

After recording, return to:
Allen-Rose Homes, LLC
P. O. Box 489
Redmond, OR 97756

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**INITIAL BYLAWS
OF
SAGEWOOD OWNERS ASSOCIATION, INC.**

These **INITIAL BYLAWS OF SAGEWOOD OWNERS ASSOCIATION, INC.** are adopted as of the 15 day of October, 2002 by **ALLEN-ROSE HOMES, LLC**, an Oregon limited liability corporation (the "**Declarant**").

RECITALS

A. Declarant is the declarant under the Declaration of Covenants, Conditions and Restrictions for SageWood recorded September 16, 2002 in the Records of Deschutes County, Oregon and re-recorded for corrections on November 6, 2002 in the Records of Deschutes County, Oregon as Document No. 2002-62119 (the "**Declaration**").

B. Article 8 of the Declaration provides that Declarant shall establish an Association for SageWood, adopt Articles of Incorporation and initial Bylaws for the Association and supervise the organization of the Association.

C. Declarant has established SageWood Owners Association, Inc. (the "**Association**") as a Class I Planned Community under the Oregon Planned Community Act, ORS 94.550 to 94.783. In connection therewith, Declarant has adopted and filed Articles of Incorporation for the Association.

NOW, THEREFORE, Declarant hereby adopts the bylaws attached hereto as "Exhibit A" as the Initial Bylaws of the Association and has caused such Bylaws to be recorded in the Real Property Records of Deschutes County, Oregon, pursuant to ORS 94.625(c).

ALLEN-ROSE HOMES, LLC,
an Oregon limited liability corporation

By: [Signature]
Its Managing Member

STATE OF OREGON)
)ss.
County of Deschutes)

This instrument was acknowledged before me this 9th day of December, 2003 by Steve Buethner, as Managing Member of Allen-Rose Homes, LLC, an Oregon limited liability corporation, on its behalf.



[Signature]
Notary Public for Oregon
My commission expires: 5-23-06

**DESCHUTES COUNTY OFFICIAL RECORDS
NANCY BLANKENSHIP, COUNTY CLERK**

2003-84321



\$126.00

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BYLAWS OF
SAGEWOOD OWNERS ASSOCIATION, INC.
an Oregon Nonprofit Corporation

ARTICLE I.

DEFINITIONS

In construing these Bylaws,

1.1 "Design Committee" means the committee appointed pursuant to Article 6 of the Declaration.

1.2 "Association" means the corporation as defined in these Bylaws.

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

1.4 "Class A Member or Class A Membership" means 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, as set forth in the Declaration, Class A Members shall be all owners including Declarant) or such Owners' membership in the corporation.

1.5 "Class B Member or Class B Membership" means Declarant or Declarant's membership in the corporation until such membership is converted to Class A membership in accordance with the Declaration.

1.6 "Common Areas" means those Lots or tracts designated as common or open space on any plat of any of the Property, or in the Declaration, or in any declaration annexing property to the Property, including any improvements thereon, and shall also include Common Easement Areas (as defined in the Declaration) and any Lots converted to Common Areas as provided in the Declaration.

1.7 "Corporation" means SageWood Owners Association, Inc., an Oregon nonprofit corporation.

1.8 "Declarant" means Allen-Rose Homes, L.L.C. and its successors and assigns if such successor or assignee should acquire Declarant's interest in the remainder of the Property, or in less than all of the Property if a recorded instrument executed by Declarant

assigns to the transferee all of Declarant's rights under the Declaration.

1.9 "Declaration" means the Declaration of Covenants, Conditions and Restrictions for SageWood, dated September 13, 2002, and all of the easements, covenants, restrictions and charges set forth therein, together with any rules or regulations promulgated thereunder, as the same may be amended or supplemented from time to time in accordance with the provisions thereof.

1.10 "Lot" shall mean each platted or legally partitioned lot within the Property. Lot does not include Common Areas or Public Areas.

1.11 "Officers" means those officers of the Corporation as defined in and elected in accordance with Article V of these Bylaws.

