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**BYLAWS
OF
RIVER CANYON ESTATES
HOMEOWNERS' ASSOCIATION, INC.**

**ARTICLE I
DEFINITIONS**

In construing these Bylaws,

1.1 "Association" means the nonprofit corporation as defined in these Bylaws and the corporation's successors and assigns.

1.2 "Board" means the Board of Directors of this Corporation constituted in accordance with Article V of these Bylaws.

1.3 "Common Area" means those areas designated as private tracts or common or open space on any plat of any portion of the Property.

1.4 "Corporation" means River Canyon Estates Homeowners' Association, Inc., an Oregon nonprofit corporation.

1.5 "Declarant" means River Canyon Estates, LLC, an Oregon limited liability company, and its successors and assigns if such successor or assignee should acquire: (i) Declarant's interest in the Property or (ii) all of Declarant's rights under the Declaration pursuant to a recorded instrument executed by Declarant.

1.6 "Declaration" means the Declaration of Covenants, Conditions and Restrictions for River Canyon Estates, and all of the easements, covenants, restrictions and charges set forth therein, together with any annexation of additional phases, and rules or regulations promulgated thereunder, as the same may be amended or supplemented from time to time in accordance with the provisions thereof.

1.7 "Director" means a director of the Corporation as described in and elected in accordance with Article V of these Bylaws.

1.8 "Improvement" means every structure or improvement of any kind, including but not limited to a fence, wall, street, sidewalk, driveway, trees, hedges or plantings, or other product of construction efforts on or in respect to the Common Area. "Improvement" does not include maintenance of turf, shrubs or trees.

1.9 "Lot" means a platted or partitioned lot or tract within the Property, with the exception of any tract or lot marked on any plat of any portion of the Property as common or open space. Each Lot shall constitute a private area for the exclusive use and enjoyment of the Owner of such Lot.

1.10 "Officer" means an officer of the Corporation as described in and elected in accordance with Article VI of these Bylaws.

1.11 "Owner" means any person or entity, including the Declarant or Builder, at any time owning a Lot, including any vendee under a recorded land sale contract to whom possession has passed, but does not include a tenant or holder of a leasehold interest or a person holding only a security interest in a Lot, including any vendor under a recorded land sale contract who has surrendered possession.

1.12 "President" means the President of the Corporation as described in Article VI, Section 5 of these Bylaws.

1.13 "Property" means the real property legally described in the Declaration.

1.14 "Secretary" means the Secretary of the Corporation as described in Article VI, Section 6 of these Bylaws.

1.15 "Successor Declarant" means the transferee of any Special Declarant Rights.

1.16 "Treasurer" means the Treasurer of the Corporation as described in Article VI, Section 7 of these Bylaws.

1.17 "Turnover Date" means the date on which the Declarant or Builder elects in writing to terminate the Class B membership.

1.18 "Builder" shall mean DR Horton, Inc.-Portland, a Delaware corporation, their successors and assigns.

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

ARTICLE II OFFICES

The principal office of the Corporation in the State of Oregon shall be in a location determined by the Board. The Corporation may have such other offices, either within or without the State of Oregon, as the Board may determine or as the affairs of the Corporation require from time to time. The Corporation shall have and continuously maintain in the State of Oregon a registered office, and a registered agent whose office is identical with such registered office, as required by the nonprofit corporation laws of the State of Oregon. The registered office may be, but need not be, identical with the principal office in the State of Oregon, and the address of the registered office may be changed from time to time by the Board.

ARTICLE III MEMBERSHIP, VOTING RIGHTS, AND POWERS AND OBLIGATIONS

Section 1. Membership. Every Owner of one or more Lots shall, immediately upon creation of the Corporation and thereafter during the entire period of such Owner's ownership of one or more Lots, be a member of the Corporation. Membership shall be appurtenant to and shall not be separated from ownership of any Lot. Such membership shall commence, exist, and continue simply by virtue of such ownership, shall automatically expire upon termination of such ownership, and need not be confirmed or evidenced by any certificate or acceptance of membership.

Section 2. Suspension. All voting rights of a Member shall be suspended during any period in which such Member is delinquent in the payment of an assessment duly established pursuant to Article X of the Declaration or is otherwise in default hereunder or under the Declaration or Rules and Regulations of the Association. The Board of Directors may also suspend the Member's right to use of any of the Common Areas during such period of default.

