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BYLAWS FOR
MOUNTAIN VIEW PARK HOMEOWNERS ASSOCIATION

Pursuant to ORS 94.635, the declarant makes the following Bylaws.

ARTICLE 1
Interpretation

1.1 Liberal Construction. The provisions of these Bylaws shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of a Planned Community under ORS, Ch. 94.

1.2 Consistent with Act. The terms used herein are intended to have the same meaning given in the Act unless the context clearly requires otherwise or to so define the terms would produce an illegal or improper result.

1.3 Covenant Running With Land. It is intended that these Bylaws shall be operative as a set of covenants running with the land, or equitable servitudes, binding on Declarant, its successors and assigns, all subsequent Owners of the Property, together with their grantees, successors, heirs, executors, administrators, devises or assigns, supplementing and interpreting the Act, and operating independently of the Act should the Act be, in any respect, inapplicable.

1.4 Declarant Is Original Owner. Declarant is the original Owner of all Lots and Common Property and will continue to be deemed the Owner thereof except as conveyances or documents changing such ownership regarding specifically described Lots are filed of record.

1.5 Definitions.

1.5.1 "The Act" means ORS, Ch. 94, as amended.

1.5.2 "Allocated Interests" means the undivided interest in the Common Property, the Common Expense Liability, and votes in the Association allocated to each Lot more particularly provided for in Article 8.

1.5.3 "Assessment" means all sums chargeable by the Association against a Lot including, without limitation: (a) regular and special Assessments for Common Expenses, charges, and fines imposed by the Association; (b) interest and late charges on any delinquent account; and (c) costs of collection, including reasonable attorneys' fees, incurred by the Association in connection with the collection of a delinquent Owner's account.

1.5.4 "Association" means all of the Owners acting as a group in accordance with these Bylaws and with the Declaration as both are duly recorded and as they may be lawfully amended, which Association is more particularly provided for in Article 9.

1.5.5 "Board" means the board of directors of the Association.

1.5.6 "Common Property" means all portions of the Planned Community other than the Lots.

1.5.7 "Common Expenses" means expenditures made by or financial liabilities of the Association, together with any allocations to reserves.

1.5.8 "Common Expense Liability" means the liability for Common Expenses allocated to each Lot pursuant to the Declaration.

1.5.9 "Conveyance" means any transfer of the ownership of a Lot, including a transfer by deed or by real estate contract, but shall not include a transfer solely for security.

1.5.10 "Declarant" means any person or group of persons acting in concert who executed as Declarant the Declaration.

1.5.11 "Declarant Control" means the right of the Declarant or persons designated by the Declarant to appoint and remove Association officers and Board members.

1.5.12 "Declaration" means the Declaration and any amendments thereto recorded pursuant to ORS 94.580.

1.5.13 "Development Rights" means any right, if expressly reserved by the Declarant in this Declaration to: (a) add real property or improvements to the Planned Community; (b) create Lots, Common Property, or Limited Common Elements within real property included or added to the Planned Community; (c) subdivide Lots or convert Lots into Common Property; or (d) withdraw real property from the Planned Community.

1.5.14 "Dispose" or "Disposition" means a voluntary transfer or conveyance to a purchaser or lessee of any legal or equitable interest in a Lot, but does not include the transfer or release of a security interest.

1.5.15 "Eligible Mortgagee" means the holder of a mortgage on a Lot that has filed with the secretary of the Association a written request that it be given copies of notices of any action by the Association that requires the consent of Mortgagees.

1.5.16 "Foreclosure" means a forfeiture or judicial or nonjudicial foreclosure of a Mortgage or a deed in lieu thereof.

1.5.17 "Manager" means the person retained by the Board to perform such management and administrative functions and duties with respect to the Planned Community as are delegated to such person and as are provided in a written agreement between such person and the Association.

1.5.18 "Mortgage" means a mortgage or deed of trust that creates a lien against a Lot and also means a real estate contract for the sale of a Lot.

1.5.19 "Mortgagee" means the beneficial owner, or the designee of the beneficial owner, of an encumbrance on a Lot created by mortgage or deed of trust and shall also mean the vendor, or the designee of a vendor, of a real estate contract for the sale of a Lot. A Mortgagee of the Planned Community and a Mortgagee of a Lot are included within the definition of Mortgagee.

1.5.20 "Mortgagee of a Lot" means the holder of a Mortgage on a Lot, which mortgage was recorded simultaneous with or after the recordation of this Declaration. Unless the context requires otherwise, the term "Mortgagee of a Lot" shall also be deemed to include the Mortgagee of the Planned Community.

1.5.21 "Mortgagee of the Planned Community" means the holder of a Mortgage on the Property which this Declaration affects, which Mortgage was recorded prior to the recordation of this Declaration. The term "Mortgagee of the Planned Community" does not include Mortgagees of the individual Lots.

1.5.22 "Person" means a natural person, corporation, partnership, limited partnership, trust, governmental subdivision or agency, or other legal entitles.

1.5.23 "Planned Community" means the planned community created by the Declaration and related Survey Map and Plans pursuant to the Act.

1.5.24 "Property" or "Real Property" means any fee, leasehold or other estate or interest in, over, or under the land described in Exhibit A, including Buildings, structures, fixtures, and other improvements thereon and easements, rights and interests appurtenant thereto which by custom, usage, or law pass with a conveyance of land although not described in the contract of sale or instrument of conveyance. "Property" includes parcels, with or without upper or lower boundaries, and spaces that may be filled with air or water, and all personally intended for use in connection therewith.