1.12 "Owner" shall mean the record Owner, including Title Holder and Declarant, whether one or more persons or entities, of the fee simple title to any Lot or a purchaser in possession under a land sale contract. The foregoing does not include persons or entities who hold an interest in any Lot merely as security for the performance of an obligation or a tenant or holder of a leasehold interest. The rights, obligations and other statutes of being an Owner commence upon acquisition of the ownership of a Lot and terminate upon disposition of such ownership, but termination of ownership shall not discharge an Owner from obligations incurred prior to termination.

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

1.14 "The Property" means SageWood as defined in the Declaration.

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

1.16 "Sold" means that legal title has been conveyed or that a contract of sale has been executed and recorded under which the purchaser has obtained the right to possession.

1.17 "Title Holder" means LMC Properties, LLC, an Oregon limited liability company.

1.18 "Turnover Date" means the date on which Lots representing ninety-five percent (95%) of the voting power computed in accordance with Paragraph 8.8 of the Declaration have been sold and conveyed to Owners other than Declarant or Title Holder.

1.19 "Turnover Meeting" means the meeting of the Owners, Declarant and the Board called for the purpose of turning over administrative responsibility for the Property to the Corporation.

ARTICLE II

OFFICES

The principal office of the Corporation in the State of Oregon shall be located in the City of Bend, County of Deschutes. 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 may 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 Oregon Nonprofit Corporation Law. 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

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

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

(a) Lots. Lots shall be allocated one Voting Unit per Lot. A single-family Lot shall be allocated one vote regardless of whether the Living Unit has been constructed on such 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 the Class B member and shall be entitled to Voting Units for each Lot owned computed in accordance

with Section 3.2(a) above. When more than one person holds an interest in any Lot, all such persons shall be members and the vote for such Lot shall be exercised as they among themselves determine. In no event, however, shall more Voting Units be cast with respect to any Lot than as set forth in Section 3.2(a) above.

Class B. The Class B member shall be Declarant and shall be entitled to three times the voting rights computed under Section 3.2(a) for each Lot owned by Title Holder or Declarant. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(i) Declarant has completed development of all Lots and Common Areas permitted under the City of Bend approval for SageWood, and Lots representing ninety-five percent (95%) of the Voting Units computed in accordance with this Section have been sold and conveyed to Owners other than Title Holder or Declarant; or

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

3.3 Powers and Obligations. The Corporation shall have, exercise and perform all 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 or both may 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 or Bylaws of the Corporation made in accordance with such instruments and with the nonprofit corporation laws of the State of Oregon.

ARTICLE IV

MEETINGS OF OWNERS

4.1 Annual Meetings Prior to Turnover Date. Prior to the Turnover Date, a meeting of the Owners shall be held annually. Such meeting shall be called in accordance with Section 4.3 below.

4.2. Meetings to Elect Directors. Any meeting of Owners held for the purpose of electing directors pursuant to this Article IV shall be conducted in accordance with the following procedures:

(a) Within thirty (30) days after the Turnover Meeting, a meeting of Owners shall be called as provided in Section 4.3 below for the purpose of electing replacement directors. At such meeting the directors elected pursuant to Section 5.3(a) of Article V shall resign and their successors shall be elected by the Owners as provided in the Declaration, the Articles of Incorporation of this Corporation, and these Bylaws.

4.3 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 person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least fifteen (15) days before such meeting, but not more than 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. 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.

4.4 Proxies; Quorum; Voting. Each Owner and Declarant shall have the number of votes provided for in Article III, Section 3.2(b), 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 (a) 11 months after the date of the proxy; or (b) 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 percent of the total votes entitled to be cast at any meeting shall constitute a quorum. The affirmative vote of a majority of the votes represented and voting shall constitute the act of the Owners. Voting of the Members

may be by mail with respect to any matter before the Members. In any case in which voting by mail is necessary or desirable, the Secretary shall give written notice to all Members, which notice shall (a) include a written resolution setting forth the proposed action, (b) state that the Members are entitled to vote by mail for or against such resolutions, and (c) specify a date not less than 25 days after the date of such notice by which all votes must be received at the principal office of the Corporation. Votes received after the date specified shall not be effective.

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

4.6 Special Meetings. Special meetings of the Owners may be called at any time by the President or a majority of the board of directors, or upon written request of the Owners who are entitled to vote 25 percent of all of the votes of Class A membership.