Section 3. Voting Rights. Voting rights within the Corporation shall be allocated as follows:

(a) Lots. Except as provided in clause (b) of this Section 3, Lots shall be allocated one vote per Lot.

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

Class A. Class A members shall be all Owners with the exception of Declarant (except that beginning on the date on which the Class B membership is converted to Class A membership, and thereafter, Class A members shall be all Owners, including Declarant). Class A members shall be entitled to voting rights for each Lot owned, computed in accordance with Article III, Section 3(a). When more than one person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as such persons among themselves determine, but in no event shall more votes be cast with respect to any Lot than as set forth in Article III, Section 3(a). If such persons cannot agree upon the vote, the vote of the Lot

shall be disregarded in determining the proportion of votes with respect to the particular matter at issue.

Class B. The Class B member shall be Declarant and Builder, and shall be entitled to three (3) times the voting rights computed under Article III, Section 3(a) for each Lot owned by Declarant or Builder. The Class B membership shall cease and be converted to Class A membership on the occurrence of Declarant's or Builder's election in writing to terminate the Class B membership.

Section 4. Powers and Obligations. The Corporation shall have, exercise and perform all of the following powers, duties, and obligations:

(a) Declaration. The powers, duties and obligations granted to the Corporation by its Articles of Incorporation, the Declaration, and these Bylaws.

(b) Statutory Powers. The powers, duties, and obligations of a nonprofit corporation pursuant to the general nonprofit corporation laws of the State of Oregon and of a homeowners association of a planned community pursuant to the Oregon Planned Community Act, as either be amended from time to time.

(c) General. Any additional or different powers, duties and obligations necessary or desirable for the purpose of carrying out the functions of the Corporation pursuant to the Declaration or otherwise promoting the general benefit of the Owners within the Property. The powers and obligations of the Corporation may from time to time be amended, repealed, enlarged or restricted by changes in the Declaration made in accordance with the provisions therein, accompanied by changes in the Articles of Incorporation of the Corporation or these Bylaws made in accordance with such instruments and with the nonprofit corporation laws of the State of Oregon.

ARTICLE IV MEETINGS OF OWNERS

Section 1. Annual Meetings Prior to Turnover Meeting. Prior to the Turnover Meeting, as defined below, a meeting of Owners shall be held annually. Such meeting shall be called in accordance with Section 3 below.

Section 2. Meetings to Elect Directors; Annual Meetings Following Turnover Meeting. The first meeting of the Owners held for the purpose of electing Directors pursuant to this Article IV shall be the Turnover Meeting (the "Turnover Meeting"), which shall be the initial meeting of the Corporation for purposes of ORS 94.635(1), and as described in Article XII, Section 2 below. The first annual meeting of the Corporation shall be held in the first October following the Turnover Meeting. Subsequent annual meetings of the Corporation shall be held within the period of September through November each year. Each such meeting shall be called in accordance with Section 3 below.

Section 3. Notice of Meeting. Any meeting held pursuant to this Article IV shall be held on such date, at such time, and at such place within Deschutes County, Oregon, as may be designated by the Secretary. Written notice of each meeting of the Owners under this Article IV shall be given by, or at the direction of, the Secretary or other person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least ten (10) days before such meeting, but not more than fifty (50) days before such meeting, to each Owner entitled to vote thereat, addressed to the Owner's address last appearing on the books of the Corporation, or supplied by such Owner to the Corporation for the purpose of notice, and to any mortgagee having requested notice thereof. Mortgagees of a Lot may designate a representative to attend a meeting called under this Section 3. Such notice shall specify the place, day, and hour of the meeting, and the items on the agenda, including the general nature of any proposed amendment to the Declaration or these Bylaws, any budget changes, or any proposal to remove a Director or Officer. Notice of any such meeting may be waived by any Owner at any time. No Owner who is present at a meeting may object to the adequacy or timeliness of the notice given.

