

Clackamas County Official Records
Sherry Hall, County Clerk

2006-011413



\$196.00

00939144200600114130350350

02/07/2006 02:34:28 PM

PD-BYL Cnt=1 Stn=11
\$175.00 \$11.00 \$10.00

After recording return to:

NNP-Taralon, LLC
Newland Communities
16701 S.E. McGillivray Boulevard, Suite 150
Vancouver, Washington 98683

BYLAWS
OF
TARALON RESIDENTIAL COMMUNITY ASSOCIATION

Declarant
NNP-Taralon, LLC

TABLE OF CONTENTS

	Page
PREAMBLE	1
I. NAME, PRINCIPAL OFFICE AND DEFINITIONS	2
1.1 Name	2
1.2 Principal Office	2
1.3 Definitions	2
1.4 Additional Definitions	2
II. ASSOCIATION: MEMBERSHIP, MEETINGS, QUORUM, VOTING, PROXIES	4
2.1 Membership	4
2.2 Place of Meetings	4
2.3 Annual Meetings	4
2.4 Special Meetings	4
2.5 Turnover Meeting	4
2.6 Notice of Meetings	7
2.7 Emergency Meetings and Waiver of Notice	7
2.8 Adjournment of Meetings	8
2.9 Voting	8
2.10 Proxies and Absentee Ballots	8
2.11 Ballot Meetings	8
2.12 Majority	10
2.13 Quorum	10
2.14 Conduct of Meetings	10
2.15 Action Without a Meeting	10
III. BOARD OF DIRECTORS: NUMBER, POWERS, MEETINGS	10
Composition and Selection	10
3.1 Governing Body; Composition	10
3.2 Directors During Class B Control Period	11
3.3 Right to Disapprove Actions	11
3.4 Number of Directors	12
3.5 Nomination of Directors	12
3.6 Election and Term of Office	12
3.7 Removal of Directors and Vacancies	13

Meetings	14
3.8 Organizational Meetings	14
3.9 Regular Meetings	14
3.10 Special Meetings	14
3.11 Waiver of Notice	14
3.12 Quorum of Board of Directors	15
3.13 Compensation	15
3.14 Conduct of Meetings	15
3.15 Open Meetings	15
3.16 Conference Call Meetings	15
Powers and Duties	16
3.17 Powers	16
3.18 Management	19
3.19 Accounts and Reports	20
3.20 Borrowing	21
3.21 Rights of the Association	22
3.22 Enforcement	22
IV. OFFICERS	25
4.1 Officers	25
4.2 Election, Term of Office, and Vacancies	25
4.3 Removal	25
4.4 Powers and Duties	26
4.5 Resignation	26
4.6 Agreements, Contracts, Deeds, Leases, Checks, et cetera	26
V. COMMITTEES	26
5.1 General	26
5.2 Covenants Committee	26

VI. MISCELLANEOUS	26
6.1 Fiscal Year	26
6.2 Parliamentary Rules	27
6.3 Conflicts	27
6.4 Books and Records	27
6.5 Notices	28
6.6 Amendments to Bylaws	28
Certification	

BYLAWS
OF
TARALON RESIDENTIAL COMMUNITY ASSOCIATION

PREAMBLE

A. These Bylaws concern and apply to an association formed to own and manage the residential planned development of approximately 52.53 acres within the City of Happy Valley, Clackamas County, Oregon, which real property is more particularly described on Exhibit A, attached hereto and incorporated herein by this reference (the "Property"). The Property is a portion of approximately 96.57 acres owned or controlled by NNP-Taralon, LLC, a Delaware limited liability company ("Declarant"). References to "Taralon" or the "Property" in these Bylaws shall mean the Taralon residential planned community initially consisting of phases for detached single-family residential homes and attached single-family residential units only, and shall not include any other portions of the properties included in the Master Plan Application submitted to the City of Happy Valley and adopted and approved by the City of Happy Valley under the project name of Taralon.

B. Declarant proposes to develop the Property as a planned development to be known as "Taralon Residential," which shall be a Class I Planned Community pursuant to the Oregon Planned Community Act and shall be subject to ORS 94.550 through ORS 94.785 (the "Project"). Declarant will provide leadership in organizing and administering the Project during the development period and will turn over the responsibility for community administration to the property owners in the Project at the time required by the Act.

C. A Master Plan that includes Taralon has been adopted and approved by the City of Happy Valley (the "Master Plan"). A Declaration of Covenants, Conditions, and Restrictions for Taralon Residential has also been adopted and recorded in the Official Records of Clackamas County, Oregon (said Declaration of Covenants, Conditions, and Restrictions for Taralon Residential is hereinafter sometimes referred to as the "Declaration"). All of the Property shall be subject to the Master Plan and the Declaration and while Declarant contemplates the development of the Property in phases, Declarant does not commit itself to plat and/or develop any or all of the Property.

D. In contemplation of the transfer of administration of the Property, Declarant has caused the Taralon Residential Community Association to be incorporated as a mutual benefit corporation in accordance with the requirements of Chapter 65, Oregon Revised Statutes. The Articles of Incorporation were filed with the Oregon Secretary of State on December 14, 2005, and registered under Number 328275-94 (the "Articles"). The Master Plan, the Declaration, the

Articles and the following Bylaws shall govern and control the administration of the Property and the Taralon Residential Community Association.

