Owners holding a majority of the votes of the entire Association may amend any budget adopted by the Board of Directors. Thereafter, assessments to Owners shall be based on the budget as so amended until a new budget is adopted.

3.7. Management Agent. The Board of Directors may employ a management agent, to be compensated in an amount established by the Board, to perform such duties and services as the Board shall authorize, including, but not limited to, the duties listed in Section 3.3.

3.8. Interim Board and Officers. The Declarant hereby reserves administrative control of the Association for a period not to exceed that allowed by the Oregon Planned Community Act. The Declarant, in its sole discretion, shall have the right to appoint and remove members of an Interim Board of Directors and interim officers. Notwithstanding the provisions of this Section, at the Turnover Meeting at least one (1) Director shall be elected by Owners other than the Declarant, even if the Declarant otherwise has voting power to elect all three (3) Directors.

3.9. Election and Term of Office. At the turnover meeting of the Association, the term of office of two (2) Directors shall be fixed for two (2) years. The term of office of the other Director shall be fixed at one (1) year. Should more Directors be added, the same sequential election terms shall apply as nearly as is practicable. At the expiration of the initial term of office of each respective Director, his or her successor shall be elected to serve a term of two (2) years. The Directors shall hold office until their successors have been elected and hold their first meeting. At the turnover meeting, upon agreement by vote of the Owners, the Board of Directors may be elected by a single ballot with each Owner permitted to vote for three (3) nominees. In such event, the two (2) nominees receiving the highest number of votes shall be the two (2) year Directors and the other nominee receiving the next highest number of votes shall be the one (1) year Director. The Association may increase or decrease the number of Directors and length of terms for which each is elected upon amendment of this Section 3.9.

3.10. Vacancies. Vacancies on the Board of Directors caused by any reason other than the removal of a Director by a vote of the Association shall be filled for the balance of the term of each directorship by vote of a majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected upon expiration of the term for which such person was elected by the other Directors to serve.

3.11. Removal of Directors. At any legal annual or special meeting, other than a meeting by ballot, any one or more of the Directors may be removed with or without cause, by a majority vote of the total voting power of the Owners and a successor may be then and there elected to fill the vacancy thus created. Provided however, the notice of meeting shall specifically indicate that the removal of one or more named directors is an agenda item for such meeting: Any Director whose removal has been proposed by the Owners shall be given an opportunity to be heard at the meeting. Any Director or Directors who fail(s) to attend three (3) successive meetings of the Board of Directors which have been properly called, or who has failed to attend more than one third (1/3) of the Board of Directors meetings during a twelve (12) month period which have been properly called, may be removed by a majority of the remaining Directors.

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

3.13. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors. Notice of regular meetings of the Board of Directors may be called by the President on three (3) days' notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

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

3.15. Waiver of Notice to Directors. Before, at or after any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him or her of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice to Directors shall be required and any business may be transacted at such meeting.

3.16. Board of Directors' Quorum. At all meetings of the Board of Directors, a majority of the existing Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors shall be the acts of the Board of Directors. If at any meeting of the Board of Directors there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

3.17. Board of Directors Meetings Open to All Association Members. All meetings of the Board of Directors shall be open to any and all members of the Association. Provided, however, no Association member shall have a right to participate in the Board of Directors meetings unless such member is also a member of the Board of Directors. The President shall have authority to exclude any Association member who disrupts the proceedings at a meeting of the Board of Directors.

3.18. Notice to Association Members of Board of Directors Meetings. For other than emergency meetings, notice of Board of Directors meetings shall be posted at a place on the Common Property at least three (3) days prior to the meeting or notice shall otherwise be provided to each member of the Association reasonably calculated to inform each member of such meetings. The posting of such notices shall be at a reasonable location which has been generally publicized to the Owners.

3.19. Telephonic Meetings. In the event of an emergency, telephonic meetings may be held by the Board of Directors. Such telephonic meetings shall be carried on by means of a "conference call" in which each Director may speak with any of the other Directors. The Directors shall keep telephone numbers on file with the President to be used for telephonic meetings. No notice to either Directors or Association members shall be required for a telephonic meeting of the Board of Directors to be held for any emergency action. Provided, however, no such telephonic meeting shall occur unless at least seventy-five percent (75%) of the Board of Directors participate in the same and after an attempt has been made to call each Director at the telephone number maintained on file with the Board of Directors for such purpose.