1.5.25 "Purchaser" means any person, other than Declarant, who by means of a Disposition acquires a legal or equitable interest in a Lot other than (a) a leasehold interest, including renewal options, of less than twenty years at the time of creation of the Lot, or (b) as security for an obligation.

1.5.26 "Renting or Leasing" a Lot means the granting of a right to use or occupy a Lot, for a specified term or indefinite term (with rent reserved on a periodic basis), in exchange for the payment of rent (that is, money, property or other goods or services of value); but shall not mean and include joint ownership of a Lot by means of joint tenancy, tenancy-in-common or other forms of co-ownership.

1.5.27 "Residential Purposes" means use for dwelling or recreational purposes, or both.

1.5.28 "Lot" means a physical portion of the Planned Community designated for separate ownership and the improvements constructed thereon.

1.5.29 Lot Owner" means a Declarant or other person who owns a Unit, and does not include a person who has an interest in a Lot solely as security for an obligation. "Lot Owner" means the vendee, not the vendor of a Lot under a real estate contract.

1.6 Construction and Validity.

1.6.1 All provisions of the Bylaws are severable.

1.6.2 The rule against perpetuities may not be applied to defeat any provision of the Declaration, Bylaws, rules, or regulations adopted by the Association.

1.6.3 In the event of a conflict between the provisions of the Declaration and the Bylaws, the Declaration prevails except to the extent the Declaration is inconsistent with the Act.

1.6.4 The creation of the Planned Community shall not be impaired and title to the Lot and Common Property shall not be rendered unmarketable or otherwise affected by reason of an insignificant failure of the Declaration or any amendment thereto to comply with the Act.

ARTICLE 2
Description of Real Property

The Real Property included in the Planned Community is described in Exhibit A attached hereto.

ARTICLE 3
Description of Lots

Exhibit B attached hereto sets forth the number of Lots and a general description of each.

ARTICLE 4
Owner's Association

4.1 Form of Association. The Association shall be organized as a non-profit corporation under the laws of the State of Oregon and shall be known as MOUNTAIN VIEW PARK HOMEOWNERS ASSOCIATION.

4.2 Membership.

4.2.1 Qualification. Each Owner (including Declarant) shall be a member of the Association and shall be entitled to one membership for each Lot so owned; provided, that if a Lot has been sold on contract, the contract purchaser shall exercise the rights of the Lot Owner for purposes of the Association, this Declaration, and the Bylaws, except as hereinafter limited, and shall be the voting representative unless otherwise specified. Ownership of a Lot shall be the sole qualification for membership in the Association.

4.2.2 Transfer of Membership. The Association membership of each Owner (including Declarant) shall be appurtenant to the Lot giving rise to such membership, and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except upon the transfer of title to said Lot and then only to the transferee of title to such Lot. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Lot shall operate automatically to transfer the membership in the Association appurtenant thereto to the new Owner thereof.

4.3 Voting.

4.3.1 Number of Votes. The total voting power of all Owners shall be One Hundred Eight (108) votes. One (1) vote shall be allocated to each Lot.

4.3.2 Multiple Owners. If only one of the multiple Owners of a Lot is present at a meeting of the Association, the owner is entitled to cast the vote allocated to that Lot. If more than one of the multiple Owners are present, the vote allocated to that Lot may be cast only in accordance with the agreement of a majority in interest of the multiple Owners. There is majority agreement if any one of the multiple Owners casts the vote allocated to that Lot without protest being made promptly to the person presiding over the meeting by any of the other Owners of the Lot.

4.3.3 Proxies. The vote allocated to a Lot may be cast pursuant to a proxy duly executed by a Lot Owner. If a Lot is owned by more than one person, each owner of the Lot may vote or register protest to the casting of the vote by the other Owners of the Lot through a duly executed proxy. A Lot Owner may not revoke a proxy given pursuant to this section expect by actual notice of revocation to the person presiding over a meeting of the association. A proxy is void if it is not dated or purports to be revocable without notice. Unless stated otherwise in the proxy, a proxy terminates eleven months after its date of issuance.

4.3.4 Association Owned Lots. No vote allocated to a Lot owned by the Association may be cast, and in determining the percentage of votes required to act on any matter, the votes allocated to Lots owned by the Association shall be disregarded.

4.3.5 Pledged Votes. If an Owner is in default under a first Mortgage on the Lot for ninety (90) consecutive days or more, the Mortgagee shall automatically be authorized to declare at any time thereafter that the Lot Owner has pledged his or her vote on all issues to the Mortgagee during the continuance of the default. If the Board has been notified of any such pledge to a Mortgagee, or in the event the record Owner or Owners have otherwise pledged their vote regarding special matters to a Mortgagee under a duly recorded Mortgage, only the vote of such Mortgagee or vendor, will be recognized in regard to the special matters upon which the vote is so pledged, if a copy of the instrument with this pledge has been filed with the Board. Amendments to this subsection shall only be effective upon the written consent of all the voting Owners and their respective Mortgagees, if any.