E. References in these Bylaws to the Declaration, the Articles or the Bylaws shall mean the Declaration, the Articles or the Bylaws as amended from time to time, and references to specific sections, subsections, paragraphs and subparagraphs thereof shall mean such sections, subsections, paragraphs and subparagraphs as amended from time to time. References to ORS in these Bylaws shall mean the Oregon Revised Statutes, as amended from time to time, and references to specific sections and subsections of ORS shall mean those sections and subsections as amended from time to time.

Article I.

Name, Principal Office, and Definitions

Section 1.1 Name. The name of the Association is TARALON RESIDENTIAL COMMUNITY ASSOCIATION (hereinafter sometimes referred to as the "Association").

Section 1.2 Principal Office. The principal office of the Association in the State of Oregon shall be located in Happy Valley, Oregon. The Association may have such other offices, either within or outside the State of Oregon, as the Board of Directors may determine or as the affairs of the Association may require.

Section 1.3 Definitions. Terms utilizing an initial capital letter in these Bylaws shall have the meanings given to such terms in these Bylaws, including the Preamble, or in the Declaration, unless the context shall prohibit such meaning.

Section 1.4 Additional Definitions. The following terms are not defined elsewhere in these Bylaws or in the Declaration, and shall have the following meanings:

- "Act" means the Planned Community Act as set forth in ORS 94.550 to 94.783.
- "Authorized Representative" shall mean a Person who is authorized to vote for a Member, as follows (and references to a Member in these Bylaws shall include an Authorized Representative of a Member):

(a) An executor, administrator, guardian or trustee with respect to a Unit owned or held in a fiduciary capacity if the fiduciary satisfies the Secretary that the Person is the executor, administrator, guardian or trustee holding the Unit;

(b) When two or more Persons own a Unit jointly, according to the records of the Association, then one co-owner may, in the absence of protest by another co-owner, vote on behalf of that Unit. If co-owners cannot agree upon a vote, the vote of that Unit

shall be disregarded completely in determining the proportion of votes given with respect to such matter. A court order may establish the right of co-owners' authority to vote.

- "Board" means the Board of Directors of the Association.
- "Class A Members" shall mean Members holding Class A voting rights as described in Section 5.3.1 of the Declaration.
- "Class B Member" shall mean the Member holding the Class B voting rights as described in Section 5.3.2 of the Declaration.
- "Common Property" means any real property or interest in real property within the Project, which is owned, held or leased by the Association or owned as tenants in common by the Unit Owners or designated in the Declaration for transfer to the Association.
- "Director" means any member of the Board of Directors of the Association.
- "Officer" means a corporate officer of the Association.
- "Proxy" means a written instrument executed by a Member or Authorized Representative and given to another Person authorizing that Person to vote on one or more matters for and on behalf of the Member. A Proxy may not be revoked except by actual notice of revocation to the Person presiding over a meeting of the Association. A Proxy shall not be valid if it is undated or purports to be revocable without notice. A Proxy shall terminate one year after its date unless the Proxy specifies a shorter term.
- "Proxy Holder" means a Person authorized to vote on behalf of a Member or Authorized Representative pursuant to a Proxy.
- "Reserve Account" shall mean a reserve account established in the name of the Association under ORS 94.595.
- "Reserves" shall mean those reserves held by the Association pursuant to the Reserve Study, and the provisions of ORS 94.595.

Article II.
Association:
Membership, Meetings, Quorum, Voting, Proxies

Section 2.1 Membership. The Association shall initially have two (2) classes of membership, Class A and Class B, as more fully set forth in the Declaration, the terms of which pertaining to membership are specifically incorporated herein by reference. Meetings shall be of the Members, who may attend in person, by an Authorized Representative, by a Proxy Holder or by submission of an absentee ballot.

Section 2.2 Place of Meetings. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as may be designated by the Board of Directors either within the Properties or as convenient thereto as possible and practical.

Section 2.3 Annual Meetings. The annual meeting of 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 reasonable hour and on such reasonable day as may be established by the Board or, if the Board should fail to designate a date by the first day of September, then at 7:30 p.m. on the second Thursday in October. The first annual meeting shall be held within one (1) year following the Turnover Meeting.

Section 2.4 Special Meetings. The President, or a Majority of the Board of Directors or Members representing at least ten percent (10%) of the total Class A votes of the Association may call special meetings. The notice of any special meeting shall state the date, time, and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

Section 2.5 Turnover Meeting.

2.5.1 No later than ninety (90) days after expiration of the Class B membership interest in accordance with the Declaration, and after having given notice to all Class A Members as required by these Bylaws, Declarant shall call a meeting for the purpose of turning over administrative responsibility for the Association to the Class A Members (the "Turnover Meeting"). At the Turnover Meeting, the then existing members of the Board of Directors shall resign and their successors shall be elected by the Class A Members as provided herein. If the Declarant fails to call the Turnover Meeting as required hereby, then the Transitional Advisory Committee or any Class A Member may call the Turnover Meeting by giving notice as provided in these Bylaws.

