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BYLAWS OF
VALLEYVIEW HOMEOWNERS ASSOCIATION, INC.

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BYLAWS OF
VALLEYVIEW HOMEOWNERS ASSOCIATION, INC.

ARTICLE I
DEFINITIONS

Section 1 - Association

"Association" shall mean VALLEYVIEW HOMEOWNERS ASSOCIATION, INC., a nonprofit corporation organized and existing under the laws of the State of Oregon.

Section 2 - Articles of Incorporation

"Articles of Incorporation" shall mean the Articles of Incorporation of the Association.

Section 3 - Declaration

The "Declaration" shall mean the Declaration of Protective Covenants, Conditions and Restrictions for VALLEYVIEW recorded on SEPT 26, 1986 in Book 133 of the Deed Records of Deschutes County, Oregon, at page 1098 as the same may be subsequently amended and supplemented pursuant to the terms thereof.

Section 4 - Incorporation by Reference

Except as otherwise provided herein, the terms which are defined in Article I of the Declaration are used in these Bylaws as therein defined.

ARTICLE II
MEMBERSHIP

Section 1 - Membership

Every Owner of one or more Lots within the Property shall, during the entire period of such ownership, be a member of the Association. Such membership shall commence, exist and continue simply by virtue of such ownership, shall expire automatically upon termination of such ownership, and need not be

confirmed or evidenced by any certificate or acceptance of membership.

Section 2 - Membership List

The Secretary shall maintain at the principal office of the Association a membership list showing the name and address of the Owner of each Lot. The Secretary may accept as satisfactory proof of such ownership a duly executed and acknowledged conveyance, a title insurance policy, or other evidence reasonably acceptable to the Board of Directors.

ARTICLE III

MEETINGS AND VOTING

Section 1 - Place of Meetings

Meetings of the members of the Association shall be held at such reasonable place convenient to the members as may be designated in the notice of the meeting.

Section 2 - Turnover Meeting

Within five years after the date of conveyance of the first Lot to a person other than the Declarant, or within one hundred twenty (120) days after Declarant has sold and conveyed seventy-five percent (75%) or more of the Lots to Owners other than the Declarant, whichever is earlier, the interim Board of Directors shall call the first meeting of the Owners to organize the Association and to elect directors. Notice of such meeting shall be given to all Owners as provided in Article III, Section 5. If the interim Board of Directors fails to call the meeting, the meeting may be called and notice given by any Owner or mortgagee of a Lot. The expense of giving notice shall be paid or reimbursed by the Association. In the event of lack of quorum at such Turnover Meeting, it may be adjourned to the time of the first annual meeting. Nothing in this section shall be construed as preventing the interim Board of Directors from calling the Turnover Meeting prior to such date, or from calling informal, informational meetings of the Owners.

Section 3 - Annual Meeting

The annual meeting of the members for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held at such rea-

sonable hour and on such reasonable day during the month of November or December of each year as the President may designate, or if the President should fail to designate a date by the first day of December, then at 7:30 p.m. on the second Thursday in December. The first annual meeting shall be held within one year from the date of the Turnover Meeting.

Section 4 - Special Meetings

A special meeting of the Association may be called at any time by the President or by a majority of the Board of Directors. A special meeting shall be called upon receipt of a written request stating the purpose of the meeting from members having twenty-five percent (25%) of the votes entitled to be cast at such meeting.

Section 5 - Notice of Meeting

(a) Written or printed notice stating the place, day and hour of the meeting, the items on the agenda, including the general nature of any proposed amendment to the Declaration or these Bylaws, any budget changes, any proposal to remove a director or officer and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than fifty (50) days before the date of the meeting. Such notice shall be given either personally or by mail, by or at the direction of the President, or the Secretary, or the persons calling the meeting, to each member entitled to vote at such meeting, and to all mortgagees who have requested such notice. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, with postage fully prepaid thereon, addressed to the member at his most recent address as it appears on the records of the Association or to the mailing address of his Unit.

(b) When a meeting is adjourned for thirty (30) days or more, or then a redetermination of the persons entitled to receive notice of the adjourned meeting is required by law, notice of the adjourned meeting shall be given as for an original meeting. In all other cases no notice of the adjournment or of the business to be transacted at the adjourned meeting need be given other than by announcement at the meeting at which such adjournment is taken.