ARTICLE V

BOARD OF DIRECTORS

5.1 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 5.2 below. The Board shall have all requisite power, duty and authority to perform its obligations under the Declaration, including without limitation, the power, duty and authority to enforce the provisions of the Declaration and to acquire and pay for out of the common fund 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.

5.2 Number and Classification of Directors. The directors shall not be required to be Owners. The Board shall be comprised of three (3) directors. Until the Turnover Date, Declarant shall appoint all directors, except that the Declarant may revocably or irrevocably delegate the power to appoint directors hereunder by written instrument delivered to the Association naming the party to whom the power to appoint directors has been delegated. On the Turnover Date, the directors selected by Declarant shall submit their resignations, effective upon the appointment or election of their successors as provided in Section 5.3 of this Article V. From and after the Turnover Date, the directors shall be elected in the manner provided in Section 5.3 of Article V. Voting for directors shall not be cumulative.

5.3 Election of Directors. From and after the Turnover Date, the Board shall be elected as follows:

(a) Until the Turnover Meeting, the directors shall be selected by Declarant.

(b) From and after the Turnover Meeting, all directors shall be elected by the Owners, with each Owner having the number of votes set forth in Article III above.

5.4 Terms of Directors.

(a) The first directors appointed by Declarant pursuant to Article V, Section 5.3(a) shall serve until replaced by Declarant.

(b) The first directors elected by the Owners pursuant to the terms of Article V, Section 5.3(b) shall serve staggered terms of one year, two years and three years as they among themselves shall determine.

(c) Except as provided in Article V, Sections 5.4(a) and (b), all directors shall serve three-year terms. Any director may serve more than one term.

5.5 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.

5.6 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 selected shall serve the remainder of the replaced director's term.

5.7 Meetings of the Board.

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

(b) All meetings of the Board shall be open to all Owners. For other than emergency meetings, notice of Board meetings shall be mailed to all Owners, at the last address for such Owners in the records of the Corporation, not less than 10 days before the meeting, posted at a place or places on the Properties at least three days prior to the meeting, or provided by a method otherwise reasonably calculated to inform Owners of the meeting. Emergency meetings may be held without notice, if the reason for the emergency is stated in the minutes of the meeting. Only emergency meetings of the Board may be conducted by telephonic communication.

(c) The Board shall meet annually, within 90 days after the end of each fiscal year. At each annual meeting, in addition to the actions required by Article 8 of the Declaration, 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.

(d) 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 the 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 6.2 of Article VI or to consider removal of the Secretary pursuant to Section 6.3 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.

(e) 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.

(f) The Secretary shall give written notice to each director of each Board meeting at least ten (10) but no more than thirty (30) days prior to the date set for such meeting, stating the purpose, time, and place of the meeting. Notice 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.

5.8 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 percent 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.

5.9 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.

5.10 Removal. Any director, other than a director appointed by Declarant or an ex officio director, may be removed, with or without cause, by the affirmative 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.

ARTICLE VI

OFFICERS

6.1 Officers. The Officers of the Corporation shall be the President, the Treasurer and the Secretary, each of whom shall be elected by the Board. The same person shall not concurrently hold more than one office. The Board may designate such additional Officers as it deems appropriate.

6.2 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.

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

6.4 Compensation. Other than reimbursement of out-of-pocket expenses incurred on behalf of the 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.

6.5 President. The President shall be a director and shall be the chief executive officer of the Corporation. The President shall not be required to be an Owner. 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.

6.6 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.

6.7 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 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 AND DIVIDENDS PROHIBITED

The Corporation shall not have or issue shares of stock. No dividends shall be paid and no part of the income of the Corporation shall be distributed to its Directors, Officers, or Owners. The Corporation may pay compensation in a reasonable amount to its Officers for services rendered as provided by the Articles of Incorporation, the Declaration, other provisions of these Bylaws, or resolution of the Board.

ARTICLE VIII

CONTRACTS, CHECKS, DEPOSITS AND FUNDS

8.1 Contracts. The Board may authorize any Officer or Officers, 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 Areas.

8.2 Checks, Drafts, Etc. All checks, 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 Areas), shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by the Board.

8.3 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.