2.5.2 Pursuant to ORS 94.616, the Declarant shall deliver the following items to the Association at the Turnover Meeting:

(a) The original or a photocopy of the recorded Declaration and copies of the Bylaws and the Articles and any supplements and amendments to the Articles or Bylaws;

(b) A deed to the Area of Common Responsibility in the Project, unless otherwise provided in the Declaration;

(c) The minute books, including all minutes, and other books and records of the Association and the Board of Directors;

(d) All rules and regulations adopted by the Declarant;

(e) Resignations of officers and members of the Board of Directors who are required to resign because of the expiration of any period of control by the Class B Member;

(f) A report on the present financial position of the Association, consisting of a balance sheet and an income and expense statement for the preceding 12-month period or the period following the recording of the Declaration, whichever period is less, which report shall be reviewed by an independent certified public accountant licensed in the State of Oregon as provided in ORS 94.616(3)(f)(B);

(g) All funds of the Association and control of the funds, including all bank records;

(h) Any tangible personal property that is property of the Association, and an inventory of that property;

(i) Records of all property tax payments for the Common Property to be administered by the Association;

(j) Copies of any income tax returns filed by the Declarant, in the name of the Association, and supporting records for the returns;

(k) All bank signature cards;

(l) The Reserve Account;

(m) The Reserve Study, including all updates and other sources of information that serve as a basis for calculating Reserves;

(n) An operating budget for the portion of the Project turned over to Association administration and a budget for replacement and maintenance of the Area of Common Responsibility;

(o) A copy of the following if available:

(A) Any applicable as-built architectural, structural, engineering, mechanical, electrical and plumbing plans;

(B) Any applicable original specifications, indicating all subsequent material changes;

(C) All plans for underground site service, site grading, drainage and landscaping together with cable television drawings;

(D) Any other plans and information relevant to future repair or maintenance of the Project; and

(E) A list of the general contractor and the electrical, heating and plumbing subcontractors responsible for construction or installation of any Common Property;

(p) Insurance policies;

(q) Copies of any occupancy permits issued to the Declarant or the Association for the Project;

(r) Any other permits issued to the Declarant or the Association by governmental bodies applicable to the Project in force or issued within one year before the date on which the Association assumes administrative responsibility for the Project;

(s) A list of any written warranties on any Common Property that are in effect and the names of the contractor, subcontractor or supplier who made the installation for which the warranty is in effect;

(t) A roster of Owners and their addresses and telephone numbers if known, as shown on the records of the Declarant;

(u) Leases of any Area of Common Responsibility and any other leases to which the Association is a party;

(v) Employment or service contracts in which the Association is one of the contracting parties or service contracts in which the Association or the Owners have an obligation or responsibility, directly or indirectly, to pay some or all of the fee or charge of the person performing the service;

(w) Any other contracts to which the Association is a party; and

(x) Any other items that Declarant is required to turn over to the Association under the Act.

2.5.3 In order to facilitate an orderly transition during the three-month period following the Turnover Meeting, the Declarant or an informed representative of the Declarant shall be available to meet with the Board of Directors on at least three mutually acceptable dates to review the documents delivered under Section 2.5.2.

2.5.4 If the Declarant has complied with this Section 2.5, and unless the Declarant has sufficient Class A voting rights to control the Association, the Declarant is not responsible for the failure of the Owners to comply with Section 2.5.1, and the Declarant shall be relieved from further responsibility for the administration of the Association, except as a Class A Member.

Section 2.6 Notice of Meetings. Written or printed notice stating the place, day, and hour of any meeting of the Members shall be delivered, either personally or by mail, to each Member entitled to vote at such meeting, not less than ten (10) nor more than fifty (50) days before the date of such meeting, by or at the direction of the President or the Secretary or the officers or persons calling the meeting.

In the case of a special meeting or when required by statute or these Bylaws, the purpose or purposes for which the meeting is called, including the items on the agenda, the general nature of any proposed amendment to the Declaration or the Bylaws, any budget changes and any proposal to remove a Director or an Officer, shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the Member at his or her address as it appears on the records of the Association, with postage thereon prepaid.

Notice shall also be given to all Mortgagees that have requested such notice. Each Mortgagee may designate a representative to attend a meeting called.

Section 2.7 Emergency Meetings and Waiver of Notice. Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Any Member may, in

writing, waive notice of any meeting of the Members, either before or after such meeting. Attendance at a meeting by a Member, Authorized Representative or Proxy Holder shall be deemed waiver by such Member of notice of the time, date, and place thereof, unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted thereat unless objection to the calling or convening of the meeting, of which proper notice was not given, is raised before the business is put to a vote.

Section 2.8 Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, a Majority of the Members who are present at such meeting, either in person or by Authorized Representative or Proxy Holder, may adjourn the meeting to a time not less than ten (10) nor more than thirty (30) days from the time the original meeting was called. The new date, time or place of the reconvened meeting shall be announced at the adjourned meeting. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the date, time and place for reconvening the meeting shall be given to Members in the manner prescribed for regular meetings.

The Members present at a duly called or held meeting at which a quorum is initially present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, provided that Members or their Authorized Representatives or Proxy Holders representing at least ten percent (10%) of the total Class A votes of the Association remain in attendance, and provided further that any action taken is approved by at least a Majority of the Members required to constitute a quorum.

Section 2.9 Voting. The voting rights of the Members shall be as set forth in the Declaration, and such voting rights provisions are specifically incorporated herein.

Section 2.10 Proxies and Absentee Ballots. 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 given pursuant to this Section. Any Member voting by absentee ballot shall request an absentee ballot from the Secretary in writing at least seven (7) days before the date of the meeting for which the absentee ballot is requested. The Secretary shall delivery an absentee ballot to the requesting Member at least three (3) days before the date of such meeting. The Association shall retain the Proxies and absentee ballots for one year from the date of the determination of the vote.