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Section 6 - Quorum

At any meeting of the Association, members having twenty percent (20%) of the votes entitled to be cast at such meeting, present in person or by proxy, shall constitute a quorum, except when a larger quorum is required by the Declaration. When a quorum is once present to organize a meeting, it cannot be broken by the subsequent withdrawal of a member or members. If any meeting of members cannot be organized because of a lack of quorum, the members who are present, either in person or by proxy, may adjourn the meeting from time to time not less than forty-eight (48) hours nor more than thirty (30) days from the time the original meeting was called until a quorum is present.

Section 7 - Voting Rights

The Association shall have two classes of voting membership:

Class A. Class A members shall be all Owners with the exception of the Declarant and shall be entitled to one vote for each Lot owned. 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 they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

Class B. Class B member shall be the Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the earlier of (i) the date when seventy-five percent (75%) of the Lots have been sold or conveyed to Owners other than Declarant; or (ii) the expiration of five (5) years after the closing of the sale of the first Lot to an Owner.

Section 8 - Joint Ownership

In any case in which two or more persons share the ownership, the vote or consent of any one or more of such persons shall constitute the vote or consent of the entire ownership interest; provided, however, that in the event such persons disagree among themselves as to the manner in which any vote or right of consent held by them shall be exercised with respect to a pending matter, any such person may deliver written notice of such disagreement to the Secretary of the Association and the vote or right of consent involved shall then be disregarded com-

pletely in determining the proportion of votes or consents given with respect to such matter.

Section 9 - Proxies

Every member entitled to vote or to execute any waiver or consent may do so either in person, by absentee ballot or by written proxy duly executed and filed with the Secretary of the Association. An Owner may not revoke a proxy given pursuant to this section except by actual notice of revocation to the person presiding over the meeting. A proxy shall not be valid if it is undated or purports to be revocable without notice. A proxy shall terminate one (1) year after its date unless the proxy specifies a shorter term. Mortgagees may designate a representative to attend any meeting of the Association.

Section 10 - Majority Vote

The vote of a majority of the votes entitled to be cast by the members present or represented by absentee ballot or proxy, at a meeting at which a quorum is present, shall be necessary for the adoption of any matter voted upon by the members, unless a greater proportion is required by law, by the Declaration, by the Articles of Incorporation, or by these Bylaws.

Section 11 - Ballot Meetings

At the discretion of the Board of Directors, any matter which might come before the Association at a meeting, including election of directors, may be determined by proxy ballot rather than at a formal gathering. Ballots shall be sent to all Owners in the same manner as notice of meetings, with a specified deadline for return of ballots. Ballots for such meetings must be properly executed and returned in sufficient quantity to constitute a quorum, and determination of the matter presented shall be based upon the required percentage of ballots returned, unless approval of a specified percentage of all voting rights is required by law, the Declaration or these Bylaws. The vote of a ballot meeting shall be determined by the Board of Directors within 48 hours of the deadline for return of ballots. Within ten (10) days after the ballots have been counted, each Owner shall be notified by mail or other delivery of written notice of the results of the ballot meeting or that a quorum of ballots was not returned.

ARTICLE IV

DIRECTORS: MANAGEMENT

Section 1 - Number and Qualification

The affairs of the Association shall be governed by a Board of Directors composed of three (3) to five (5) persons. All directors, other than interim directors appointed by Declarant, shall be Owners or co-Owners of Lots of the condominium. For purposes of this section, the officers of any corporate Owner and the partners of any partnership shall be considered co-Owners of any Lots owned by such corporation or partnership.

Section 2 - Interim Directors

Upon the recording of the Declaration, the Declarant shall appoint an interim board of three (3) directors, who shall serve until replaced by Declarant or their successors have been replaced by the Owners as provided below.

Section 3 - Transitional Advisory Committee

Unless the Turnover Meeting described in Article III, Section 2, above has already been held, Declarant shall call a meeting of the Owners for the purpose of forming a Transitional Advisory Committee. The meeting shall be called within sixty (60) days of conveyance to persons other than Declarant of Lots representing fifty percent (50%) of the votes in the Association. Declarant shall give notice of the meeting as provided in Article III, Section 2, above. The committee shall consist of two (2) or more members elected by the Owners other than Declarant and not more than one representative of Declarant. The members shall serve until the Turnover Meeting. The Transitional Advisory Committee shall be advisory only and its purpose shall be to enable ease of transition from control of the administration of the Association by Declarant to control by the members. The committee shall have access to any information, documents and records which Declarant must turn over to the members at the time of the Turnover Meeting. If Declarant fails to call the meeting to elect a Transitional Advisory Committee within the time specified, the meeting may be called and notice given by any Owner.