4.4 Meetings, Notices and Quorums.

4.4.1 Meetings. A meeting of the Association must be held at least once each year. Special meetings of the Association may be called by the president, a majority of the Board, or by Lot owners having 20.37% of the votes in the Association. Not less than ten nor more than sixty days in advance of any meeting, the secretary shall cause notice to be hand delivered or sent prepaid by first class United States mail to the mailing address of each Lot or to any other mailing address designated in writing by the Lot Owner. The notice of any meeting shall state the time and place of the meeting and the items on the agenda to be voted on by the members, including the general nature of any proposed amendment to the Declaration or Bylaws, changes in the previously approved budget that result in a change in Assessment obligations, and any proposal to remove a director or officer. All meetings shall be open to Lot owners.

4.4.2 Quorums.

(a) A quorum is present throughout any meeting of the Association if the owners of Lots to which 51% of the votes of the Association are allocated are present in person or by proxy at the beginning of the meeting.

(b) A quorum is deemed present throughout any meeting of the Board if persons entitled to cast 50% of the votes on the Board are present at the beginning of the meeting.

ARTICLE 5
Management of Planned Community

5.1 Administration of the Planned Community. The Lot Owners covenant and agree that the administration of the Planned Community shall be in accordance with the provisions of the Declaration, these Bylaws, and the Articles of Incorporation of the Association.

5.2 Election and Removal of Board.

5.2.1 Owner Election During Declarant Control. If the Declarant has reserved the right to exercise Declarant Control, then: (a) 30 days after Lots representing 75% of the votes have been conveyed, Declarant shall call a meeting for the purpose of turning over administrative responsibility for the Planned Community to the Association. Notice of this meeting shall be given to all Owners.

5.2.2 Owner Election After Declarant Control. At the turnover meeting, Declarant shall turn over administrative control for the Planned Community to the Association. The Owners shall elect a Board of Directors of at least three members, each of whom shall be an Owner. The Board shall thereafter elect the officers which shall consist of a President, a Secretary, and a Treasurer, each of whom shall be an Owner. Each director and officer shall take office upon election. The Declarant shall turn over to the Association those documents listed in ORS 94.616(3). Furthermore, Declarant shall be available for three months to discuss such documents at three mutually agreeable times.

5.2.3 Removal. The Lot Owners, by a 62.3% vote of the voting power in the Association present and entitled to vote at any meeting of the Lot Owners at which a quorum is present, may remove any member of the Board with or without cause, other than a member, if any, appointed by the Declarant. The Declarant may not remove any member of the Board elected by the Lot Owners. Prior to the termination of the period of Declarant Control, if any, the Lot Owners, other than the Declarant, may remove by a 62.3% vote, any director elected by the Lot Owners. Directors shall serve one-year terms. No limit is placed on the number of consecutive terms a director may serve.

5.3 Management by Board.

5.3.1 On Behalf of Association. Except as otherwise provided in the Declaration, these Bylaws, Section 5.2.3 or the Act, the Board shall act in all instances on behalf of the Association. In the performance of their duties, the officers and members of the Board are required to exercise: (a) if appointed by the Declarant, the care required of fiduciaries of the Lot Owners; or (b) if elected by the Lot Owners, ordinary and reasonable care.

5.3.2 Budget Approval. Within thirty days after adoption of any proposed budget for the Planned Community, the Board shall provide a summary of the budget to all the Lot Owners and shall set a date for a meeting of the Lot Owners to consider ratification of the budget not less than fourteen nor more than sixty days after mailing of the summary. Unless at that meeting the Owners of Lots to which a majority of the votes in the Association are allocated reject the budget, the budget is ratified, whether or not a quorum is present. In the event the proposed budget is rejected or the required notice is not given, the periodic budget last ratified by the Lot Owners shall be continued until such time as the Lot Owners ratify a subsequent budget proposed by the Board.

5.4 Authority of the Association.

5.4.1 The Association acting by and through the Board, or a Manager appointed by the Board, for the benefit of the Planned Community and the Owners, shall enforce the provisions of the Declaration and of these Bylaws and shall have all powers and,authority permitted to the Association under ORS 94.630, the Declaration, and these Bylaws.

5.4.2 The Board's power shall be limited in that the Board shall have no authority to acquire and pay for out of the Association funds a capital addition or improvement (other than for purposes of restoring, repairing or replacing portions of the Common Property) having a total cost in excess of Five Thousand Dollars ($5,000), without first obtaining the affirmative vote of a majority of Owners at a meeting called for such purpose, or if no such meeting is held, then the written consent of a majority of Owners; provided that any expenditure or contract for each capital addition or improvement in excess of Twenty-Five Thousand Dollars ($25,000) must be approved by Owners having not less than 62.3% of the voting power.

5.4.3 Nothing herein contained shall be construed to give the Association authority to conduct an active business for profit on behalf of all of the Owners or any of them.

5.5 Borrowing by Association. In the discharge of its duties and the exercise of its powers, but subject to the limitations set forth in these Bylaws, the Board may borrow funds on behalf of the Association and to secure the repayment of such funds, assess each Lot (and the Owner thereof) for said Lot's pro rata share of said borrowed funds and the obligation to pay said pro rata share shall be a lien against said Lot and the undivided Interest in the Common Property appurtenant to said Lot. Provided, that the Owner of a Lot may remove said Lot and the Allocated Interest in the Common Property appurtenant to such Lot from the lien of such assessment by payment of the Allocated Interest In Common Expense Liability attributable to such Lot. Subsequent to any such payment, discharge, or satisfaction, the Lot and the Allocated Interest In the Common Property appurtenant thereto shall thereafter be free and clear of the liens so paid, satisfied, or discharged. Such partial payment, satisfaction, or discharge shall not prevent the lienor from proceeding to enforce his rights against any Lot and the Allocated Interest in the Common Property appurtenant thereto not so paid, satisfied, or discharged.