Section 2.11 Ballot Meetings.

2.11.1 At the discretion of the Board of Directors, any action that may be taken at any annual, regular or special meeting of the Association may be taken without a meeting if the Association delivers a written ballot to every Member that is entitled to vote on the matter. The written ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action. Action by written ballot may not substitute for either the Turnover Meeting or the annual meeting of the Association if more than fifty percent (50%) of the Units are the principal residences of the occupants.

2.11.2 The Board of Directors shall provide Members with at least ten (10) days' notice before written ballots are mailed or otherwise delivered. The notice shall state: the general subject matter of the vote, the right of Members to request secrecy procedures, the date after which ballots may be distributed, the date and time by which any petition requesting secrecy procedures must be received by the Board of Directors and the address where such petition must be delivered. If, at least three (3) days before written ballots are scheduled to be mailed or otherwise distributed, at least ten percent (10%) of the Members petition the Board of Directors requesting secrecy procedures, a written ballot must be accompanied by a secrecy envelope, a return identification envelope to be signed by the Member, and instructions for making and returning the ballot. Notwithstanding the applicable provisions of paragraph 2.11.3 of this subsection, written ballots that are returned in secrecy envelopes may not be examined or counted before the deadline for returning ballots has passed.

2.11.3 If approval of a proposed action would otherwise require a meeting at which a certain quorum must be present and at which a certain percentage of total votes cast is required to authorize the action, the proposal will be deemed to be approved when the date for return of ballots has passed, a quorum of Members has voted, and the required percentage of approving votes has been received. Otherwise, the proposal shall be deemed to be rejected. If approval of a proposed action otherwise would require a meeting at which a specified percentage of Members must authorize the action, the proposal shall be deemed to be approved when the percentage of total votes cast in favor of the proposal equals or exceeds such required percentage. The proposal shall be deemed to be rejected when the number of votes cast in opposition renders approval impossible or when both the date for return of ballots has passed and such required percentage has not been met. Except as otherwise provided in subsection 2.11.2 of this Section, votes may be counted from time to time before the final return date to determine whether the proposal has passed or failed by the votes already cast on the date they are entered.

2.11.4 All solicitations for votes by written ballot shall state the number of responses needed to meet any applicable quorum requirement and the total percentage of votes needed for approval. All such solicitations for votes shall specify the period during which the Association will accept written ballots for counting, which period shall end on the earliest of (i) the date on which the Association has received a sufficient number of approving ballots to pass the proposal, or (ii) the date on which the Association has received a sufficient number of

disapproving ballots to render the proposal impossible of passage, or (iii) a date certain by which all ballots must be returned to be counted. A written ballot may not be revoked.

Section 2.12 Majority. As used in these Bylaws, the term "Majority" shall mean those votes, Owners, or other group as the context may indicate totaling more than fifty percent (50%) of the total number.

Section 2.13 Quorum. Except as otherwise provided in these Bylaws or in the Declaration, the presence in person at the beginning of a meeting of a Member, or on a Member's behalf by an Authorized Representative or Proxy Holder, of Members representing twenty percent (20%) of the total votes of the Association shall constitute a quorum at all meetings of the Association. Any provision in the Declaration concerning quorums is specifically incorporated herein.

Section 2.14 Conduct of Meetings. The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring at the meeting. All meetings of the Association and the Board of Directors shall be conducted in accordance with the latest edition of Robert's Rules of Order, unless such rules conflict with the Bylaws or the Declaration in which event the provisions of these Bylaws or the Declaration shall apply.

Section 2.15 Action Without A Meeting. Any action required by law to be taken at a meeting of the Members, or any action that may be taken at a meeting of the Members, may be taken without a meeting if written consent setting forth the action so taken is signed by all of the Members entitled to vote with respect to the subject matter thereof, and any such consent shall have the same force and effect as a unanimous vote of the Members.

Article III.

Board of Directors: Number, Powers, Meetings

Composition and Selection.

Section 3.1 Governing Body; Composition. The affairs of the Association shall be governed by a Board of Directors, each of whom shall have one (1) vote. Except with respect to Directors appointed by the Class B Member, the Directors shall be Members or spouses of such Members; provided, however, no person and his or her spouse may serve on the Board at the same time. In the case of an Owner that is a corporation, limited liability company, partnership, or other legal entity, the Person designated in writing to the Secretary of the Association as the representative of such corporation, limited liability company, partnership, or other legal entity, shall be eligible to serve as a Director.

Section 3.2 Directors During Class B Control Period. Subject to the provisions of Section 6 below, the Directors shall be selected by the Class B Member acting in its sole discretion and shall serve at the pleasure of the Class B Member until the first to occur of the following:

3.2.1 when seventy-five percent (75%) of the maximum proposed number of Units permitted by the local zoning ordinances for the property described on Exhibit A of the Declaration have been conveyed to Persons other than the Declarant or builders holding title solely for purposes of development and sale;

3.2.2 December 31, 2020; or

3.2.3 when, in its sole discretion, the Class B Member so determines.

Section 3.3 Right To Disapprove Actions. This Section 3 may not be amended without the express, written consent of the Class B Member as long as the Class B membership exists.