Section 4. Proxies; Quorum; Voting. Except as provided in Article IV, Section 5.3 of the Declaration, each Owner and Declarant shall have the number of votes provided for in Article III, Section 3 of these bylaws. Any Owner may give a proxy to any person, so long as such proxy is in writing, signed by such Owner, and filed with the Secretary. A proxy shall expire on the earlier of: (i) eleven (11) months after the date of the proxy or (ii) the date of the sale of the Owner's Lot by its Owner. The presence, in person or by proxy, of Owners together entitled to cast at least 20% of the total votes entitled to be cast at any meeting shall constitute a quorum. Unless a greater percentage is required by law or the Declaration, the affirmative vote of a majority of the votes represented and voting shall constitute the act of the Owners. Voting of the Owners may be by mail with respect to any matter before the Owners. In any case in which voting by mail is necessary or desirable, the Secretary shall give written notice to all Owners at least (10) days before written ballots are scheduled to be mailed or otherwise delivered. If, at least three (3) days before written ballots are scheduled to be mailed or otherwise delivered at least ten percent (10%) of the Owners petition the Board requesting secrecy procedures, a written ballot shall be accompanied by a secrecy envelope, a return identification envelope to be signed by the Owner and instructions for marking and returning the ballot. Any vote by mail shall: (a) include a written resolution setting forth the proposed action, (b) state that the Owners are entitled to vote by mail for or against such resolution, (c) if the proposed action otherwise would require a meeting at which a certain quorum must be present and/or at which a certain percentage of total votes cast is required to authorize the proposed action, state the number of responses needed to meet such quorum requirement and/or the required percentage of total votes needed for approval, and (d) specify that the date by which all votes must be received at the principal office of the Corporation is the earlier of a date not less than twenty-five (25) days after the date of such notice. Votes received after the date specified shall be of no effect.

Section 5. Annual Meetings. At any annual meeting of Owners, the President, or any other Officer the Board or the President may designate, shall report on the activities and financial condition of the Corporation.

Section 6. Special Meetings. Special meetings of the Owners may be called at any time by the President or a majority of the Board, or upon written request of Owners who are entitled to vote at least 25% of all of the votes of the Class A members. Business transacted at a special meeting shall be restricted to the purposes set forth in the notice thereof.

ARTICLE V BOARD OF DIRECTORS

Section 1. General. The affairs of the Corporation shall be managed by the Board, which shall be comprised of the number of Directors determined as provided in Section 2 of this Article V. The Board shall have all requisite power, duty and authority to perform its obligations under the Declaration, the Articles of Incorporation, these Bylaws, the nonprofit corporation laws of the State of Oregon and the Planned Community Act, including, without limitation, the power, duty, and authority to enforce the provisions of the Declaration and these Bylaws and to acquire and pay for, out of the funds provided by assessments pursuant to the Declaration, all goods and services necessary or appropriate for the proper functioning of the Corporation in accordance with the Declaration and these Bylaws.

Section 2. Number; Appointment by Declarant Prior to Turnover Meeting. The Board shall be comprised of five (5) Directors. Prior to the Turnover Meeting, the Directors shall not be required to be Owners. Thereafter, all Directors shall also be Owners. Until the Turnover Meeting, Declarant shall appoint an interim board comprised of up to five (5) Directors to serve as the Board. On the date of the Turnover Meeting, the Directors appointed by Declarant shall submit their resignations, effective upon the election of successors as provided in this Article V, Section 2. At and after the Turnover Meeting, the Directors shall be elected in the manner provided in Article V, Section 3. Voting for Directors shall not be cumulative.

Section 3. Election of Directors. At and after the Turnover Meeting, all Directors shall be elected by a majority vote of the Owners who cast votes, whether in person, by proxy, or by mail, taken at the annual meeting or at a special meeting called therefor, with each Owner entitled to the votes specified in Article III, Section 2.

Section 4. Terms of Directors.

4.1 The terms of the Directors selected by Declarant or Builder shall be determined by Declarant or Builder in their sole discretion and shall expire at the Turnover Meeting. As determined by random means, two of the Directors elected at the Turnover Meeting shall serve for a term of three (3) years; two of the Directors elected at the Turnover Meeting shall serve for a term of two (2) years; and one of the Directors elected at the Turnover Meeting shall serve for a term of one (1) year. Thereafter all Directors shall be elected for a term of three (3) years.

4.2 Except as provided in Article V, Sections 4.1, all Directors shall serve three-year terms. Any Director may serve more than one term.