5.6 Association Records and Funds.

5.6.1 Records and Audits. The Association shall keep financial records sufficiently detailed to enable the Association to comply with ORS 94.670. All financial and other records shall be made reasonable available for examination by any Unit Owner, the Owner's authorized agents and all Mortgagees. At least annually, the Association shall prepare, or cause to be prepared, a financial statement of the Association in accordance with generally accepted accounting principles.

5.6.2 Fund Commingling. The funds of the Association shall not be commingled with the funds of any other Association, nor with the funds of any Manager of the Association or any other person responsible for the custody of such funds. Any reserve funds of the Association shall be kept in a segregated account and any transaction affecting such funds, including the issuance of checks, shall require the signature of at least two persons who are officers or directors of the Association.

5.7 Common Property, Conveyance, Encumbrance.

5.7.1 In General. Portions of the Common Property may be conveyed or subjected to a security interest by the Association if the Owners of Lots to which at least 75% of the votes in the Association are allocated, including 75% of the votes allocated to Lots not owned by Declarant or an Affiliate of Declarant, agree to that action. Proceeds of the sale or financing are an asset of the Association.

5.7.2 Agreement. An agreement to convey Common Property or subject them to a security interest must be evidenced by the execution of an agreement, or ratifications thereof, in the same manner as a deed, by the requisite number of Lot Owners. The agreement must specify a date after which the agreement will be void unless recorded before that date. The agreement and all ratifications thereof must be recorded in every country in which a portion of the Planned Community is situated and is effective only upon recording.

5.7.3 Conditions Precedent. The Association, on behalf of the Lot Owners, may contract to convey Common Property or subject them to a security interest, but the contract is not enforceable against the Association until approved pursuant to Sections 5.8.1 and 5.8.2. Thereafter, the Association has all powers necessary and appropriate to effect the conveyance or encumbrance, including the power to execute deeds or other instruments.

5.7.4 Void Transactions. Any purported conveyance, encumbrance, or other voluntary transfer of Common Property, unless made pursuant to this Section, is void.

5.7.5 Support Right. A conveyance or encumbrance of Common Property pursuant to this section shall not deprive any Lot of its rights of access.

5.7.6 Prior Encumbrances. A conveyance or encumbrance of Common Property pursuant to this section shall not affect the priority or validity of preexisting encumbrances.

ARTICLE 6
Use; Regulation of Uses; Architectural Uniformity

6.1 Residential Lots. The Lots shall be used: for single family Residential Purposes only, including sleeping, eating, food preparation for on-site consumption by occupants and guests, entertaining by occupants of personal guests and similar activities commonly conducted within a residential dwelling, without regard to whether the Lot Owner or occupant resides in the Lot as a primary or secondary personal residence, on an ownership, rental, lease or invitee basis; for such other reasonable purposes permitted by law in residential dwellings; for the common social, recreational or other reasonable uses normally incident to such purposes; and for purposes of operating the Association and managing the Planned Community.

6.2 Common Drive and Walks. Common drives, walks, corridors, entryways, stairways and other general Common Property shall be used exclusively for normal transit and no obstructions and/or decorations or other items shall be placed thereon or therein except by express written consent of the Board.

6.3 Lot Maintenance.

6.3.1 Standard of Condition. Each Lot Owner shall, at his sole expense, have the right and the duty to keep his Lot and its equipment, appliances, appurtenances, and landscaping in good order, condition and repair provided, however, that the Association shall maintain the front lawn of each lot.

6.3.2 Additional Rights and Duties. Without limiting the generality of the foregoing, each Owner shall have the right, at his sole cost and expense, to construct, alter, repair, paint, paper, panel, plaster, tile, finish, and otherwise maintain the interior and exterior of his Lot, and shall not permit or commit waste of his Lot or the Common Property.

6.4 Alterations of Lots. Subject to the provisions of Section 6.3, a Lot Owner may not substantially change the appearance of the Common Property or the exterior appearance of a Lot without permission of the Association, provided that repainting the exterior of a Lot with substantially the same color shall not constitute a change of appearance.

6.5 Exterior Appearance. In order to preserve a uniform exterior appearance to the Common Property visible to the public, the Board shall prescribe the type and color of decorative finishes of Lots and Common Property, and may prohibit, require or regulate any modification or decoration of the Lots or Common Property undertaken or proposed by any Owner. This power of the Board extends to screens, doors, awnings, rails or other visible portions of each Lot.

6.6 Effect on Insurance. Nothing shall be done or kept in any Lot or in the Common Element which will increase the rate of insurance on the Common Property or Lots without the prior written consent of the Board. No Owner and/or Purchaser shall permit anything to be done or kept in his Lot or in the Common Property which will result in the cancellation of insurance on any Lot or any part of the Common Property, or which would be in violation of any laws.

6.7 Common Element Alterations. Nothing shall be altered or constructed in, or (except for an Owner's personal property) removed from, the Common Element except upon the written consent of the Board and after procedures required herein or by law.

6.8 House Rules. The Board is empowered to pass, amend and revoke detailed, reasonable administrative rules and regulations, or "House Rules", necessary or convenient from time to time to insure compliance with the general guidelines of this Article as well as fines, in the Board's discretion, to enforce such rules. Such House Rules shall be binding on all Lot Owners, lessees, guests and invitees upon adoption by the Board or Association.