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

3.21 Declarant's Veto. The Declarant shall have a veto power over all actions of the Board of Directors, as is more fully provided below. This power shall expire when the number of votes is equal to eighteen (18) or the year 2012, whichever occurs first. This veto power shall be exercisable only by Declarant, its successors, and assigns.

The veto shall be as follows: No action authorized by the Board of Directors shall become effective, nor shall any action, policy or program be implemented, until and unless:

(a) Declarant shall have been given written notice of all meetings by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary of the Association, as it may change from time to time, which notice complies with these by-laws as they relate to regular and special meetings of the Board of Directors, and which notice shall, except in the case of the regular meetings held pursuant to the by-laws, set forth in reasonable particularity the agenda to be followed at said meeting, and

(b) Declarant shall be given the opportunity at any such meeting, if Declarant so desires, to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program to be implemented by the Board of Directors. Declarant and its representatives or agents

shall make its concerns, thoughts, and suggestions known to the members of the Association and/or Board of Directors. At such meeting, Declarant shall have and is hereby granted a veto power over any such action, policy or program authorized by the Board of Directors and to be taken by said board, the Association, or any individual member of the Association if board approval is necessary for said members action. Said veto may be exercised by Declarant, its representatives, or agents at the meeting held pursuant to the terms and provisions hereof. Any veto power shall not extend to the requiring of any action of counterclaim on behalf of the Board of Directors or the Association.

This section 3.21 may not be amended without the express written consent of the Declarant until Declarant no longer owns any land described in Exhibit "A" to the Declaration or until December 31, 2012, whichever occurs first.

ARTICLE 4 OFFICERS

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

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

4.3. Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his or her successor elected at any regular or special meeting of the Board of Directors.

4.4. President. The President shall be the chief executive officer of the Association. The President shall preside at all meetings of the Association and of the Board of Directors. The President shall have all of the general powers and duties which are usually vested in the office of president of an association, including, but not limited to, the power to appoint committees from among the Owners from time to time as he or she may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Association.

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

4.6. Treasurer. The Treasurer shall have responsibility for Association funds and securities not otherwise held by the managing agent, and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He or she shall be responsible for the deposit of all moneys and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board of Directors.

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

ARTICLE 5

OBLIGATIONS OF THE OWNERS

5.1. Assessments. All Owners are obligated to pay assessments imposed by the Association to meet all the Association's general common expenses as more particularly set forth in the Declaration. Assessments shall be payable on a periodic basis, not more frequently than monthly, as determined by the Board of Directors. All initial, general and special assessments shall be allocated equally among the Lots, except that improved and unimproved Lots shall be assessed in different manners, as described in Section 8.2.2 of the Declaration.

5.2. Investment of Reserve Account Funds. Each reserve account shall be kept in an account with a safe and responsible depository, shall be accounted for separately and, if invested, the obligation or security shall be fully guaranteed as to principal by the United States of America or one of its agencies. Assessments paid into the reserve accounts are the property of the Association and are not refundable to sellers of Lots. Provided, however, nothing herein shall prevent sellers of Lots from treating their outstanding allocable share of reserve accounts as a separate or reimbursable item in a sales agreement. No Owner shall have any individual rights in any of these reserves, although it is understood that the value of their respective Lots may increase in proportion to each Lot's right to receive repair, maintenance and replacement there from.

5.3. Initial Assessment. The initial assessment to Owners shall be based on a budget determined by the Declarant. The monthly assessment shall thereafter be subject to review by the Board of Directors. The budget and lot assessments for all Lots shall be payable from the date the Declaration is recorded.

5.3.1 At the time of closing, each purchaser shall be assessed the then current annual assessment prorated to June 30 of the following year. If the Declarant has made such contribution, each purchaser shall reimburse the Declarant at the time of closing for the amount of the contribution made by the Declarant in respect to the Lot conveyed to the purchaser.