Section 5. Resignation. Any Director may resign at any time by sending a written notice of such resignation to the Secretary. Unless otherwise specified in such notice, a resignation shall take effect upon receipt of the notice by the Secretary.

Section 6. Vacancies. Vacancies on the Board caused by the death or resignation of a Director shall be filled by vote of the majority of the remaining Directors, even if they constitute less than a quorum. Any Director so elected shall serve the remainder of the replaced Director's term.

Section 7. Meetings of the Board.

7.1 The initial meeting of the Board shall occur within ninety (90) days after the date the Articles of Incorporation for the Corporation are filed.

7.2 All meetings of the Board shall be open to all Owners, except that at the discretion of the Board, the following matters may be considered in executive session, as provided by law: (a) consultation with legal counsel concerning the rights and duties of the Association regarding existing or potential litigation, or criminal matters; (b) personnel matters, including salary negotiations and employee discipline; and (c) the negotiation of contracts with third parties. For other than emergency meetings and executive sessions, notice of Board meetings shall be mailed to all Owners, at the last address for each Owner in the records of the Corporation, not less than ten (10) days before the meeting; or posted at a place or places on the Property at least three (3) days prior to the meeting; or provided by a method otherwise reasonably calculated to inform Owners of the meeting. Except in an emergency, the Board shall vote in an open meeting whether to meet in an executive sessions. If the Board votes to meet in executive session, the President shall state the general nature of the action to be considered and when and under what circumstances the deliberations can be disclosed to Members.

7.3 The Board shall meet at least annually, within thirty (30) days after each annual meeting of the Owners. At each annual meeting, the Board shall adopt a budget for the following fiscal year and determine the amount of the Regular Assessment (as defined in the Declaration) for such year. Within thirty (30) days after adopting the annual budget, the Board shall provide a summary of the budget to all owners. In addition, the Treasurer shall present to the Board a report on the financial condition of the Corporation, including a report of receipts and disbursements for the preceding calendar year, the allocation thereof to each Lot, and the estimated receipts and expenses for the coming year. If the Board fails to adopt a budget, the last adopted annual budget shall continue in effect.

7.4 Special meetings of the Board may be called at any time by the President or two Directors. Such meetings shall be scheduled by the Secretary within thirty (30) days after the Secretary's receipt of written requests signed by two or more Directors; provided that if the purpose of a special meeting is to elect a successor Secretary pursuant to Section 2 of Article VI or to consider removal of the Secretary pursuant to Section 3 of Article VI, such meeting may be scheduled by the President or, if the meeting is also for the purpose of electing a successor President or removing the President, any other Director.

7.5 Meetings of the Board shall be held at such place within Deschutes County, Oregon, as may be designated from time to time by the Board.

7.6 The Secretary shall give at least two days' written notice to each Director of special meetings of the Board, stating the date, time, and place of the meeting. To the extent notice is required, it shall be sent to the address of each Director as listed on the books of the Corporation, or to such other address as any Director may designate by written notice to the Secretary given at least ten (10) days prior to the giving of notice of the meeting. Notice of any meeting may be waived by any Director at any time. No Director who is present at a meeting may object to the adequacy or timeliness of the notice given. When a meeting is adjourned for fewer than thirty (30) days, whether or not a quorum is present at the adjourned meeting, no notice of the resumption or reconvening of such adjourned meeting need be given other than by announcement at the meeting at which such adjournment takes place.

Section 8. Voting by the Board. Each Director shall have one vote. So long as a quorum is constituted, the vote of Directors together holding more than 50% of the total votes shall be a binding vote of the Board for all purposes, unless a greater percentage is required by law or the Declaration.

Section 9. Quorum. The presence in person of a majority of the Directors shall constitute a quorum for voting at a Board meeting. The Board shall have the power to adjourn a meeting even if less than a quorum is present.

Section 10. Removal. Any Director, other than a Director appointed by Declarant or Builder, may be removed, with or without cause, by the majority vote of Owners present and entitled to vote at any meeting of the Owners at which a quorum is present. No removal of a Director is effective unless the matter of removal was included in the notice of the meeting and listed as an item on the agenda. At such meeting, the Owners shall elect a replacement Director to serve the remainder of the replaced Director's term.