6.9 Rental Lots. The Leasing or Renting of a Lot by its Owner shall be governed by the provisions of this Section 6.9:

6.9.1 No Transient Purposes. With the exception of a lender in possession of a Lot following a default in a Mortgage, a Foreclosure proceeding or any deed or other arrangement in lieu of a Foreclosure, no Lot Owner shall be permitted to Lease his Lot for hotel or transient purposes which shall be defined as Renting for any period less than thirty (30) days. The Association may by resolution of the Board prohibit the Leasing of any Lot for a period of less than six (6) months.

6.9.2 Entire Lot. No Lot Owner may Lease less than the entire Lot.

6.9.3 Written Leases. All Leasing or Rental agreements shall be in writing and be subject to the Declaration and these Bylaws (with a default by the tenant in complying with this Declaration and/or Bylaws constituting a default under the Lease or Rental agreement).

6.9.4 Rent to Association. If a Lot is Rented by its Owner, the Board may collect, and the tenant or lessee shall pay over to the Board, so much of the rent for such Lot as is required to pay any amounts due the Association hereunder, plus interest and costs if the same are in default over thirty (30) days. The renter or lessee shall not have the right to question payment over to the Board, and such payment will discharge the lessee's or renter's duty of payment to the Owner for rent, to the extent such rent is paid to the Association, but will not discharge the liability of the Owner or purchaser and the Lot under this Declaration for assessments and charges, or operate as an approval of the lease. The Board shall not exercise this power where a receiver has been appointed with respect to the Lot or its Owner; nor in derogation of any rights which a Mortgagee of such Lot may have with respect to such rents. Other than as stated in this Section 6.11, there is no restriction on the right of any Lot Owner to Lease or otherwise Rent his Lot.

ARTICLE 7
Common Expenses and Assessments

7.1 Estimated Expenses. Within sixty (60) days prior to the beginning of each calendar year, or such other fiscal year as the Board may adopt, the Board: shall estimate the charges including Common Expenses, and any special charges for particular Lots to be paid during such year; shall make provision for creating, funding and maintaining reasonable reserves for contingencies and operations, as well as for maintenance, repair, replacement and acquisition of Common Property; and shall take into account any expected income and any surplus available from the prior year's operating fund. Without limiting the generality of the foregoing but in furtherance thereof, the Board shall create and maintain from regular monthly Assessments a reserve fund for replacement of those Common Property which can reasonably be expected to require replacement or a major repair prior to the end of the useful life of the Buildings. The Board shall calculate the contributions to said reserve fund so that there are sufficient funds therein to replace, or perform such major repair, to each Common Element covered by the fund at the end of the estimated useful life of each such Common

Element. The Initial Board, whether appointed by Declarant or elected by Lot Owners, may at any suitable time establish the first such estimate. If the sum estimated and budgeted at any time proves inadequate for any reason (including non-payment for any reason of any Owner's Assessment), the Board may at any time levy a further Assessment, which shall be assessed to the Owners according to Section 7.4. Similarly, if the sum estimated and budgeted, and being collected and/or already collected, at any time proves excessive, the Board may reduce the amount being assessed and/or apply existing funds (in excess of current needs and required reserves) against future Assessments and/or refund such excess funds.

7.2 <u>Payment by Owners</u>. Each Owner shall be obligated to pay its share of Common Expenses and special charges made pursuant to this Article to the treasurer for the Association in equal monthly installments on or before the first day of each month during such year, or in such other reasonable manner as the Board shall designate. No Owner may exempt himself from liability for payment of assessments for any reason, including waiver of use or enjoyment of any of the Common Property or abandonment of the Owner's Lot.

7.3 <u>Commencement of Assessments</u>. The Declarant in the exercise of its reasonable discretion shall determine when the Association shall commence making Assessments; provided, that in all events Assessments shall commence on a date within 60 days after the earlier of: (a) the date six (6) months after the date of first conveyance of a Lot to an owner (other than Declarant or an Affiliate of Declarant) or (b) the date on which 75% of the Lots have been conveyed to Owners (other than Declarant or an Affiliate of Declarant). Until the Association makes an Assessment, the Declarant shall pay all Common Expenses. After any Assessment has been made by the Association, Assessments must be made against all Lots, based on a budget adopted by the Association; provided, for a period not to exceed twelve (12) months following the date of first conveyance of a Lot to an Owner other than Declarant or an Affiliate of Declarant, the Board (whether appointed by Declarant or elected by Lot Owners) may elect not to collect monthly assessments calculated as provided in Section 7.1 and instead elect to collect and expend monthly assessments based on the actual costs of maintaining, repairing, operating and insuring the Common Areas.

7.4 <u>Allocated Liability</u>. All Common Expenses must be assessed against all the Lots in accordance with the allocations set forth in the Declaration. Any past due Common Expense Assessment or installment thereof bears interest at the rate established by the Association pursuant to these Bylaws.

7.5 <u>Assessments for Judgment</u>. Assessments to pay a judgment against the Association pursuant to ORS 94.704(4) may be made only against the Lots in the Planned Community at the time the judgment was entered in proportion to their Allocated Common Expense Liabilities at the time the judgment was entered.

7.6 Owner Misconduct. To the extent that any Common Expense or fine levied by the Board, is caused by the misconduct of any Lot Owner, the Association shall assess that expense or fine against the Owner's Lot.