Section 4 - Election and Tenure of Office

(a) At the Turnover Meeting described in Article III, Section 2, the interim directors shall resign and the members shall

elect one class of two (2) directors to serve for one year and a second class of three (3) directors to serve for two years. Thereafter the successors to each class of directors shall serve for terms of two years each.

(b) All directors shall hold office until their respective successors shall have been elected by the members. Election shall be by plurality.

Section 5 - Vacancies

(a) A vacancy in the Board of Directors shall exist upon the death, resignation or removal of any director, or if the authorized number of directors be increased, or if the members fail at any annual or special meeting of members at which any director or directors are to be elected to elect the full authorized number of directors to be voted for at that meeting.

(b) Vacancies in the Board of Directors may be filled by a majority of the remaining directors even though less than a quorum, or by a sole remaining director. Each director so elected shall hold office for the balance of the unexpired term and until his successor is elected. Vacancies in interim directors shall be filled by Declarant.

Section 6 - Removal of Directors

All or any number of the directors, other than interim directors, may be removed, with or without cause, at any meeting of members at which a quorum is present, by a vote of a majority of the number of votes entitled to be cast at an election of directors. No removal of a director shall be effective unless the matter of removal was an item on the agenda and stated in the notice of the meeting as provided in these Bylaws.

Section 7 - Powers

The Board of Directors shall have all of the powers and duties necessary for the administration of the affairs of the Association, except such powers and duties as by law or by the Declaration or by these Bylaws may not be delegated to the Board of Directors by the Owners. The powers and duties to be exercised by the Board of Directors shall include, but not be limited to the following:

(a) Carry out the maintenance program described in the Declaration and these Bylaws.

- (b) Determination of the amounts required for operation, maintenance and other affairs of the Association, and the making of such expenditures.
- (c) Preparation of a budget for the Association, and assessment and collection of the common expenses.
- (d) Employment and dismissal of such personnel as necessary for such maintenance, upkeep and repair of the common elements.
- (e) Employment of legal, accounting or other personnel for reasonable compensation to perform such services as may be required for the proper administration of the Association; provided, however, the Board may not incur or commit the Association to incur legal fees in excess of \$2,500 for any specific matter unless the Owners have enacted a resolution authorizing the incurring of such fees by a vote of seventy-five percent (75%) of the voting rights present in person or by absentee ballot or proxy at a meeting at which a quorum is constituted. This limitation shall not be applicable to legal fees incurred in defending the Association and the Board of Directors from claims or litigation brought against them.
- (f) Opening of bank accounts on behalf of the Association and designating the signatories required therefor.
- (g) Preparing or causing to be prepared and filed any required income tax returns or forms for the Association.
- (h) Purchasing Lots at foreclosure or other judicial sales in the name of the Association, or its designee.
- (i) Selling, leasing, mortgaging, voting the votes appurtenant to (other than for the election of directors), or otherwise dealing with Lots acquired by the Association or its designee.
- (j) Obtaining insurance or bonds pursuant to the provisions of these Bylaws, and reviewing such insurance coverage at least every two (2) years.
- (k) Making additions and improvements to, or alterations of, the Common Areas; provided, however, that no such project may be undertaken by the Board if the total cost will exceed the amount of \$2,500 unless

the Owners have enacted a resolution authorizing the project by a vote of seventy-five percent (75%) of the voting rights present in person or by absentee ballot or proxy at a meeting at which a quorum is constituted. This limitation shall not be applicable to maintenance, repairs or replacements undertaken pursuant to paragraph (a) above. The limitation set forth in this paragraph shall increase by \$1,000 on each fifth anniversary of the recording of the Declaration.

(l) From time to time adopt, modify, or revoke such rules and regulations governing the conduct of persons and the operation and use of the Units and the Common Areas as the Board of Directors may deem necessary or appropriate in order to assure the peaceful and orderly use and enjoyment of the Property. Such action may be modified by vote of not less than seventy-five percent (75%) of each class of members present, in person or by proxy, at any meeting, the notice of which shall have stated that such modification or revocation of rules and regulations will be under consideration.

(m) Enforcement by legal means of the provisions of the Declaration, these Bylaws and any rules and regulations adopted hereunder.

(n) In the name of the Association, maintain a current mailing address of the Association.