Section 11. Compensation. No Director shall receive compensation for any service rendered to the Association. However, any Director may be reimbursed for the Director's actual expenses incurred in the performance of his or her duties.

Section 12. Committees. The Board may from time to time establish committees of the Board pursuant to ORS 65.354.

ARTICLE VI OFFICERS

Section 1. Officers. The Officers shall be the President, the Treasurer, and the Secretary, each of whom shall be elected by the Board. After the Turnover Meeting has been held, the same person shall not concurrently hold more than one office. The Board may designate such additional Officers as it deems appropriate.

Section 2. Election and Term of Office. The Officers of the Corporation shall be elected annually by the Board and shall hold office at the pleasure of the Board and until their successors are elected and qualified. If any office becomes vacant, the Board shall elect a successor to fulfill the unexpired term at a special meeting of the Board called for such purpose.

Section 3. Removal. The Board may remove any Officer, at any time, with or without cause, and a successor may be elected at a special meeting of the Board called for such purpose.

Section 4. Compensation. Other than reimbursement of out-of-pocket expenses incurred on behalf of the Corporation, neither the President, the Treasurer, nor the Secretary shall receive any compensation from the Corporation for acting as an Officer, unless such compensation is authorized by the Board.

Section 5. President. The President shall be a Director and shall be the chief executive officer of the Corporation. The President shall preside at all meetings of the Board, and, except to the extent otherwise provided in the Declaration, shall have all of the general powers and duties normally incident to the office of the chief executive officer of a corporation.

Section 6. Secretary. The Secretary shall not be required to be a Director or an Owner. The Secretary shall keep the minutes of all proceedings of the Board and all other Corporation records and shall attend to the giving of all notices to the Board and other notices pursuant to these Bylaws or the Declaration or required by law. The Secretary shall perform all other duties incident to the office of secretary of a corporation or as may be directed by the Board. The Secretary shall perform all of such duties at the expense of the Corporation.

Section 7. Treasurer. The Treasurer shall not be required to be a Director or an Owner. The Treasurer shall be responsible for Corporation funds and shall keep full and accurate financial records and books of account sufficient for proper accounting purposes showing all receipts and disbursements necessary for the preparation of all financial data and tax returns. The Treasurer shall be responsible for the deposit of all Corporation funds in such depositories as may from time to time be designated by the Board, and shall disburse Corporation funds for such purposes as may be permitted under these Bylaws or the Declaration. The Treasurer shall perform all other duties incident to the office of the Treasurer of a corporation or as may be directed by the Board. The Treasurer shall perform all such duties at the expense of the Corporation.

ARTICLE VII SHARES OF STOCK, DIVIDENDS AND LOANS PROHIBITED

Section 1. The Corporation shall not have or issue shares of stock. No dividends or compensation shall be paid and no part of the income of the Corporation shall be distributed to its Directors or Officers, or to the Owners.

Section 2. No loan shall be made by the Corporation to its Directors, Officers or Owners.

ARTICLE VIII CONTRACTS, CHECKS, DEPOSITS AND FUNDS

Section 1. Contracts. The Board may authorize any Officer or Officers or agent or agents of the Corporation, in addition to the Officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances. Among other things, such contracts may provide for the employment of personnel necessary for the maintenance, upkeep, and repair of the Common Area. Notwithstanding the foregoing, no management agreement, service contract or employment contract made by or on behalf of the Corporation prior to the Turnover Meeting shall be for a term in excess of three (3) years, and any such agreement shall terminate without penalty to Declarant, Builder, the Corporation or the Board upon not less than thirty (30) days' written notice to the other party thereto given by the Board not later than sixty (60) days after the Turnover Meeting.

Section 2. Checks, Drafts, Etc. All checks, payment vouchers, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation (including checks or vouchers for the payment of the expenses incurred in maintaining the Common Area), shall be signed by such Officer or Officers or agent or agents of the Corporation and in such manner as shall from time to time be determined by the Board.

Section 3. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories as the Board may select. All assessments, including Declarant or Builder subsidies, shall be deposited in a separate account in the name of the Association. All expenses of the Association shall be paid from such account.

Section 4. Gifts. The Board may accept on behalf of the Corporation any contribution, gift, bequest, or devise for the general purposes or for any special purpose of the Corporation.