8.4 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

ARCHITECTURAL AND DESIGN CONTROL

The Design Review Committee shall perform and shall be empowered to perform all acts as provided in Article 6 of the Declaration.

ARTICLE X

FINANCIAL MATTERS

10.1 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 of 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.

10.2 Financial Statements. The Board may appoint a certified public accountant or certified public accounting firm as auditor, who shall not be an officer of the Corporation or own any interest in any Lot, to audit the books and financial records of the Corporation, Within 90 days after the end of each fiscal year, the Board shall distribute to each Owner and, upon request, any Mortgagee (as such term is defined in the Declaration) of a Lot a copy of the annual financial statement consisting of 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 the Declaration, Articles of Incorporation, Bylaws and rules concerning the Property, the Corporation's most recent financial statement, the current operating budget of the Corporation, and all other records of the Corporation.

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

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

ARTICLE XI

INSURANCE

The Board shall at all times cause any insurable improvements located on the Common Areas and each Owner shall at all times cause all insurable buildings and improvements located on his or her Lot to be insured against loss or damage by fire or other hazards, including extended coverage, vandalism, and malicious mischief, for the full replacement value thereof. Owners may obtain any other insurance they deem prudent. The insurance coverage obtained and maintained by the Board may not be brought into contribution with insurance bought by Owners or their mortgagees. The Board shall also at all times maintain public liability insurance covering all Common Areas and all damage or injury caused by the negligence of the Corporation. 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. Premiums for insurance obtained by the Board pursuant to this Section shall be a common expense of the Corporation. The policies may contain a reasonable deductible and the amount thereof shall be added to the face amount of the policy in determining whether the insurance equals at the least the full replacement cost. At least every two years, the Board shall review the insurance coverage of the Corporation. If reasonable available, the Board shall obtain insurance policies with the provisions specified in ORS 94.680.

ARTICLE XII

TRANSFER OF CONTROL

12.1 Transitional Committee. Within 60 days after the conveyance to Owners other than Declarant or Title Holder of a total of 50 percent of the votes of all phases of the Property computed in accordance with Article III, Section 3.2(a), of these Bylaws, Declarant shall call a special meeting of the Owners to select a transitional committee. Declarant shall give notice in accordance with Article IV, Section 4.3, of these Bylaws to each Owner of the special meeting. At such meeting, the Owners in attendance, other than Declarant, by vote of a majority of those present, shall select two members of a transitional committee composed of three members. The third member shall be selected by Declarant. The members of the transitional committee shall serve until the Turnover Meeting. The function of the transitional committee shall be that of enabling ease of transition from control of the administration of the Corporation by Declarant to control by the Owners. If the meeting

required pursuant to this Section 12.1 is not called by Declarant, 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 committee as provided above, Declarant shall have no further obligation to form the transitional committee. There shall be no requirement that a transitional committee be formed and no transitional committee shall be appointed, once the Turnover Meeting has been held.

12.2 Turnover Meeting. On a date that is not later than 90 days after the Turnover Date, Declarant shall call the Turnover Meeting. Declarant shall give notice of such meeting as provided in Article IV, Section 4.3, herein to each Owner. The notice shall state the purpose of the meeting and the time and place at which the meeting is to be held. At the Turnover Meeting: (a) Declarant shall relinquish control of the administration of the Corporation and the Owners shall assume the control, (b) the Owners and Declarant shall elect a board of directors in accordance with these Bylaws, and (c) Declarant shall deliver to the Corporation all of the items set forth in ORS 94.616(3). At and after the Turnover Meeting, Declarant shall continue to have the voting rights described in Article III, Section 3.2(b), of these Bylaws.

ARTICLE XIII

RULES AND REGULATIONS

The Board shall have power to adopt and publish rules and regulations governing the use of the Common Areas and facilities, and the personal conduct of the Owners and their guests and tenants thereon, 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 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, copies thereof shall be delivered to each Member and a copy shall be posted in a conspicuous place on the Property. Any rule or regulation which conflicts with these Bylaws or the Declaration shall be null and void.