7.7 Reallocation. If Common Expense Liabilities are reallocated, Common Expense Assessments and any installment thereof not yet due shall be recalculated in accordance with the reallocated Common Expense Liabilities.

7.8 Lien For Assessments.

7.8.1 Lien. The Association has a lien on a Lot for any unpaid Assessments and fines levied against a Lot from the time the Assessment is due.

7.8.2 Priority. A lien under Section 7.8 shall be prior to all other liens and encumbrances on a Lot except: (a) liens and encumbrances recorded before the recording of the Declaration; (b) a Mortgage on the Lot recorded before the date on which the Assessment sought to be enforced became delinquent; and (c) liens for real property taxes and other governmental assessments or charges against the Lot.

7.8.3 Mortgage Priority. Except as provided in Sections 7.8.4 and 7.8.5, the lien shall also be prior to the Mortgages described in Section 7.8.2(b) to the extent of Assessments for Common Expenses, excluding any amounts for capital improvements, based on the periodic budget adopted by the Association pursuant to Section 7.1, which would have become due during the six months immediately preceding the date of the sheriff's sale in an action for judicial foreclosure by either the Association or a Mortgagee, the date of a trustee's sale in a non-judicial foreclosure by a Mortgagee, or the date of recording of the Declaration of forfeiture in a proceeding by the vendor under a real estate contract.

7.8.4 Mortgagee Notice. The priority of the Association's lien against Lots encumbered by a Mortgage held by an Eligible Mortgagee or by a Mortgagee which has given the Association a written request for a notice of delinquent Assessments shall be reduced by up to three months if and to the extent that the lien priority under Section 7.8.3 includes delinquencies which relate to a period after such holder becomes an Eligible Mortgagee or has given such request for notice and before the Association gives the holder a written notice of the delinquency. This Section does not affect the priority of mechanics' or materialmen's liens, or the priority of liens for other Assessments made by the Association.

7.8.5 Recording as Notice. Recording of the Bylaws constitutes record notice and perfection of the lien for Assessments. While no further recording of any claim of lien for Assessment under this section shall be required to perfect the Association's lien, the Association may record a notice of claim of lien for Assessments under this Section in the real property records of any county in which the Planned Community is located. Such recording shall not constitute the written notice of delinquency to a Mortgagee referred to in Section 7.8.3.

7.8.6 Limitation on Action. A lien for unpaid Assessments and the personal liability for payment of Assessments is extinguished unless proceedings to enforce the lien or collect the debt are instituted within three years after the amount of the Assessments sought to be recovered becomes due.

7.8.7 Foreclosure. The lien arising under Section 7.8 may be enforced judicially by the Association or its authorized representative. The Association or its authorized representative shall have the power to purchase the Lot at the foreclosure sale and to acquire, hold, lease, mortgage, or convey the same. Upon an express waiver in the complaint of any right to a deficiency judgment in a judicial foreclosure action, the period of redemption shall be eight months. Nothing in this Section shall prohibit an Association from taking a deed in lieu of foreclosure.

7.8.8 Mortgagee Liability. Except as provided in Section 7.8.3, the holder of a Mortgage or other Purchaser of a Lot who obtains the right of possession of the Lot through foreclosure shall not be liable for Assessments or installments thereof that became due prior to such right of possession. Such unpaid Assessments shall be deemed to be Common Expenses collectible from all the Lot Owners, including such Mortgagee or other purchaser of the Lot. Foreclosure of a Mortgage does not relieve the prior Owner of personal liability for Assessments accruing against the Lot prior to the date of such sale as provided in this Section.

7.8.9 Lien Survives Sale. The lien arising under Section 7.8 shall not be affected by the sale or transfer of the subject Lot except in the event of sale through foreclosure, as provided in Section 7.8.8.

7.8.10 Owner Liability. In addition to constituting a lien on the Lot, each Assessment shall be the joint and several obligation of the Owner or Owners of the Lot to which the same are assessed as of the time the Assessment is due. In a voluntary conveyance the grantee of a Lot shall be jointly and severally liable with the grantor for all unpaid Assessments against the latter up to the time of the grantor's conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor. Suit to recover a personal Judgment for any delinquent Assessment shall be maintainable in any court of competent jurisdiction without foreclosing or waiving the lien securing such sums.

7.8.11 Late Charges. The Association may from time to time establish reasonable late charges and a rate of interest to be charged on all subsequent delinquent Assessments or installments thereof. in the absence of another established nonusurious rate, delinquent Assessments shall bear interest from the date of delinquency at the maximum rate permitted under Oregon law on the date on which the Assessments became delinquent.

7.8.12 Attorney's Fees. The prevailing party shall be entitled to recover any costs and reasonable attorneys' fees incurred in connection with the collection of delinquent Assessments, whether or not such collection activities result in suit being commenced or prosecuted to judgment. in addition, the prevailing party shall be entitled to recover costs and reasonable attorneys' fees if it prevails on appeal and in the enforcement of a judgment.

7.8.13 Assessment Certificate. The Association, upon written request, shall furnish to a Lot Owner or a Mortgagee a statement signed by an officer or authorized agent of the Association setting forth the amount of unpaid Assessments against that Lot. The statement shall be furnished within fifteen days after receipt of the request and is binding on the Association, the Board, and every Lot Owner, unless and to the extent known by the recipient to be false.