ARTICLE IX FINANCIAL MATTERS AND RECORDS

Section 1. General. The Corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of the Board and committees having any of the authority of the Board and shall keep at its registered or principal office a record giving the names and addresses of the Directors. All books and records of the Corporation may be inspected by any Director, or his agent or attorney, for any proper purpose at any reasonable time.

Section 2. Financial Statements. The Board may appoint a certified public accountant or certified public accounting firm as auditor, who shall not be an Officer or own any interest in any Lot, to audit the books and financial records of the Corporation. Within ninety (90) days after the end of each fiscal year, the Board shall distribute to each Owner and, upon request, any mortgagee of a Lot a copy of the annual financial statement of the Corporation,

consisting of a balance sheet and income and expense statement for the preceding fiscal year. The Corporation shall make available to Owners and to holders, insurers or guarantors of any mortgage on a Lot, for their inspection and copying, upon request, during normal business hours or under other reasonable circumstances, current copies of: (i) the Declaration, Articles of Incorporation, Bylaws, and rules concerning the Property, (ii) the Corporation's most recent financial statement, (iii) the current operating budget of the Corporation, and (iv) all other records of the Corporation. Upon written request of a prospective purchaser of a Lot, the Corporation shall make available for examination and duplication during reasonable hours the documents and items described in items (i) through (iii) in the preceding sentence. The Corporation may charge a reasonable fee for furnishing copies of any documents, information, or records described in this Section 2. The fee may include reasonable personnel costs for furnishing such copies.

Section 3. Tax Returns. The Board shall cause to be filed the necessary income tax returns for the Corporation.

Section 4. Fiscal Year. The Corporation's fiscal year shall commence January 1 and shall end on December 31.

ARTICLE X INSURANCE

Section 1. By the Association. The Board shall obtain, and maintain in effect, from reputable insurance companies authorized to do business in the State of Oregon, (i) public liability insurance with respect to all the Common Area in such amounts and in such forms as the Board deems advisable to provide adequate protection for bodily injury, including deaths of persons, and property damage, whether caused by the negligence of the Association or otherwise; provided, however, that such policy(ies) shall not be for an amount of less than \$1,000,000.00 per person, per occurrence, and that such policy(ies) shall provide that the coverage thereunder cannot be canceled or substantially modified without at least 10 days' written notice to the Association; and (ii) hazard insurance for all insurable Improvements in the Common Area sufficient to cover the full replacement costs or any repair or reconstruction in the event of damage or destruction from any such hazard if the insurance is available at reasonable cost. The insurance coverage obtained and maintained by the Board may not be brought into contribution with insurance bought by Owners or their mortgagees. Any insurance policy obtained by the Corporation pursuant to the Declaration shall show the Corporation as the named insured and shall, if possible, be written by an insurer with a "B" general policyholder's rating and a "III" financial size category in Best's "Key Rating Guide." The policies obtained by the Corporation pursuant to the Declaration may contain a reasonable deductible not to exceed the lesser of \$10,000 or one percent of the face value of the policy, and the amount thereof shall be added to the face amount of the policy in determining whether the insurance equals at least the required full replacement cost. Any policies obtained by the Corporation shall, if reasonably available, provide a waiver of subrogation by the insurance company as to any claims against the Board, any Owner, or any guest of an Owner.

Section 2. By the Owners. Each Owner of a Lot shall obtain, and maintain in effect, from reputable insurance companies authorized to do business in the State of Oregon, public liability and property damage insurance with respect to such Lot in an amount of not less than \$500,000.00 per person, per occurrence. Additionally, each Owner shall obtain, and maintain in effect, from such companies fire and extended coverage casualty insurance with respect to the Unit in an amount equal to 100% of the replacement cost thereof. Each Owner shall also be responsible for obtaining fire and extended coverage casualty insurance with respect to that Owner's personal property.

Section 3. Director and Officer Insurance. At the discretion of the Board, the Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, Officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of the Articles of Incorporation of the Corporation.

Section 4. General Provisions. Premiums for insurance obtained by the Board pursuant to this Article XII shall be a common expense of the Corporation. At least annually, the Board shall review the insurance coverage of the Corporation. If reasonably available, the Board shall obtain insurance policies with the provisions specified in ORS 94.680 and with an "inflation guard" endorsement.