5.3.2 If the Declarant or any other person pays all or a portion of the operating expenses of the Association or subsidizes such expenses, the monthly assessment shall be reduced by such amount, but shall not be reduced to a sum less than the total amount of all insurance and all replacement reserve items for Lots improved with substantially completed Living Units, and the liability insurance and Common Property Reserve items. In respect to Lots not yet conveyed by the Declarant, the Declarant may accrue the replacement reserve items, but not the insurance reserve items. At the time of conveyance of the Lot for which the replacement reserve has been accrued, the accrued reserves must be paid to the Association.

The Declarant, or such other person paying all or a portion of the operating expenses or subsidizing such expenses, shall give ten (10) days written notice to individual Owners prior to the commencement of their obligation to pay the full monthly assessment. Thereafter, each Owner, including the Declarant or such other person, shall pay the monthly assessments to the Association. In the event the Declarant has collected initial assessments from purchasers at closing and thereafter elects to pay or subsidize the operating expenses thereby causing the assessment to be reduced, the one time initial contribution collected from Lot purchasers shall be held by the Declarant in a

separate Association account. On the date Owners are required to pay full monthly assessments, the aggregate sums held in such separate account shall be deposited to the Association's general account to be used as working capital.

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

5.4. Special Assessments. The Board of Directors shall have the power to levy special assessments against an owner or all owners in the following manner for the following purposes:

5.4.1 To correct a deficit in the operating budget by vote of a majority of the Board;

5.4.2 To collect amounts due to the Association from an owner for breach of the owner's obligations under the Declaration, these Bylaws, or the Association's rules and regulations, by vote of a majority of the Board;

5.4.3 Upon vote of a majority of the Board of Directors, to make repairs or renovations to the common area or those portions of the buildings for which the Association has maintenance responsibility if sufficient refunds are not available from the operating budget or replacement reserve accounts; or

5.4.4 To make capital acquisitions, additions or improvements, by vote of at least seventy-five percent (75%) of all votes allocated to Lots in the Planned Community.

5.5. Payment of Assessments. Subject to the provisions of Section 5.3, from the date of the conveyance of the first Lot to a person other than the Declarant, the Declarant shall:

5.5.1 Pay assessments at the rate called for in Section 8.2.2 of the Declaration due for operating expenses on all unsold Lots or, at the Declarant's option, accrue such assessments and require the Owner to pay all accrued operating assessments against the Lot at the time of the initial sale to the Owner; and

5.5.2 Pay assessments at the rate called for in Section 8.2.2 of the Declaration due for reserves on all unsold Lots, or, at the Declarant's option, accrue such assessments and require the Owner to pay all accrued reserve assessments against the Lot at the time of the initial sale to the Owner.

5.6. Default. Failure by an Owner to pay any assessment of the Association shall be a default by such Owner of his or her obligations pursuant to these Bylaws and the Oregon Planned Community Act. In addition to the interest which may be charged on delinquent assessments, the Board of Directors, at its option, may impose a late charge penalty in respect to any monthly assessment not paid within ten (10) days from the due date. Such penalty may not exceed the sum of ten percent (10%) of the monthly assessment. The Association shall be entitled to a lien which may be enforced upon compliance with the provisions of the Oregon Planned Community Act. In any foreclosure suit by the Association with respect to such lien, the Association shall be entitled to collect reasonable rent from the defaulting Owner for the use of his or her Lot or shall be entitled to the appointment of a receiver. Any default by the Owner in any provisions of these Bylaws or of the Oregon Planned Community Act shall be deemed to be a default by the Owner of any mortgage to which the Owner is a party or to which the Lot is subject.

5.7. Maintenance and Repair.

5.7.1 Except as otherwise specifically provided in the Declaration and Bylaws, every Owner must perform promptly all maintenance and repair work within his or her own Lot, which if omitted would affect the Common Property, and shall be responsible for the damages and liabilities that his or her failure to do so may cause.

5.7.2 All repairs of each Living Unit, such as water, lights, gas, power, sewage, telephones, air conditioners and sanitary installations, doors, windows, lamps and all other accessories belonging to the Living Unit area shall be at the sole expense of the Owner of such Living Unit.