ARTICLE XIV

MAINTENANCE, UTILITIES AND SERVICES

14.1 Maintenance and Lighting of Common Areas. The Corporation shall perform all maintenance upon, and where the Corporation deems appropriate, provide exterior lighting for, the Common Areas (all as defined in the Declaration) and in other areas not yet

annexed to SageWood, but which in the Corporation's or Declarant's reasonable judgment benefit Owners of property in SageWood and landscaping within dedicated rights of way, or easements, including but not limited to, grass, trees, walks, private roads, entrance gates and signs, parking areas, walkways and trails, unless the maintenance thereof is assumed by a public body. Such areas shall be maintained in a safe condition to at least applicable City of Bend standards, and in a good and workmanlike manner such as to carry out the purpose for which such areas are intended.

14.2 Maintenance of Utilities. The Corporation shall perform or contract to perform maintenance of all private utilities within Common Areas, such as sanitary sewer service lines, domestic water service lines, storm water detention facilities, and storm drainage lines, except to the extent such maintenance is performed by the utilities furnishing such services. Each Owner shall be responsible for maintaining utility lines within his Lot.

14.3 Services. The Corporation may provide or contract for such other services as the Board may reasonable deem to be of benefit to the Property, including, without limitation, garbage and trash removal for Common Areas and security services.

ARTICLE XV

ASSESSMENTS

15.1 Annual Budgets. The Board shall from time to time, and at least annually, prepare an operating budget for the Corporation, taking into account the current costs of maintenance and services and future needs of the Corporation, any previous overassessment and any common profits of the Corporation. The budget shall provide for such reserve or contingency funds as the Board deems necessary or desirable or as may be required by law. Within 30 days after adopting a proposed annual budget for the planned community, the Board shall provide a summary of the budget to all Owners. If the Board is petitioned by Owners representing 20 percent of the votes of the membership, the Board shall call a meeting of the Owners to consider rejection of the budget. The date of the meeting shall be not less than 14 or more than 30 days after the summary is provided to the Owners. At the meeting, whether or not a quorum is present, the budget shall be adopted unless 75 percent of the votes of the membership rejects the budget. If the proposed annual budget is rejected, the last annual budget shall continue in effect until the Owners approve a subsequent budget.

15.2 Assessment Formula. All lots shall pay a pro rata share of the annual assessments, special assessments and emergency assessment, commencing upon the date such Lots are made subject to this Declaration.

15.3 Capital Improvement Assessments. The Corporation may purchase, construct or otherwise acquire additional equipment, facilities or other capital improvements for the general use and benefit of all the members of the Corporation, and for that purpose may impose a special assessment to be called a "Capital Improvement Assessment". Any such assessment shall be assessed to the Lots within the Property on the same formula as set forth in Article XV, Section 15.2. No new Capital Improvement Assessment may be imposed under this Section which, for any one purchase, construction or other acquisitions, in the aggregate exceeds \$10,000, unless approved by the vote or written consent of the Class B member, if any, and by not less than seventy-five percent (75%) of the votes of the Class A members who are voting in person, by absentee ballot or by proxy at a meeting duly called for the purpose of approving the Capital Improvement Assessment. To the extent that the additional equipment, facilities or other capital improvement purchased, constructed, or otherwise acquired by the Corporation shall include items of Common Property (as hereinafter defined) which will normally require replacement, in whole or in part, in more than three and less than thirty years, such Capital Improvement Assessment shall be accompanied by a corresponding Common Property Reserve Account Assessment (as hereinafter defined) as required by Article XV, Section 15.4 below.

15.4 Reserve Account for Replacing Common Property. Declarant shall establish a reserve account which shall be called the "Common Property Reserve Account" and which will be kept separate and apart from all other funds of the Corporation. Except as provided in Article XV, Section 15.4(b) below, the Common Property Reserve Account shall be used exclusively for replacement of items of Common Property which will normally require replacement, in whole or in part, in more than three and less than thirty years and not for regular or periodic maintenance expenses. "Common Property" shall mean any real property or interest in real property within the Property which is owned or leased by the Corporation or designated as such in any plat of property within the Property, or in the Declaration, or in any declaration annexing such property to the Property.