So long as the Class B membership exists, the Class B Member shall have a right to disapprove actions of the Board and any committee, as is more fully provided in this Section. This right shall be exercisable only by the Class B Member, its successors, and assigns who specifically take this power in a recorded instrument. The right to disapprove shall be as follows:

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

3.3.1 The Class B Member shall have been given written notice of all meetings and proposed actions approved at meetings of the Board, approved by written consent of the Board, or approved by any committee appointed by the Board, by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary of the Association, as it may change from time to time, which notice complies as to the Board of Director's meetings with Article III, Sections 3.8, 3.9, and 3.10 (and 3.11 if applicable), of these Bylaws and which notice shall, except in the case of the regular annual meetings held pursuant to the Bylaws, set forth in reasonable particularity the agenda to be followed at said meeting; and

3.3.2 The Class B Member shall be given the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program to be implemented by the Board or any committee thereof. The Class B Member, its representatives or agents shall make its concerns, thoughts, and suggestions known to the members of the subject committee and/or the Board. The Class B Member shall have and is hereby granted a right to disapprove any such action, policy, or program authorized by the Board of Directors or any committee thereof and to be taken by the Board or such

committee, if Board or committee approval is necessary for such action. This right may be exercised by the Class B Member, its representatives, or agents at any time within ten (10) days following the meeting held pursuant to the terms and provisions hereof, or following such action in the case of action by written consent. This right to disapprove may be used to block proposed actions but shall not extend to the requiring of any action or counteraction on behalf of any committee or the Board. The Class B Member shall not use its right to disapprove to reduce the level of services that the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

Section 3.4 Number of Directors. The number of Directors in the Association shall be not less than three (3) nor more than five (5), as provided in Section 3.6 below. The initial Board shall consist of three (3) members as identified in the Articles.

Section 3.5 Nomination of Directors. Except with respect to Directors selected by the Class B Member, nominations for election to the Board of Directors shall be made by a nominating committee ("Nominating Committee"). The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and three (3) or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors not less than thirty (30) days prior to each annual meeting of the Members to serve a term of one (1) year or until their successors are appointed, and such appointment shall be announced at each such annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but in no event less than the number of positions to be filled. Nominations shall also be permitted from the floor. All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes.

Section 3.6 Election and Term of Office. Notwithstanding any other provision contained herein:

3.6.1 Not later than the sixtieth (60th) day after Declarant conveys fifty percent (50%) or more of the Units then existing in the Project to Owners other than a successor Declarant or at such earlier date as the Class B Member so determines, Declarant shall call a special meeting of all Class A Members and shall provide notice of such meeting in accordance with these Bylaws. At such meeting, Declarant and the Class A Members shall form a transitional advisory committee to provide for the transition of administrative responsibility for the Project by the Declarant to the Association as provided in Section 5.4 of the Declaration. Such committee shall consist of three (3) members, two (2) of which shall be selected by the Class A Members and one (1) of which may be selected by the Declarant (the "Transitional Advisory Committee"). Declarant and the Transitional Advisory Committee shall work together and cooperate with one another to accomplish and prepare for the activities to be conducted at the Turnover Meeting.

3.6.2 No later than sixty (60) days after the time Class A Members, other than the Declarant or a builder holding title solely for purposes of development and sale, own sixty-six percent (66%) of the maximum proposed number of Units permitted by the local zoning ordinances for the property described in Exhibit A of the Declaration, or whenever the Class B Member earlier determines, the Board shall be increased to five (5) Directors. The Association shall call a special meeting at which Members representing the Class A Members shall elect two (2) of the five (5) Directors. The remaining three (3) Directors shall be appointees of the Class B Member. The Directors elected by the Members shall not be subject to removal by the Class B Member acting alone and shall be elected for a term of two (2) years or until the happening of the event described in subsection 3.6.3 below, whichever is shorter. If such Directors' terms expire prior to the happening of the event described in subsection 3.6.3 below, successors shall be elected by the Members for a like term.

3.6.3 At the first annual meeting (or special meeting called for the purpose of electing Directors) of the Members after the termination of the Class B membership, all five (5) Directors shall be elected by the Members. Three (3) Directors shall be elected for a term of two (2) years and two (2) Directors shall be elected for a term of one (1) year. At the expiration of the initial term of office of each member of the Board of Directors and at each annual meeting thereafter, a successor shall be elected to serve for a term of two (2) years.

Each Member shall be entitled to cast one (1) vote with respect to each vacancy to be filled. The Directors elected by the Members shall hold office until their respective successors have been elected by the Association. Directors may be elected to serve any number of consecutive terms.

Section 3.7 Removal of Directors and Vacancies. Any Director elected by the Members may be removed, with or without cause, by the vote of Members holding a Majority of the votes entitled to be cast for the election of such Director. Any Director whose removal is sought shall be given notice prior to any meeting called for that purpose. A Director who was elected solely by the vote of Members other than the Declarant may be removed from office prior to the expiration of his or her term only by the vote of a Majority of Members other than the Declarant. Upon removal of a Director, a successor shall then and there be elected by the Members entitled to elect the Director so removed to fill the vacancy for the remainder of the term of such Director.