5.7.3 An Owner shall reimburse the Association for any expenditures incurred in repairing or replacing any Common Property and/or facility damaged through his or her fault, not otherwise covered by insurance policies carried by the Association for the Owner's and Association's benefit.

5.8. Right of Entry; Encroachments; Easements for Maintenance.

5.8.1 In case of an emergency originating in or threatening his or her Lot, an Owner shall grant the right of entry to the management agent or to any other person authorized by the Board of Directors or the Association, whether the Owner is present at the time or not.

5.8.2 An easement is reserved to the Association in and through any Lot and the Common Property providing access at reasonable times and with reasonable notice for purposes of maintenance, repair and replacement of the Common Property. If, in the process of such repair and maintenance by the Association, it is necessary to alter or damage any Lot or Common Property, such alterations or damages will be permitted without compensation, provided the Lot and/or Common Property are promptly restored to substantially their prior condition by the Association.

ARTICLE 6

USE AND OCCUPANCY RESTRICTIONS; RULES OF CONDUCT

Failure by an Owner (his/her family, guests, invitees or lessees) to comply with the rules of conduct and restrictions set forth in the Declaration, these Bylaws or others promulgated by the Board of Directors shall be cause for which the Board of Directors may deny or restrict such Owner's right to use any common facility with respect to which such Owner otherwise had a right of use. In addition to the restrictions and rules of conduct set forth in the Declaration, the following shall apply:

6.1. Use of the Common Property. No Owner shall place or cause to be placed on any portion of the Common Property any trash, structure, equipment, improvement, furniture, package or object of any kind. Such areas shall be used for no purpose other than what is normal.

6.2. Domestic Animals. No poultry, reptiles, fowl, or livestock, or other exotic or farm animals of any kind, shall be kept on any Lot or within any Living Unit. Dogs and cats shall not be kept, bred or raised for commercial purposes. The Board of Directors shall have the right to require any Owner to remove any pet that is a nuisance or that interferes with the right to the quiet enjoyment by the owner and occupants of Living Units. Any dispute arising out of this Section shall be decided by a majority of the Board of Directors. Any decision of the Board on this matter shall be binding upon the member or members affected.

6.3. Nuisances. No nuisances will be allowed upon the Property, nor any use or practice that is the source of annoyance to residents or which interferes with the peaceful possession and proper use of the Property by its residents. Residents shall exercise extreme care about creating disturbances, making noises or using musical instruments radios, televisions and amplifiers that may disturb other residents. All parts of the Project will be kept in a clean and sanitary condition, and no rubbish, refuse or garbage allowed to accumulate, nor any fire hazard allowed to exist. All such garbage and trash shall be placed inside disposal containers. No Owner will permit any use of his or her Lot or make any use of the Common Property that will increase the cost of insurance upon the Common Property.

6.4. Improper, Offensive or Unlawful Use. No improper, offensive or unlawful use will be made of the Property nor any part of it; all valid laws, zoning ordinances and regulations of governmental bodies having jurisdiction will be observed. The responsibility of meeting the requirements of governmental bodies for maintenance, modification or repair of the Property will be carried out and paid for in the same manner as the responsibility for the maintenance and repair of the Property concerned.

6.5. Trash Collection and Storage. No trash or unsightly material shall be dumped or stored upon any Lot or any of the Common Property. All trash and trash cans shall be concealed behind such structures as may properly be built pursuant to this Declaration, and may be left outdoors only for the period reasonably required for collection and removal.

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

ARTICLE 7 INSURANCE

The Board of Directors shall obtain and maintain at all times insurance of the type and kind and in the amounts hereinafter provided, and including insurance for such other risks of a similar or dissimilar nature as are or shall hereafter customarily be covered with respect to other planned communities similar in construction, design and which insurance shall be governed by the provisions in this numbered section.

7.1. Types of Insurance Policies. 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 common expense funds, the following insurance to the extent available at reasonable cost:

7.1.1 A policy or policies of property insurance including, but not limited to, fire, extended coverage, vandalism and malicious mischief, for the full insurable replacement value, if available, of the Common Property, and such other fire and casualty insurance as the Board of Directors shall determine.