ARTICLE XI TRANSFER OF CONTROL

Section 1. Transitional Advisory Committee. No later than sixty (60) days after the later of (a) the date the Declarant or Builder conveys 50% or more of the Lots in the first phase to Owners other than a Successor Declarant, or (b) the date the Declarant or Builder has conveyed 10 Lots to Owners other than a Successor Declarant, Declarant or Builder shall call a special meeting of the Owners to select a Transitional Advisory Committee. Declarant or Builder shall give notice in accordance with Article IV, Section 3 to each Owner of the special meeting. At such meeting, the Owners in attendance, other than Declarant and Builder, by vote of a majority of those present, shall select two (2) members of a Transitional Advisory Committee composed of three (3) members. The third member shall be selected by Declarant or Builder. The members of the Transitional Advisory Committee shall serve until the Turnover Meeting. The function of the Transitional Advisory Committee shall be to facilitate the transition from control of the administration of the Corporation by Declarant and Builder to control by the Owners. The Transitional Advisory Committee shall have reasonable access to all information and documents that Declarant is required to turn over to the Association under ORS 94.616(3). If the meeting required pursuant to this Section 1 is not called by Declarant or Builder within the time specified, the meeting may be called and notice given by any Owner. Notwithstanding the foregoing, if the Owners do not select members of the Transitional Advisory Committee as provided above, Declarant and Builder shall have no further obligation to form the Transitional Advisory Committee. There shall be no requirement that a Transitional Advisory Committee be formed

and no Transitional Advisory Committee shall be appointed, once the Turnover Meeting has been held.

Section 2. Turnover Meeting. On a date that is not later than ninety (90) days after the Turnover Date, Declarant or Builder shall call the Turnover Meeting. Declarant or Builder shall give notice of such meeting as provided in Article IV, Section 3 to each Owner. The notice shall state the purpose of the meeting, which shall be the relinquishment by Declarant and Builder of control of the administration of the Corporation, and the time and place at which the meeting is to be held. If Declarant or Builder does not call the Turnover Meeting required by this Section 2 within the required period, the Transitional Advisory Committee described in Section 1, or any Owner, may call such a meeting and give notice as required by this Section 2. At the Turnover Meeting: (i) Declarant shall relinquish control of the administration of the Corporation and the Owners shall assume the control thereof, (ii) the Directors of the Corporation then serving shall resign and the Owners (including Declarant) shall elect a Board of Directors in accordance with these Bylaws, and (iii) Declarant shall deliver to the Corporation all of the items set forth in ORS 94.616(3). After the Turnover Meeting, Declarant, Builder or their representatives shall be available to meet with the Board on at least three mutually acceptable dates as provided under ORS 94.616(4).

ARTICLE XII RULES AND REGULATIONS

The Board shall have power to adopt and publish rules and regulations governing the conduct of persons and the operation and use of the Lots and the Common Area as it may deem necessary or appropriate to assure the peaceful and orderly use and enjoyment of the Property, and to establish penalties for the infraction thereof. Such rules and regulations may be adopted upon a majority vote of the members of the Board present at a meeting at which there is a quorum of Board members and as to which notice has been given as provided in these Bylaws. Such notice shall include a verbatim copy of all proposed rules and regulations. No rule or regulation shall be adopted without a copy thereof first having been delivered or mailed to each Owner at the last address for such Owner in the records of the Association. Upon adopting any such rules and regulations, the Board shall cause copies thereof to be delivered to each Owner. All such rules and regulations become binding on all Owners and occupants of all Lots upon the date of delivery. Any rule or regulation which conflicts with these Bylaws or the Declaration shall be null and void.

ARTICLE XIII MAINTENANCE

The Corporation shall have maintenance responsibilities as set forth in the Declaration. Costs and expenses incurred by the Corporation in discharging its maintenance responsibilities shall be paid in the manner described in Article IX, Section 2.

ARTICLE XIV ASSESSMENTS

Section 1. Generally. All Lots shall be subject to assessment in accordance with the provisions of the Declaration. Regular Assessments shall be made on a monthly basis. Subject to amendment by the Board, the Association shall give written notice to each Owner as to the amount of the Regular Assessment with respect to each Lot on or before December 15 for each year for the calendar year commencing January 1 of the next year. The Regular Assessment shall be due and payable as the Board shall determine.