Section 8 - Meetings

(a) Meetings of the Board of Directors shall be held at such place as may be designated from time to time by the Board of Directors or other persons calling the meeting.

(b) Annual meetings of the Board of Directors shall be held immediately following the adjournment of the annual meetings of the members.

(c) Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the President or by any two directors.

Section 9 - Open Meetings; Notice

All meetings of the Board of Directors shall be open to Owners. Such meetings may be conducted by telephonic communication, except that if a majority of the Lots are principal

residences of the occupants, then: (a) for other than emergency meetings, notice of each Board of Directors' meeting shall be posted at a place or places on the property at least three (3) days prior to the meeting, or notice shall be provided by a method otherwise reasonably calculated to inform the Owners of such meeting; (b) emergency meetings may be held without notice, if the reason of the emergency is stated in the minutes of the meeting; (c) only emergency meetings of the Board of Directors may be conducted by telephonic communication. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 10 - Quorum and Vote

(a) A majority of the directors shall constitute a quorum for the transaction of business. A minority of the directors, in the absence of a quorum, may adjourn from time to time but may not transact any business. Notice of the time and place of holding an adjourned meeting need not be given if such time and place is fixed at the meeting adjourned.

(b) The action of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors unless a greater number is required by law, the Declaration, the Articles of Incorporation or these Bylaws.

Section 11 - Liability

The directors and officers shall not be liable to the Association or the Owners for any mistake of judgment, negligence, or otherwise except for their own willful misconduct or bad faith. The Association shall indemnify and hold harmless each director and officer and the manager or managing agent, if any, against all contractual liability to others arising out of contracts made by the Board of Directors, officers, manager or managing agent on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Declaration or these Bylaws. Each director and officer and the manager or managing agent, if any, shall be indemnified by the Association against all expenses and liabilities, including attorneys' fees, reasonably incurred or imposed upon them in connection with any proceeding to which they may be a party, or which they may become involved, by reason of being or having been a director, officer, manager or managing agent and shall be indemnified upon any reasonable settlement thereof; provided, however, there shall be no indemnity if the director, officer, manager or managing agent is adjudged guilty of willful

nonfeasance, misfeasance or malfeasance in the performance of his or her duties.

Section 12 - Compensation

No director shall receive any compensation from the Association for acting as such.

ARTICLE V

OFFICERS

Section 1 - Designation and Qualification

The officers of the Association shall be the President, the Secretary and the Treasurer and such Vice Presidents and subordinate officers as the Board of Directors shall from time to time appoint. The President shall be a member of the Board of Directors, but the other officers need not be directors. Officers need not be members of the Association. Any two offices may be held by the same person except the offices of President and Secretary.

Section 2 - Election and Vacancies

The officers of the Association shall be elected annually by the Board of Directors at the organization meeting of each new Board to serve for one year and until their respective successors are elected. If any office shall become vacant by reason of death, resignation, removal, disqualification or any other cause, the Board of Directors shall elect a successor to fill the unexpired term at any meeting of the Board of Directors.

Section 3 - Removal and Resignation

(a) Any officer may be removed upon the affirmative vote of a majority of the directors whenever in their judgment the best interests of the Association will be served thereby. The removal of an officer shall be without prejudice to the contract rights, if any, of the officer so removed.

(b) Any officer may resign at any time by giving written notice to the Board of Directors, the President or the Secretary of the Association. Any such resignation shall take effect upon receipt of such notice or at any later time specified therein. Unless otherwise specified therein, the acceptance of such

resignation shall not be necessary to make it effective, provided that the Board of Directors may reject any post-dated resignation by notice in writing to the resigning officer. The effectiveness of such resignation shall not prejudice the contract rights, if any, of the Association against the officer so resigning.

Section 4 - President

The President shall be the chief executive officer of the Association and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and affairs of the Association. He shall preside at all meetings of the members and of the Board of Directors. He shall be ex officio a member of all the standing committees, including the executive committee, if any, shall have the general powers and duties of management usually vested in the office of president of a nonprofit corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

Section 5 - Vice Presidents

The Vice Presidents, if any, shall perform such duties as the Board of Directors shall prescribe. In the absence or disability of the President, the President's duties and powers shall be performed and exercised by the Senior Vice President as designated by the Board of Directors.