7.1.2 A policy or policies insuring the Association, its Board of Directors, the owners individually, and the manager against any liability to the public or the owners and their invitees or tenants, incident to the ownership, supervision, control or use of the project. Limits of liability under such insurance shall be not less than \$300,000 per occurrence for bodily injuries and property damage liability. Such limit and coverage shall

be reviewed at least annually by the Board of Directors which may increase the limit of and/or coverage, in its discretion. Said policy or policies shall be issued on a comprehensive liability basis and shall provide cross liability endorsements wherein the rights of the named insured under the policy or policies shall not be prejudiced as respects his, her or their action against another named insured.

7.1.3 Workers' compensation insurance to the extent necessary to comply with any applicable laws.

7.1.4 A fidelity bond naming such persons as may be designated by the Board of Directors as principals and the Association and the owners as obligees, for the amount determined by the Board of Directors. Provided, however, the Board of Directors shall require that all officers and employees of the Association handling or responsible for Association funds obtain adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

The Association shall not be responsible for any loss or damage to personal property of any owner, whether stored on the Common Property or in the owner's Living Unit, nor shall the Association maintain any insurance coverage for such loss.

7.2. Insurance Companies Authorized. All policies shall be written by a company licensed to do business in Oregon and holding a "Commissioner's rating" of "A+" and a size rating of "AAA," or better, by Best's Insurance Reports, or as may be otherwise acceptable to all mortgagees and directors.

7.3. Authority to Adjust Losses. All losses under policies hereafter in force regarding the property shall be settled exclusively with the Board of Directors or its authorized representative

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

7.4.1 A waiver of subrogation by the insurer as to any claims against the Board of Directors, the manager, the owners and their respective servants, agents and guests.

7.4.2 A provision that the master policy on the Property cannot be canceled, invalidated or suspended on account of the conduct of any one or more individual owners.

7.4.3 A provision that the master policy on the Property cannot be canceled, invalidated or suspended on account of the conduct of any officer or employee of the Board of Directors or the manager without prior demand in writing that the Board of Directors or manager cure the defect.

7.4.4 A provision that any "no other insurance" clause in the master policy exclude individual owners' policies and not otherwise prevent such individual policies from providing coverage for damage to Living Units or common property.

7.5. Insurance Deductible/Owner and Tenant Insurance. The Board of Directors shall determine the amount of the deductible for property loss insurance policies, as well as other insurance policies required to be procured by the Association under this Article 7. In determining the deductible under the policies, the Board, among other factors, shall take into consideration the availability, cost, and loss experience of the Association. In this regard, as in other Board responsibilities, the Board members shall exercise their reasonable business judgment.

The Association shall have no responsibility to procure or assist in procuring property loss insurance for any owner or tenant for: (a) damage to a Living Unit not

covered by the Association's policy (because of the deductible amount or because the claim for loss or damage is one not normally covered by fire and property loss insurance policies with extended coverage endorsements); or (b) for any damage or loss to the owner's or tenant's personal property.

Owners shall be responsible for purchasing insurance policies insuring their Living Units and for insuring their own personal property for any loss or damage. Tenants shall be responsible for insuring their own personal property for any loss or damage. The Board of Directors shall notify all owners of the amount of the deductible under the Association policies.

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

ARTICLE 8 AMENDMENT

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

ARTICLE 9 RECORDS AND AUDITS

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

9.2. Records of Receipts and Expenditures. The Board of Directors or its designee shall keep detailed, accurate records in chronological order of the receipts and expenditures affecting the Common Property, itemizing the maintenance and repair expenses of the Common Property and any other expenses incurred. Such records and the vouchers authorizing the payments shall be available for examination by the Owners at convenient hours of weekdays.

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

9.4. Payment of Vouchers. The Treasurer shall pay all vouchers up to \$1,000 signed by the President, managing agent, manager or other person authorized by the

Board of Directors. Any voucher in excess of \$1,000 shall require the signature of the President. Provided, however, any withdrawal from reserve accounts shall require the signature of two board members or one board member and an officer of the Association who is not a board member.