7.9 Acceleration of Assessments. In the event any monthly Assessment or special charge attributable to a particular Lot remains delinquent for more than sixty (60) days, the Board may, upon fifteen (15) days' written notice to the Owner of such Lot, accelerate and demand immediate payment of all, or such portion as the Board determines, of the monthly Assessments and special charges which the Board reasonably determines will become due during the next succeeding twelve (12) months with respect to such Lot.

ARTICLE 8
Insurance

8.1 In General. Commencing not later than the time of the first conveyance of a Lot to a person other than a Declarant, the Association shall maintain, to the extent reasonably available:

8.1.1 Property insurance for all insurable improvements on the Common Property against loss or damage by fire or other hazards, including extended coverage, vandalism and malicious mischief. The total amount of insurance after application of any deductibles shall not be less than 100% of the actual cash value of the insured property at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations, and other items normally excluded from property policies; and

8.1.2 Liability insurance, including medical payments insurance, in an amount determined by the Board but not less than One Million Dollars, covering all occurrences commonly insured against for death, bodily injury, and property damage arising out of or in connection with the use, ownership, or maintenance of the Common Property.

8.1.3 Workmen's compensation insurance to the extent required by applicable laws.

8.1.4 Insurance against loss of personal property of the Association by fire, theft and other losses with deductible provisions as the Board deems advisable.

8.1.5 Such other insurance as the Board deems advisable.

8.2 Coverage Not Available. If the insurance described in Section 8.1 is not reasonably available, or is modified, canceled, or not renewed, the Association promptly shall cause notice of that fact to be hand delivered or sent prepaid by first class United States mail to all Lot Owners, to each Eligible Mortgagee, and to each Mortgagee to whom a certificate or memorandum of insurance has been issued at their respective last known addresses. The Association in any event may carry any other insurance it deems appropriate to protect the Association or the Lot Owners.

8.3 Required Provisions. Insurance policies carried pursuant to this Article shall include those provisions required by ORS 94.690.

8.4 Claims Adjustment. Any loss covered by the property insurance under this Article must be adjusted with the Association, but the insurance proceeds for that loss are payable to any insurance trustee designated for that purpose, or otherwise to the Association, and not to any holder of a Mortgage. The insurance trustee or the Association shall hold any insurance proceeds in trust for Lot Owners and lienholders as their interests may appear. Subject to the provisions of Article 9, the proceeds must be disbursed first for the repair or restoration of the damaged property, and Lot Owners and lienholders are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the property has been completely repaired or restored or the Planned Community is terminated.

8.5 Owner's Additional Insurance. An insurance policy issued to the Association does not prevent a Lot Owner from obtaining insurance for the Owner's own benefit.

8.6 Certificate. An insurer that has issued an insurance policy under this Article shall issue certificates or memoranda of insurance to the Association and, upon written request, to any Lot Owner or holder of a Mortgage. The insurer issuing the policy may not modify the amount or the extent of the coverage of the policy or cancel or refuse to renew the policy unless the insurer has complied with all applicable provisions of Oregon law pertaining to the cancellation or nonrenewal of contracts of insurance. The insurer shall not modify the amount or the extent of the coverage of the policy, or cancel or refuse to renew the policy, without complying with the requirements of applicable Oregon law.

8.7 Notification on Sale of Lot. Promptly upon the conveyance of a Lot, the new Lot Owner shall notify the Association of the date of the conveyance and the Lot Owner's name and address. The Association shall notify each insurance company that has issued an insurance policy to the Association for the benefit of the Owners under Article 8 of the name and address of the new Owner and request that the new Owner be made a named insured under such policy.

ARTICLE 9
Damage or Destruction

Any portion of the Common Property for which insurance is required under this Article which is Significantly Damaged shall be repaired promptly by the Association unless: (a) the Planned Community is terminated; (b) repair would be illegal under any State or local health or safety statute or ordinance; or (c) 75% of the Lot Owners vote not to Repair. Even if the Significant Damage is not to be Repaired, the Board shall still have authority to perform Emergency Work. The cost of Repair in excess of insurance proceeds and reserves is a Common Expense.

ARTICLE 10
Compliance With Declaration and Bylaws

10.1 Enforcement. Each Owner shall comply strictly with the provisions of the Declaration, these Bylaws and administrative rules and regulations passed hereunder, as the same may be lawfully amended from time to time, and with all decisions adopted pursuant to the Declaration, the Bylaws and administrative rules and regulations. Failure to comply shall be grounds for an action to recover sums due for damages, or injunctive relief, or both, maintainable by the Board (acting through its officers on behalf of the Owners), or by the aggrieved Owner on his own against the party (including an Owner or the Association) failing to comply.

10.2 No Waiver of Strict Performance. The failure of the Board in any one or more instances to insist upon the strict performance of the Declaration, of these Bylaws, or to exercise any right or option contained in such documents, or to serve any notice or to institute any action, shall not be construed as a waiver or a relinquishment for the future of such term, covenant, condition or restriction, but such term, covenant, condition or restriction shall remain in full force and effect. The receipt by the Board of any assessment from an Owner, with knowledge of any such breach shall not be deemed a waiver of such breach, and no waiver by the Board of any provision hereof shall be deemed to have been made unless expressed in writing and signed by the Board.