Section 6 - Secretary

(a) The Secretary shall keep or cause to be kept a Book of Minutes of all meetings of directors and members showing the time and place of the meeting, whether it was regular or special, and if special, how authorized, the notice given, the names of those present at directors' meetings, the number of memberships present or represented at members' meetings and the proceedings thereof.

(b) The Secretary shall give or cause to be given such notice of the meetings of the members and of the Board of Directors as is required by these Bylaws or by law. The Secretary shall keep the seal of the Association, if any, and affix it to all documents requiring a seal, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

(c) If there are no Vice Presidents, then in the absence or disability of the President, the President's duties and powers shall be performed and exercised by the Secretary.

Section 7 - Treasurer

The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts and disbursements. The books of accounts shall at all reasonable times be open to inspection by any director. The Treasurer shall deposit all moneys and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board. The Treasurer shall disburse the funds of the Association as may be ordered by the Board, shall render to the President and directors, whenever they request it, an account of all of the Treasurer's transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

Section 8 - Compensation of Officers

No officer who is a member of the Board of Directors shall receive any compensation from the Association for acting as an officer, unless such compensation is authorized by a resolution duly adopted by the members. The Board of Directors may fix any compensation to be paid to other officers.

ARTICLE VI

EXECUTIVE AND OTHER COMMITTEES

Subject to law, the provisions of the Articles of Incorporation and these Bylaws, the Board of Directors, by a vote of a majority of the directors in office, may appoint an executive committee and such other standing or temporary committees as may be necessary from time to time, consisting of not less than two of the directors in office and having such powers as the Board of Directors may designate. Such committees shall hold office at the pleasure of the Board.

ARTICLE VII

ASSESSMENTS, RECORDS AND REPORTS

Section 1 - Maintenance Assessments

As provided in the Declaration, the Association, through its Board of Directors, shall do the following:

(a) Maintain or provide for the maintenance of the exterior of the Units, Common Areas (including, without limitation, private roads), and landscaping, as required by the Declaration, and obtain the insurance required by these Bylaws.

(b) Assess and collect from every owner the maintenance assessment in the manner described in the Declaration.

(c) Supervise all officers, agents and employees of the Association, and see that their duties are properly performed.

(d) Keep all funds received by the Association as maintenance assessments, together with any other funds received by the Association pursuant to the Declaration which are by the terms thereof to be deposited in the "Maintenance Fund," and use such fund only for the purposes described in the Declaration.

(e) From time to time, and at least annually, prepare a budget for the Association, estimating the common expenses expected to be incurred with adequate allowance for reserves, determine whether the annual maintenance assessment should be increased or decreased. Within thirty (30) days after adopting a proposed annual budget, the Board of Directors shall provide a summary of the budget to all Owners. If the Board of Directors is petitioned by Owners representing twenty percent (20%) of the voting power of the Association, 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 fourteen (14) nor more than thirty (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 seventy-five percent (75%) or more of the voting power of the Association 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.

(f) Fix the amount of the regular assessment against each Unit at least thirty (30) days in advance of each assessment period. Written notice of any assessment shall be sent to every Owner subject thereto and to any first mortgagee requesting such notice. The due dates shall be established by the Board of Directors, which may fix a regular flat assessment payable on a monthly, quarterly or annual basis. The Board of Directors

shall cause to be prepared a roster of the Units showing assessments applicable to each Unit. The roster shall be kept in the Association office and shall be subject to inspection by any Owner or mortgagee during regular business hours. Within ten (10) business days after receiving a written request, and for a reasonable charge, the Association shall furnish to any Owner or mortgagee a recordable certificate setting forth the unpaid assessments against such Owner's Unit. Such certificate shall be binding upon the Association, the Board of Directors, and every Owner as to the amounts of unpaid assessments.

(g) Enforce the maintenance assessments in the manner provided in the Declaration.

(h) Keep records of the receipts and expenditures affecting the Maintenance Fund and make the same available for examination by members and their mortgagees at convenient hours, maintain an assessment roll showing the amount of each assessment against each Owner, the amounts paid upon the account and the balance due on the assessments, give each member written notice of each assessment at least 30 days prior to the time when such assessment shall become due and payable; and for a reasonable charge, promptly provide any Owner or mortgagee who makes a request in writing with a written certificate of such Owner's unpaid assessments.

Section 2 - Records

The Association shall keep correct and complete financial records sufficiently detailed for proper accounting purposes, shall keep minutes of the proceedings of its members, Board of Directors and committees having any of the authority of the Board of Directors, and retain all documents, information and records turned over to the Association by Declarant.