(a) Assessments. Not less often than annually, the Corporation shall inventory all items of Common Property which will normally require replacement, in whole or in part, in more than three and less than thirty years, and shall estimate the remaining life of each item of Common Property and the current replacement cost of each of such items. The Corporation may identify items for which a reserve account assessment is required as those items which are insurable by a common carrier of all-purpose risk insurance. For the purpose of funding the Common Property Reserve Account, the Corporation shall impose an assessment to be called the "Common Property Reserve Account Assessment" against each Lot within the Property on the same formula as set forth in Article XV, Section 15.2. The total Common Property Reserve Account Assessment shall be equal to the sum of the estimated replacement cost of each item of Common Property which has an estimated life of greater than three but less than thirty years, divided by the estimated number of years of

life for such item of Common Property (not the estimated years of life remaining). Declarant shall not be required to pay any assessment under this Article XV, Section 15.4, assessed to a Lot owned by Declarant until such date as the Lot is conveyed by Declarant.

(b) Loan From Common Property Reserve Account. After the Turnover Meeting, the Board may borrow funds from the Common Property Reserve Account to meet high seasonal demands on the Corporation's regular operating fund or to meet other temporary expenses. Funds borrowed to meet high seasonal demands or temporary expenses under this Subsection must be repaid from special assessment or maintenance fees within six months of the date such funds are borrowed.

(c) Increase, Reduction or Elimination of Common Property Reserve Account Assessments. At any time after the second year after the Turnover Meeting, future assessments for the Common Property Reserve Account may be increased, reduced or eliminated by the vote of Owners of Lots representing seventy-five percent (75%) of the votes computed in accordance with Article III, Section 3.2(a) above.

15.5 Maintenance and Operations Fund Assessment. The Corporation shall establish a fund to be known as the "Maintenance and Operations Fund", which shall be kept separate and apart from the Corporation's other funds. The Corporation shall use the Maintenance and Operations Fund exclusively for the purpose of promoting the recreation, health, safety and welfare of the residents within the Property and in particular for the improvement, maintenance and operation of properties, services and facilities devoted to this purpose and related to the use and enjoyment of the Common Areas and of the Lots in the Property, and for the operation of the Association, including but not limited to:

(a) Maintenance, Utilities and Services. Payment of the cost of maintenance, utilities and services as described in Article XV.

(b) Insurance. Payment of the cost of insurance as described in Article XII.

(c) Taxes. Payment of taxes assessed against the Common Areas and any improvements thereon.

(d) Other Services. Payment of the cost of other services which the Corporation deems to be of general benefit to the Owners, including but not limited to accounting, legal and secretarial services.

For the purpose of funding the Maintenance and Operations Fund, the Corporation shall not less often than annually estimate the cost of accomplishing the goals for which the Maintenance and Operations Fund is established for the next fiscal year, and

assess such cost to the Lots ("Maintenance and Operations Fund Assessment"). The Corporation may include in such Maintenance and Operations Fund Assessment amounts for the establishment for reserves to meet extraordinary expenses or such other amounts which are reasonably related to the purpose of the Maintenance and Operations Fund. The Maintenance and Operations Fund Assessment shall be assessed to Lots within the Property on the same formula as set forth in Article XV, Section 15.2, above.

15.6 Payment of Assessments. The Corporation shall, not less than annually, provide notice to the Owner of each Lot of the amount of the assessment for such Lot calculated in accordance with Article 10, Section 3 of the Declaration. Assessments shall be due and payable on or before a date set forth in the notice, which shall be not less than 30 days from the date the notice is mailed or at such other time or times set in accordance with the Declaration or these Bylaws as the Corporation may specify in the notice.

15.7 Creation of Lien: Personal Obligation of Assessments. Declarant, for each Lot owned by it within the Property, and each Owner of any Lot shall pay to the Corporation all assessments or other charges as may be fixed, established and collected from time to time in the manner provided in the Declaration or these Bylaws. Such assessments and charges, together with any interest, expenses or attorney fees imposed pursuant to Article XV, Section 15.9 below, shall be a charge on the land and a continuing lien upon the Lot against which each such assessment or charge is made. Such assessments, charges and other costs shall also be the personal obligation of the person who was the Owner of such Lot at the time when the assessment or charge fell due.