Section 2. Request for Assessments Due. The Association shall provide, within ten (10) business days of receipt of a written request from an owner, a written statement that provides (i) the amount of assessments due from the Owner and unpaid at the time the request was received, such as regular and special assessments, fines, accrued interest, late payment charges and other charges, (ii) the percentage rate at which interest accrues on unpaid assessments and (iii) the percentage rate or fixed charge for late payments. The Association need not provide the amount of assessments due as provided in (i) if the Association has commenced litigation by filing a complaint against the Owner and the litigation is pending when the statement would otherwise be due.

ARTICLE XV AMENDMENTS TO BYLAWS

Section 1. Except as expressly provided in the Declaration, these Bylaws may be amended or repealed and new bylaws may be adopted by a majority of the Directors present at any regular meeting or at any special meeting, if at least two (2) days' written notice is given of intention to amend or repeal and adopt new bylaws at such meeting accompanied by a copy or summary of the amendment; provided, however, that the Board shall have no authority to amend or repeal any provision of these Bylaws relating to the election, qualifications, powers, duties or terms of Directors without the approval of the Owners given at a special meeting called for such purpose; and provided, further, that all such amendments shall be consistent with the provisions of the Declaration. No special Declarant right as defined in ORS 94.550(20) or contained in these Bylaws or the Declaration may be amended without the consent of Declarant and Declarant may unilaterally make the amendments to the Bylaws permitted by Article XIII, Section 3 of the Declaration and ORS 94.585. An amendment is not effective unless it is certified by the President and Secretary of the Association as having been adopted in accordance with these Bylaws and ORS 94.625, and recorded in the office of the Deed Records of Deschutes County, Oregon.

Section 2. So long as there is a Class B membership, Declarant or Builder shall submit a written request for approval of any amendment of these Bylaws to HUD/VA. If HUD/VA fails to give written notice to Declarant or Builder of objections to the request within fifteen (15) days of the date of Declarant's or Builder's request for approval, such HUD/VA approval shall be deemed to have been granted. A statement in the applicable document that all requisite approvals have been granted shall be sufficient to evidence of record any HUD/VA approvals required under the Bylaws. "HUD/VA" means the federal Department of Housing and Urban

Development, the Federal Housing Administration or the Veterans Administration. Request for approval may be sent to any of such agencies, or any other federal agency with responsibility for the matter at issue, and approval of such agency shall be considered HUD/VA approval for all purposes

ARTICLE XVI WAIVER OF NOTICE

Whenever any notice is required to be given under the provisions of the nonprofit corporation laws of the State of Oregon, as it exists or may be amended in the future, or under the provisions of the Articles of Incorporation or these Bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XVII HEADINGS

The headings contained in these Bylaws are for convenience and shall not in any way affect the meaning or interpretation of these Bylaws.

ARTICLE XVIII ACTION WITHOUT A MEETING

Any action which applicable law, the Declaration or these Bylaws require or permit the Owners or the Board to take at a meeting may be taken without a meeting if a consent in writing setting forth the action so taken is signed by all of the Owners or Directors entitled to vote on the matter. The consent, which shall have the same effect as a unanimous vote of the Owners or the Board, as the case may be, shall be filed in the records of minutes of the Corporation.

ARTICLE XIX LITIGATION

Before initiating any litigation or an administrative proceeding in which the Association and an Owner have an adversarial relationship, the party that intends to initiate litigation or an administrative proceeding shall offer to resolve the problem through an alternative dispute resolution program pursuant to ORS 94.630(4).

ARTICLE XX CONFLICTS

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

I, Julie Journeay, as Secretary of River Canyon Estates Homeowners' Association, Inc. do hereby certify the foregoing to be the Bylaws of the Corporation, as adopted by the Board effective as of the 23rd day of SEPTEMBER, 2002.

By: [Signature]
Its: Secretary

STATE OF OREGON

County of Multnomah

) ss

This instrument was acknowledged before me on 3rd of Oct., 2002, by Julie Journeay, who executed the within instrument and acknowledged to me that she executed the same freely and voluntarily.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal to the day and year last above written.

[Signature]
NOTARY PUBLIC FOR OREGON
My commission Expires: 4/9/05