Section 3 - Inspection of Books and Records

During normal business hours or under other reasonable circumstances, the Association shall make available to Owners, prospective purchasers and lenders, and to holders, insurers or guarantors of any mortgage of a Lot, current copies of the Declaration, Articles, Bylaws, other rules concerning the property, amendments or supplements to such documents and the books, records, financial statements and current operating budget of the Association. Upon written request, the Association shall make such documents, information and records available to such persons for duplication during reasonable hours. In addition, the Association shall make all other records of the Association available for examination by an Owner or any mortgagee.

The Association, within fourteen (14) days after receiving a written request from an Owner, Declarant or a prospective purchaser, shall furnish a copy of the Statement of Planned Community Information prepared in accordance with the Oregon Planned Community Act, ORS 94.750, if the subdivision is subject to that Act. The Association may charge a reasonable fee for furnishing copies of such documents, information or records.

Section 4 - Payment of Vouchers

The Treasurer shall pay all vouchers for all budgeted items and for any nonbudgeted items up to \$1,000 signed by the President, managing agent, manager or other person authorized by the Board of Directors. Any voucher for nonbudgeted items in excess of \$1,000 shall require the authorization of the President.

Section 5 - Execution of Documents

The Board of Directors may, except as otherwise provided in the Declaration, Articles of Incorporation or these Bylaws, authorize any officer or agent to enter into any contract or execute any instrument in the name of and on behalf of the Association. Such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Association by any contract or engagement, or to pledge its credit, or to render it liable for any purpose or for any amount.

Section 6 - Reports and Audits

An annual financial statement consisting of a balance sheet and income and expense statement for the preceding year shall be rendered by the Board of Directors to all Owners and to all mortgagees who have requested the same within ninety (90) days after the end of each fiscal year. From time to time, the Board of Directors, at the expense of the Association, may obtain an audit of the books and records pertaining to the Association and furnish copies thereof to the members. Upon written request, any holder of a first mortgage shall be entitled to an audited financial statement for the immediately preceding fiscal year at the expense of the Association.

ARTICLE VIII

INSURANCE

Section 1 - Types of Insurance

For the benefit of the Association and the Owners, the Board of Directors shall obtain and maintain at all times, and shall pay for out of the common expense funds, the following insurance:

1.1 Property Damage Insurance.

(a) The Association shall maintain a policy or policies of insurance covering loss or damage from fire, with standard extended coverage and "all risk" endorsements, and such other coverages as the Association may deem desirable.

(b) The amount of the coverage shall be for not less than one hundred percent (100%) of the current replacement cost of the Units and Common Areas (exclusive of land, foundation, excavation and other items normally excluded from coverage), subject to a reasonable deductible.

(c) The policy or policies shall include all fixtures and building service equipment to the extent that they are part of the Common Areas and all personal property and supplies belonging to the Association, together with all fixtures, improvements and alterations comprising a part of each Unit and refrigerators, air conditioners, cooking ranges, dishwashers and clothes washers and dryers contained within Units and owned by the Owners.

(d) Such policy or policies shall name the Association, for the use and benefit of the individual Lot Owners, as insured, and shall provide for loss payable in favor of the Association, as a trustee for each Owner and each such Owner's mortgagee, as their interests may appear. The policies shall contain the standard mortgage clause, or equivalent endorsement (without contribution) which is commonly accepted by institutional mortgage investors in Oregon.

1.2 Liability Insurance.

(a) The Association shall maintain comprehensive general liability insurance coverage insuring the Declarant, the Association, the Board of Directors, the Owners and the managing agent, against liability to the public or to Owners and their invitees or tenants, incident to the operation, maintenance, ownership or use of the property, including legal liability arising out of lawsuits related to employment contracts of the

Association. There may be excluded from such policy or policies coverage of an Owner (other than as a member of the Association or Board of Directors) for liability arising out of acts or omission of such Owner and liability incident to the ownership and/or use of the part of the property as to which such Owner has the exclusive use or occupancy.

(b) Limits of liability under such insurance shall not be less than One Million Dollars (\$1,000,000) on a combined single-limit basis.

(c) Such policy or policies shall be issued on a comprehensive liability basis and shall provide a cross liability endorsement wherein the rights of named insured under the policy or policies shall not be prejudiced as respects his, her or their action against another named insured.

1.3 Workers' Compensation Insurance. The Association shall maintain workers' compensation insurance to the extent necessary to comply with any applicable laws.