15.8 Default in Payment of Assessments; Enforcement of Lien. If an assessment or other charge levied under these Bylaws or the Declaration is not paid within thirty (30) days of its due date, such assessment or charge shall become delinquent and shall bear interest from the due date until paid at the rate set forth below and, in addition, the Corporation may exercise any or all of the following remedies:

(a) Suspension of Rights; Acceleration. The Corporation may suspend such Owner's voting rights and right to use the Common Areas until such amounts, plus other charges under the Declaration, are paid in full and may declare all remaining periodic installments of any annual assessment or any other amounts owed by such Owner to the Corporation immediately due and payable. In no event, however, shall the Corporation deprive any Owner of access to and from such Owner's Lot.

(b) Lien. The Corporation shall have a lien against each Lot for any assessment levied against the Lot and any fines or other charges imposed under the Declaration or these Bylaws against the Owner of the Lot from the date on which the assessment, fine, or charge is due. The provisions regarding the attachment, notice,

recordation and duration of liens established on real property under ORS 87.352 to 87.382 shall apply to the Corporation's lien. The lien shall be foreclosed in accordance with the provisions regarding the foreclosure of liens under ORS Chapter 88. The Corporation, through its duly authorized agents, may bid on the Lot at such foreclosure sale, and may acquire and hold, lease, mortgage and convey the Lot. If any assessment is payable in installments, the full amount of the assessment is a lien from the date the first installment of the assessment becomes due.

(c) Suit or Action. The Corporation may bring an action to recover a money judgment for unpaid assessments, fines and charges under the Declaration or these Bylaws without foreclosing or waiving the lien described in Paragraph (b) above. Recovery on such action, however, shall operate to satisfy the lien, or the portion thereof, for which recovery is made.

(d) Other Remedies. The Corporation shall have any other remedy available to it by law or in equity.

15.9 Interest, Expenses and Attorney Fees. Any amount not paid to the Corporation when due in accordance with these Bylaws or the Declaration shall bear interest from the due date until paid at a rate three percentage points per annum above the prevailing Bend, Oregon, prime rate at the time, or such other rate as may be established by the Board, but not to exceed the lawful rate of interest under the laws of the State of Oregon. A late charge may be charged for each delinquent assessment in an amount established from time to time by resolution of the Board not to exceed thirty percent (30%) of such assessment. In the event the Corporation shall file a notice of lien, the lien amount shall also include the recording fees associated with filing the notice, and a fee for preparing the notice of lien established from time to time by resolution of the Board. In the event the Corporation shall bring any suit or action to enforce the Declaration or these Bylaws, or to collect any money due hereunder or to foreclose a lien, the Owner-defendant shall pay to the Corporation all costs and expenses incurred by it in connection with such suit or action, including a foreclosure title report, and the prevailing party in such suit or action shall recover such amount as the court may determine to be reasonable as attorney fees at trial and upon any appeal or petition for review thereof.

15.10 Nonexclusiveness and Accumulation of Remedies. An election by the Corporation to pursue any remedy provided for herein shall not prevent concurrent or subsequent exercise of another remedy permitted hereunder. The remedies provided herein are not exclusive, but shall be in addition to all other remedies, including actions for damages and suits for injunctions and specific performance, available under applicable law to the Corporation.

ARTICLE XVI

AMENDMENTS TO BYLAWS

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 days' written notice is given of intention to amend or to repeal and adopt new bylaws at such meeting accompanied by a copy or summary of the amendment. No special declarant right (as defined in ORS 94.550(12)) contained in these Bylaws may be amended without the consent of Declarant and Declarant may unilaterally make the amendments to the Bylaws permitted by ORS 94.585.

ARTICLE XVII

WAIVER OF NOTICE

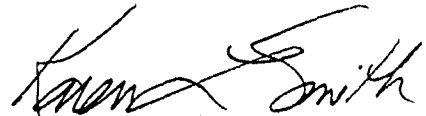
Whenever any notice is required to be given under the provisions of the Oregon Nonprofit Corporation Law, as it exists or may be amended in the future, or under the provisions of the Articles of Incorporation or the Bylaws of the Corporation, a waiver thereof in writing signed by the person or persons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

ARTICLE XVIII

HEADINGS

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

I, Karen Smith, as Secretary of SageWood Owners Association, Inc., do hereby certify the foregoing to be the Bylaws of the Corporation, as adopted by the Board on the 15th day of October, 2002



Karen L. Smith, Secretary

EXHIBIT A