ARTICLE 11
Limitation of Liability

11.1 Liability for Utility Failure, Etc. Except to the extent covered by insurance obtained by the Board pursuant to Article 8, neither the Association nor the Board nor the Manager shall be liable for: any failure of any utility or other service to be obtained and paid for by the Board; or for injury or damage to person or property caused by the elements, or resulting from electricity, noise, smoke, water, rain (or other liquid), dust or sand which may leak or flow from outside or from any parts of the buildings, or from any of its pipes, drains, conduits, appliances, or equipment, or from any other places; or for inconvenience or discomfort resulting from any action taken to comply with any law, ordinance or orders of a governmental authority. No diminution or abatement of Assessments shall be claimed or allowed for any such utility or service failure, or for such injury or damage, or for such inconvenience or discomfort.

ARTICLE 12
Easements

12.1 General. It is intended that in addition to rights under the Act, each Lot has an easement in and through the Property for reasonable access thereto.

12.2 Utility, Etc., Easements. The Board, on behalf of the Association and all members thereof, shall have authority to grant utility, road and similar easements, licenses and permits under, through or over the Property, which easements the Board determines are reasonably necessary to the ongoing development and operation of the Planned Community.

ARTICLE 13
Miscellaneous

13.1 Notices for All Purposes.

13.1.1 Delivery of Notice. Any notice permitted or required to be delivered under the provisions of the Declaration or these Bylaws may be delivered either personally or by mail. If delivery is made by mail, any such notice shall be deemed to have been delivered twenty-four (24) hours after a copy has been deposited in the United States mail, postage prepaid, for first class mail, addressed to the person entitled to such notice at the most recent address given by such person to the Board, in writing, for the purpose of service of such notice, or to the most recent address known to the Board. Notice to the Owner or Owners of any Lot shall be sufficient if mailed to the Lot of such person or persons if no other mailing address has been given to the Board by any of the persons so entitled. Mailing addresses may be changed from time to time by notice in writing to the Board. Notice to be given to the Board may be given to Declarant until the Board has been constituted and thereafter shall be given to the President or Secretary of the Board.

13.1.2 Mortgagee Notice. Upon written request therefor, and for a period specified in such notice, the Mortgagee of any Lot shall be entitled to be sent a copy of any notice respecting the Lot covered by his security instrument until the request is withdrawn or the security instrument discharged. Such written request may be renewed an unlimited number of times.

13.2 Severability. The provisions hereof shall be deemed independent and severable, and the validity or partial invalidity or enforceability of any one provision or portion thereof shall not affect the validity or enforceability of any other provision hereof if the remainder complies with the Act or as covenants effect the common plan.

13.3 Conveyances: Notice Required. The right of a Lot Owner to sell, transfer, or otherwise convey the Lot shall not be subject to any right of approval, disapproval, first refusal, or similar restriction by the Association or the Board, or anyone acting on their behalf. An owner intending to sell a Lot shall deliver a written notice to the Board, at least two (2) weeks before closing, specifying: the Lot to be sold; the name and address of the Purchaser, of the closing agent, and of the title insurance company insuring the Purchaser's Interest; and the estimated closing date. The Board shall have the right to notify the Purchaser, the title insurance company, and the closing agent of the amount of unpaid assessments and charges outstanding against the Lot, whether or not such information is requested. It is understood, however, that a violation of this Section shall not invalidate a sale, transfer or other conveyance of a Lot which is otherwise valid under applicable law.

13.4 Transfer of Declarant's Powers. It is understood that Declarant, at any time in the exercise of its sole discretion, may sell, assign, transfer, encumber, or otherwise convey to any person, upon such terms and conditions as Declarant may determine, all of Declarant's rights, powers, privileges and authority arising hereunder by virtue of Declarant's capacity as Declarant (which rights, powers, privileges and authority are in addition to those arising from Declarant's ownership of one or more Lots and include Development Rights and Special Declarant Rights).

13.5 Effective Date. These Bylaws shall take effect upon recording.

13.6 A 75% vote of the Association shall be required to approve an amendment to these ByLaws.

DATED this 14 day of OCT, 1993.

DECLARANT:

W.P.S. GROUP, a partnership
By PEGGY PARTNERSHIP, general partner

Jerry Erwin

By Jerry Erwin, general partner

V-4884.1

STATE OF Washington)   327 - 2553
)ss.
COUNTY OF Clark)

On this 14 day of October, 1993, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Jerry Erwin, to me personally known to be the general partner of Peggy Partnership and executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act of said general partnership for the uses and purposes therein mentioned.

WITNESS my hand and seal hereto affixed this 14 day of October, 1993.

Traci M. Ausborn

Traci M. Ausborn
(print notary's name)

Notary Public in and for the State of Washington, residing at Camas.

My commission expires: 5-1-96.

TRACI M. AUSBORN
NOTARY PUBLIC - STATE OF WASHINGTON
My Commission Expires May 1, 1996

STATE OF OREGON) SS.
COUNTY OF DESCHUTES)

I, MARY SUE PENHOLLOW, COUNTY CLERK AND RECORDER OF CONVEYANCES, IN AND FOR SAID COUNTY, DO HEREBY CERTIFY THAT THE WITHIN INSTRUMENT WAS RECORDED THIS DAY:

94 JAN 31 PM 1:55

MARY SUE PENHOLLOW
COUNTY CLERK

BY M. Bartko DEPUTY

NO. 94-04271 FEE 105.00

DESCHUTES COUNTY OFFICIAL RECORDS

V-4884.1