1.4 Fidelity Bonds.

(a) The Association shall maintain blanket fidelity bonds for all officers, directors, ~~trustees and employees of the~~ Association and all other persons handling or responsible for funds of, or administered by, the Association. In the event the Association has retained a management agent, such agent shall maintain fidelity bonds for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Association.

(b) The total amount of fidelity bond coverage required shall be based upon the best business judgment of the Board of Directors and shall not be less than the estimated maximum of funds, including reserve funds, in the custody of the Association or management agent, as the case may be, at any given time during the term of such bond. In no event, however, may the aggregate amount of such bonds be less than the sum equal to three months' aggregate assessments on all units plus reserve funds.

(c) Such fidelity bond shall name the Association as obligee and shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees" or similar terms or expressions. The bonds shall provide that they may not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least 10 days' prior written notice to the Association.

1.5 Insurance by Unit Owners. Each Owner shall be responsible for obtaining, at his own expense, insurance covering his property not insured under Section 1.1 above and against his liability not covered under Section 1.2 above, unless the Association agrees otherwise.

Section 2 - Other Insurance Requirements

Insurance obtained by the Association shall be governed by the following requirements:

(a) All policies shall be written with the State of Oregon or a company licensed to do business in the State of Oregon which falls into a financial category, as designated in Best's Key Rating Guide, of Class VI or better.

(b) Notwithstanding the provisions of Section 1 above, there may be named as an insured, on behalf of the Association, the Association's authorized representative, including any trustee with whom the Association may enter into any Insurance Trust Agreement, or any successor to such trustee. Such insurance trustee shall have exclusive authority to negotiate losses under any property or liability insurance policy. Each Owner appoints the Association, or any insurance trustee or substitute trustee designated by the Association, as attorney-in-fact for the purpose of purchasing and maintaining such insurance including: the collection and appropriate disposition of the proceeds thereof, the negotiation of losses and execution of releases of liability, the execution of all documents, and the performance of all other acts necessary to accomplish such purchase. The Association or insurance trustee shall receive, hold or otherwise properly dispose of any proceeds of insurance in trust for Owners and their first mortgage holders, as their interests may appear.

(c) All property insurance policies shall contain endorsements providing for the following: recognition of any Insurance Trust Agreement, a waiver of the right of subrogation against Owners individually, that the insurance is not prejudiced by any act or neglect of individual Owners which is not in the control of such Owners collectively, and that the policy is primary in the event the Owner has other insurance covering the same loss, and any such other insurance policies of the Owners or their mortgagees shall not be brought into contribution with the insurance policies to be obtained by the Association.

(d) For purposes of this Article, insurance policies are unacceptable where (i) under the terms of the insurance carrier's charter, bylaws or policy, contributions or assessments may be made against the Association or Owners, or (ii) by the terms

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of the carrier's charter, bylaws or policy, loss payments are contingent upon action by the carrier's board of directors, policy holders or members, or (iii) policy includes any limiting clauses (other than insurance conditions) which could prevent Owners from collecting insurance proceeds.

(e) All policies required by this Article shall provide that they may not be canceled or substantially modified without at least 10 days' prior written notice to the Association and to each holder of a first mortgage which is listed as a scheduled holder of a first mortgage in the insurance policy. Evidence of insurance shall be issued to each Owner and mortgagee upon request.

(f) Each Owner shall be required to notify the Board of Directors of all improvements made by the Owner to his Unit, the value of which is in excess of Five Hundred Dollars (\$500). Nothing in this paragraph shall permit an Owner to make improvements without first obtaining the approval of the Board of Directors pursuant to this Declaration.

(g) Any Owner who obtains individual insurance policies covering any portion of the property other than his personal property and fixtures shall file a copy of such individual policy or policies with the Association within thirty (30) days after the purchase of such insurance.

Section 3 - Optional Provisions

The Board of Directors shall make every effort to secure insurance policies that will provide for the following:

(a) To the extent appropriate and available at reasonable cost, the Association shall maintain additional coverages against such other risks as are customarily covered with respect to projects similar in construction, location and use, including but not limited to, flood, host liquor liability, contractual and all-written contract insurance, employer's liability insurance, comprehensive automobile liability insurance, and an endorsement patterned after "use and occupancy" insurance ~~providing relief from monthly assessments while a Unit is uninhabitable due to a covered loss.~~

(b) If reasonably available, the insurance policies shall include an Agreed Amount and Inflation Guard Endorsement, and Construction Code Endorsements (such as a Demolition Cost Endorsement, a Contingent Liability from Operation of Building Laws Endorsement, and an Increased Cost of Construction Endorsement).