Any Director elected by the Members who has three (3) consecutive unexcused absences (and such excuses may be given by the President or Secretary) from Board meetings or who is delinquent in the payment of any assessment or other charge due the Association for more than thirty (30) days may be removed by a Majority of the Directors present at a regular or special meeting at which a quorum is present, and a successor may be appointed by the Board to fill the vacancy for the remainder of the term. In the event of the death, disability, or resignation of a

Director, a vacancy may be declared by the Board, and it may appoint a successor who shall serve for the remainder of the term.

Meetings.

Section 3.8 Organizational Meetings. The first meeting of the Board of Directors shall be held within ten (10) days of the first annual meeting of the Members at such time and place as shall be fixed by the President or Secretary.

Section 3.9 Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a Majority of the Directors, but at least four (4) such meetings shall be held during each fiscal year with at least one (1) per quarter. Notice of the time and place of the meeting shall be communicated to Directors not less than four (4) days prior to the meeting; provided, however, notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting.

Section 3.10 Special Meetings. Special meetings of the Board of Directors shall be held when called by written notice signed by the President of the Association or by a Majority of the then-elected Directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each Director by one of the following methods: (a) by personal delivery; (b) written notice by first class mail, postage prepaid; (c) by telephone communication, either directly to the Director or to a person at the Director's office or home who would reasonably be expected to communicate such notice promptly to the Director; or (d) by facsimile machine. All such notices shall be given at the Director's telephone or facsimile number or sent to the Director's address as shown on the records of the Association. Notices sent by first class mail shall be deposited into a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone, or facsimile machine shall be delivered, telephoned, or transmitted at least seventy-two (72) hours before the time set for the meeting.

Section 3.11 Waiver of Notice.

3.11.1 The actions taken of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (a) a quorum is present, and (b) either before or after the meeting each of the Directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any Director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.11.2 For other than emergency meetings, notice of meetings of the Board of Directors shall be posted at a place or places on the Properties at least three (3) days prior to the meeting, or notice shall be provided by a method otherwise reasonably calculated to inform Owners of such meetings. Emergency meetings may be held without notice if the reason for the emergency is stated in the minutes of the meeting, and only emergency meetings of the Board of Directors may be conducted by telephonic communication.

Section 3.12 Quorum of Board of Directors. At all meetings of the Board of Directors, a Majority of the Directors shall constitute a quorum for the transaction of business, and the vote of a Majority of the Directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors, if any action taken is approved by at least a Majority of the required quorum for that meeting. If any meeting of the Board cannot be held because a quorum is not present, a Majority of the Directors who are present at such meeting may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the date the original meeting was called. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

Section 3.13 Compensation. No Director shall receive any compensation from the Association for acting as such unless approved by Members representing a Majority of the total Class A votes of the Association at a regular or special meeting of the Association; provided any Director may be reimbursed for expenses incurred on behalf of the Association upon approval of a Majority of the other Directors.

Section 3.14 Conduct of Meetings. The President shall preside over all meetings of the Board of Directors, and the Secretary shall keep a minute book of meetings of the Board of Directors, recording therein all resolutions adopted by the Board of Directors and all transactions and proceedings occurring at such meetings.

Section 3.15 Open Meetings. All meetings of the Board shall be open to all Members, but Members other than Directors may not participate in any discussion or deliberation unless permission to speak is requested on his or her behalf by a Director. In such case, the President may limit the time any Member may speak. Notwithstanding the above, the President may adjourn any meeting of the Board of Directors and reconvene in executive session, excluding Members, to discuss matters of a sensitive nature, such as pending or threatened litigation, personnel matters, et cetera, to the extent permitted under ORS 94.640(7)(a).

Section 3.16 Conference Call Meetings. A member or members of the Board of Directors may participate in emergency meetings of the Board by means of conference telephone or similar communications equipment, by which all Persons participating in the meeting can hear

each other. Such participation shall constitute presence in person at such meeting. Participation in non-emergency meetings by telephone is not permitted.

Powers and Duties.

Section 3.17 Powers. The Board of Directors shall be responsible for the affairs of the Association and shall, subject to Section 3.3 of Article III, have all of the powers and duties necessary for the administration of the Association's affairs and, as provided by law, may do or cause to be done all acts and things as are not by the Act, the Declaration, the Articles, or these Bylaws directed to be done and exercised exclusively by the Declarant, the Members or the membership generally.

The Board of Directors shall delegate to one of its members the authority to act on behalf of the Board of Directors on all matters relating to the duties of the managing agent or manager, if any, that might arise between meetings of the Board of Directors. See Section 3.18 of this Article.

In addition to the duties imposed by these Bylaws or by any resolution of the Association that may hereafter be adopted, the Board of Directors shall have the power and shall have the duty to establish policies relating to, and shall be responsible for performing or causing to be performed, the following, in way of example, but not limitation:

3.17.1 adopt Bylaws and propose amendments to the Bylaws;

3.17.2 preparation and adoption, in accordance with Article X of the Declaration, of annual budgets in which there shall be established the contribution of each Member to the Common Expenses and provide a summary of such budget to the Owners within thirty (30) days following its adoption;

3.17.3 making assessments to defray the Common Expenses and for Reserves, establishing the means and methods of collecting such assessments, and establishing the period of the installment payments of the annual assessment; provided, unless otherwise determined by the Board of Directors, the annual assessment for each Owner's proportionate share of the Common Expenses and Reserves shall be payable in equal monthly installments, each such installment to be due and payable in advance on the first day of each month for said month;