9.5. Reports and Audits. The Board of Directors shall prepare or cause to be prepared an annual report of the receipts and expenditures of the Association and a balance sheet and income and expense statement setting forth the financial condition of the Association as of the end of each year. The report shall be prepared according to generally accepted accounting procedures and shall be distributed to all Owners within ninety (90) days after the end of each fiscal year. At any time any Owner may, at his or her own expense, cause an audit or inspection to be made of the books and records of the Association.

ARTICLE 10 COMPLIANCE

These Bylaws are intended to comply with the provisions of the Oregon Planned Community Act, which are incorporated herein, and to supplement the provision in the Project Declaration. In case any of the provisions hereof conflict with the provisions of said statute, the statutory provisions shall apply. In case of any conflict between the provisions hereof and the Declaration, the provisions in the Declaration shall apply.

ARTICLE 11 INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS

The Association shall indemnify any Director, officer, employee or agent who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by the Association) by reason of the fact that he or she is or was a Director, officer, employee or agent of the Association or is or was serving at the request of the Association as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by said person in connection with such suit, action or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or with a plea of no contest or its equivalent, shall not of itself create a presumption that a person did not act in good faith and in a manner which he or she reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had reasonable cause to believe his or her conduct was unlawful. Payment under this clause may be made during the pendency of such claim, action, suit or proceeding as and when incurred, subject only to the right of the Association, should it be proven at a later time that said person had no right to such payments. All persons who are ultimately held liable for their actions on behalf of the Association as a Director, officer, employee or agent shall have a right of contribution over and against all other

Directors, officers, employees or agents and members of the Association who participated with or benefited from the acts which created said liability.

ARTICLE 12

ASSESSMENT COLLECTION COSTS; SUITS AND ACTIONS

Owners shall be obliged to pay reasonable fees and costs including, but not limited to, attorney fees incurred in connection with efforts to collect any delinquent unpaid assessments. In addition to the monthly assessment for operating expenses and the funding of reserves, such assessments may include fees, late charges, fines and interest imposed pursuant to the Oregon Planned Community Act. In the event suit or action is commenced by the Directors for the collection of any amounts due pursuant to these Bylaws or for the enforcement of any provisions of the Declaration, Bylaws or of the Oregon Planned Community Act, the Owner or Owners, jointly and severally, will in addition to all other obligations, pay the costs of such suit or action, including reasonable attorney fees to be fixed by the trial court and, in the event of an appeal, the cost of the appeal, together with reasonable attorney fees in the appellate court to be fixed by such court.

ARTICLE 13

MISCELLANEOUS

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

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

13.3. Invalidity; Number; Captions. The invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these Bylaws. Provided, however, that if any of the provisions of these Bylaws would violate the rule against perpetuities or any other limitation on the duration of the provisions herein contained imposed by law, then such provision shall be deemed to remain in effect only for the maximum period permitted by law, or in the event the rule against perpetuities applies, until twenty-one (21) years after the death of the last survivor of the now living descendants of President George Bush. As used herein, the singular shall include the plural, and the plural the singular. The masculine and neuter shall each include the masculine, feminine and neuter, as the context requires. All captions used herein are intended solely for convenience of reference and shall in no way limit any of the provisions of these Bylaws.

It is hereby certified that the foregoing Bylaws of Awbrey Court Homeowners Association, Inc. has been adopted by Awbrey Court Development Co., LLC, Declarant

of Awbrey Court, and will be recorded in the Deed Records of Deschutes County, together with the Declaration for said Planned Community.

Dated this 6 day of August, 2002.

Awbrey Court Development Co., LLC

By

[Signature]
David Madrigal, member

State of Oregon)
County of Deschutes) ss.

Personally appeared before me this 6 day of August, 2002, David Madrigal and acknowledged that he is a member of Awbrey Court Development Co., LLC and that he is authorized to execute the foregoing instrument on behalf of the company.

[Signature]

Notary Public for Oregon

My Commission Expires: 10/26/04