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Section 4 - FNMA and GNMA Requirements

Notwithstanding any other provisions of this Article, the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the insurance and fidelity requirements for planned unit development projects established by FNMA and Government National Mortgage Association, so long as either is a mortgagee or Owner, except to the extent such coverage is not available or has been waived in writing by FNMA or Government National Mortgage Association. FNMA or FNMA's servicer, its successors and assigns, shall be named as a mortgagee in the Association's policies.

Section 5 - Planned Community Act Requirements

In the event these Bylaws are deemed to be governed by the Oregon Planned Community Act, ORS 94.550 to 94.780, the insurance maintained by the Association shall comply with the requirements of that Act.

ARTICLE IX

GENERAL PROVISIONS

Section 1 - Seal

The Board of Directors may, by resolution, adopt a corporate seal.

Section 2 - Notice

All notices to the Association or to the Board of Directors shall be sent care of the managing agent, or if there is no managing agent, to the principal office of the Association or to such other address as the Board of Directors may hereafter designate from time to time. All notices to members shall be sent to the member's unit or to such other address as may have been designated by the member from time to time in writing to the Board of Directors.

Section 3 - Waiver of Notice

Whenever any notice to any member or director is required by law, the Declaration, the Articles of Incorporation, or these Bylaws, a waiver of notice in writing signed at any

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time by the person entitled to notice shall be equivalent to the giving of the notice.

Section 4 - Action Without Meeting

Any action which the law, the Declaration, the Articles of Incorporation or the Bylaws require or permit the members or directors to take at any meeting may be taken without a meeting if a consent in writing setting forth the action so taken is signed by all of the members or directors entitled to vote on the matter. The consent, which shall have the same effect as a unanimous vote of the members or directors, shall be filed in the records of minutes of the Association.

Section 5 - Conflicts

These Bylaws are intended to comply with the Oregon Nonprofit Corporation Law, the Declaration, the Articles of Incorporation and, if applicable, the Oregon Planned Community Act, ORS 94.550 to 94.780. In case of any irreconcilable conflict, such statutes and documents shall control over these Bylaws.

ARTICLE X

AMENDMENTS TO BYLAWS

Section 1 - How Proposed

Amendments to these Bylaws shall be proposed by either a majority of the Board of Directors or by members having one-fourth of the votes entitled to be cast for such amendment. The proposed amendment must be reduced to writing and shall be included in the notice of any meeting at which action is to be taken thereon.

Section 2 - Adoption

The proposed amendment may be adopted by the membership at a regular or special meeting of the members called for that purpose, at which a quorum is present, by an affirmative majority of the voting power of the Association, the written consent of the Class B member, if any, and the consent of mortgagees, to the extent required by the Declaration. Those provisions of these Bylaws which are governed by the Declaration, however, may not be amended except as provided in the Declaration.

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Notwithstanding the provisions of the preceding paragraph, until termination of the Class B membership, Declarant shall have the right to amend these Bylaws in order to comply with the requirements of the Department of Real Estate of the State of California, the Federal Housing Administration, the Veterans Administration, the Farmers Home Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, any department, bureau, board, commission or agency of the United States or the State of Oregon, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon which insures, guarantees or provides financing for a planned community or lots in a planned community.

Section 3 - Recording

Once adopted, such amendment shall be copied in the appropriate place of the Minute Book of the Association containing the original Bylaws. If any Bylaw is repealed, the fact of such repeal and the date on which the repeal occurred shall be stated in such book and place.

CERTIFICATION

I, the undersigned, do hereby certify that I am the duly elected and acting Secretary of VALLEYVIEW ASSOCIATION, an Oregon corporation; that the foregoing Bylaws constitute the ~~Bylaws of said Association; and that they were duly adopted at a~~ meeting of the Board of Directors thereof, held on the 1st day of July, 1986.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 1st day of July, 1986


Secretary

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STATE OF OREGON)
COUNTY OF DESCHUTES) SS.

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

1986 SEP 26 AM 11:34

MARY SUE PENNOLLO
COUNTY CLERK

BY: B. Lowell DEPUTY

NO. 86-18946 FEE 105.00

DESCHUTES COUNTY OFFICIAL RECORDS