3.17.4 providing for the improvement, operation, care, upkeep, regulation of use, replacement, modification and maintenance of all of the Area of Common Responsibility as provided in ORS 94.635;

3.17.5 designating, hiring, and dismissing the personnel necessary for the operation of the Association and the maintenance, operation, repair, and replacement of its

property and the Area of Common Responsibility and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies and materials to be used by such personnel in the performance of their duties;

3.17.6 collecting the assessments, depositing the proceeds thereof in a bank depository in Oregon, which it shall approve, in the name of the Association, and using the proceeds to operate the Association; provided, any reserve fund may be deposited, in the Directors' best business judgment, in depositories other than banks and, where appropriate as determined in accordance with the Declaration and these Bylaws, imposing charges for late payment of assessments and attorneys fees related to the collection of assessments and, after giving written notice and an opportunity to be heard, levying reasonable fines for violations of the Declaration, the Bylaws and/or any rules and regulations adopted by the Board of Directors. Any such charge imposed or fine levied shall be based on a schedule contained in the Declaration or these Bylaws, or an amendment to either, that is delivered to each Unit, mailed to the mailing address of each Unit or mailed to the mailing address designated in writing by the Owner, or based on a resolution of the Association or its Board of Directors that it is delivered to the Owner of each Unit, mailed to the mailing address of each Unit or mailed to the mailing address as designated in writing by the Owner;

3.17.7 making and amending rules and regulations;

3.17.8 opening of bank accounts on behalf of the Association and designating the signatories required;

3.17.9 making or contracting for the making of repairs, additions, and improvements to or alterations of the Area of Common Responsibility in accordance with the other provisions of the Declaration and these Bylaws;

3.17.10 enforcing by legal means the provisions of the Declaration, these Bylaws, and the rules and regulations adopted by the Board of Directors and bringing or defending any proceedings that may be instituted on behalf of or against the Owners or the Association concerning the Project. Such legal activities shall include, without limitation, the right to initiate or intervene in litigation or administrative proceedings in the name of the Association and without joining any individual Owner in the following:

- (a) matters relating to the collection of assessments and enforcement of governing documents;
- (b) matters arising out of contracts to which the Association is a party;

(c) actions seeking equitable or other non-monetary relief regarding matters that affect the common interest of the Owners, including but not limited to the abatement of nuisances;

(d) matters relating to or affecting any Area of Common Responsibility, including, but not limited to actions for damage, destruction, impairment and loss of any Area of Common Responsibility;

(e) matters relating to or affecting the Units or interests of the Owners, including, but not limited to, damage, destruction, impairment or loss of use of a Unit or a portion thereof, if such damage, destruction, impairment or loss of use results from nuisance or a defect in or damage to an Area of Common Responsibility or as required to facilitate repair to any Area of Common Responsibility; and

(f) any other matter in which the Association has standing under law or pursuant to the Act, Articles, Declaration, Bylaws or Master Plan.

3.17.11 obtaining and carrying insurance against casualties and liabilities, as provided in the Act (including as required in ORS 94.675 and 94.685) and the Declaration, and paying the premium cost thereof and reviewing that coverage not less often than annually;

3.17.12 paying the cost of all services rendered to the Association or its Members and not chargeable directly to specific Owners and imposing and receiving any payments, fees or charges for the use, rental or operation of any Area of Common Responsibility and for any services provided to any Owner;

3.17.13 keeping books with detailed accounts of the receipts and expenditures affecting the Association and its administration, specifying the maintenance and repair expenses and any other expenses incurred;

3.17.14 maintaining a membership register reflecting, in alphabetical order, the names, unit addresses and mailing addresses of all Members;

3.17.15 making available to any prospective purchaser of a Unit, any Owner of a Unit, any first Mortgagee, and the holders, insurers, and guarantors of a first Mortgage on any Unit, current copies of the Declaration, the Articles, the Bylaws, rules governing the Unit and all other books, records, and financial statements of the Association;

3.17.16 permitting utility suppliers and suppliers of other services such as cable television and security monitoring systems that have a contract with the Declarant or the Association to use portions of the Area of Common Responsibility reasonably necessary to the ongoing development or operation of the Project;

3.17.17 acquiring, holding, encumbering and conveying in the name of the Association any right, title or interest to real or personal property, in accordance with the Articles, Declaration, the Bylaws and ORS 94.665;

3.17.18 granting easements, leases, licenses and concessions over the appropriate Area of Common Responsibility;

3.17.19 modifying, closing, removing, eliminating or discontinuing the use of the Area of Common Responsibility, including any improvement or landscaping, regardless of whether such area is mentioned in the Declaration, in accordance with ORS Section 94.630;

3.17.20 adopting rules regarding the termination of utility services paid for out of assessments of the Association and access to and use of recreational and service facilities available to Owners, and, after giving notice and an opportunity to be heard, terminating the rights of any Owners to receive such benefits or services until the correction of any violation covered by such rule has occurred;

3.17.21 imposing reasonable charges upon the Owners for the preparation and recordation of amendments to the Declaration and Bylaws;

3.17.22 providing for the indemnification of the Officers and members of the Board of Directors and maintaining liability insurance for Directors and Officers;

3.17.23 assigning its right to future income, including the right to receive assessments for Common Assessments;

3.17.24 exercising any other powers reasonably necessary and proper for the operation of the Association; and

3.17.25 any and all other powers and duties as set forth in the Act.

Section 3.18 Management. The Board of Directors may employ for the Association a professional management agent or agents at a compensation established by the Board of Directors to perform such duties and services as the Board of Directors shall authorize. The Board of Directors may delegate to the managing agent or manager, subject to the Board's supervision, all of the powers granted to the Board of Directors by these Bylaws, other than the powers set forth in subparagraphs 3.17.1, 3.17.2, 3.17.3, 3.17.7, 3.17.8, 3.17.10, 3.17.17, 3.17.18, 3.17.19, 3.17.20, 3.17.21, 3.17.22 and 3.17.23 of this Section 3.17. The Declarant, or an affiliate of the Declarant, may be employed as managing agent or manager.

Section 3.19 Accounts and Reports. The following management standards of performance will be followed unless the Board by resolution specifically determines otherwise:

3.19.1 accrual accounting, as defined by generally accepted accounting principles, shall be employed;

3.19.2 accounting and controls should conform to generally accepted accounting principles;

3.19.3 cash accounts of the Association shall not be commingled with any other accounts;

3.19.4 no remuneration shall be accepted by the managing agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association;

3.19.5 any financial or other interest that the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly in writing to the Board of Directors;

3.19.6 commencing at the end of the month in which the first Unit is sold and closed, financial reports shall be prepared for the Association at least quarterly containing:

(i) an income statement reflecting all income and expense activity for the preceding period on an accrual basis;

(ii) a statement reflecting all cash receipts and disbursements for the preceding period;

(iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;

(iv) a balance sheet as of the last day of the preceding period; and

(v) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments that remain delinquent (any assessment or installment thereof shall be considered to be delinquent on the fifteenth [15th] day following the due date unless otherwise determined by the Board of Directors);

3. 19.8 federal, state and, as applicable, local, tax returns shall be prepared and filed for the Association;

3. 19.9 an annual report consisting of at least the following shall be distributed to all Members within ninety (90) days after the close of the fiscal year: (1) a balance sheet; (2) an operating (income) statement; and (3) a statement of changes in financial position for the fiscal year. The annual report referred to above shall be reviewed within one hundred eighty (180) days after the close of the fiscal year by an independent certified public accountant as required by ORS 94.670(4). During the Class B Control Period, the annual report shall include certified financial statements;

3.19.10 Except when requested from the Association by an Owner against whom the Association has commenced litigation by filing a complaint (and if the litigation is pending when the statement would otherwise be due) the Association shall provide, within ten (10) business days of receipt of a written request from an Owner, a written statement that provides: (a) the amount of assessments due from the Owner and unpaid at the time the request was received, including: (i) regular and special assessments; (ii) fines and other charges; (iii) accrued interest; and (iv) late payment charges; (b) the percentage rate at which interest accrues on assessments that are not paid when due; and (c) the percentage rate used to calculate the charges for late payment or the amount of a fixed charge for late payment; and

3. 19.11 The Association shall make the documents, information and records described above and all other records of the Association reasonably available for examination by an Owner and any Mortgagee of a Unit. Upon the written request of an Owner or Mortgagee of a Unit, the Association shall make available during reasonable hours all such records for duplication. The documents, information and records described above and all other records of the Association shall be located within the State of Oregon. The Association shall maintain a copy, suitable for the purpose of duplication, of the following: (a) the Declaration, Bylaws, Association rules and regulations and any amendments or supplements to them; (b) the most recent financial statements delivered to the Owners; and (c) the current operating budget of the Association. The Association may charge a reasonable fee for furnishing copies of any documents, information or records. The fee may include reasonable personnel costs for furnishing the documents, information or records.

Section 3.20 Borrowing. The Board of Directors shall have the power to cause the Association to borrow money for the purpose of maintenance, repair or restoration of the Area of Common Responsibility without the approval of the Members of the Association. The Board shall also have the power to cause the Association to borrow money for other purposes; provided, the Board shall obtain Member approval in the same manner provided in Section 10.3, of the Declaration for special assessments in the event that the proposed borrowing is for the purpose of modifying, improving, or adding amenities and the total amount of such borrowing exceeds or

would exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year. Notwithstanding anything to the contrary contained in the Declaration, these Bylaws, or the Articles, no Mortgage lien shall be placed on any Area of Common Responsibility without the affirmative vote or written consent, or any combination thereof, of Members representing at least seventy five percent (75%) of the Class A votes of the Association, excluding the Declarant and the Declarant nominees, and also, as long as there is a Class B membership, without the prior approval of the Class B member and HUD/VA.

Section 3.21 Rights of the Association. With respect to the Area of Common Responsibility, and in accordance with the Articles and the Declaration, the Association shall have the right to contract with any person for the performance of various duties and functions. Without limiting the foregoing, this right shall entitle the Association to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or other owners or residents associations, both within and without the Project. Such agreements shall require the consent of two-thirds (2/3) of all Directors.

Section 3.22 Enforcement. The Board shall have the power to impose reasonable fines, which shall constitute a lien upon the Unit of the violating Owner, and to suspend an Owner's right to vote or any person's right to use the Area of Common Responsibility for violation of any duty imposed under the Declaration, these Bylaws, or any rules and regulations duly adopted hereunder; provided, however, nothing herein shall authorize the Association or the Board of Directors to limit ingress and egress to or from a Unit. In addition, the Association shall be entitled to suspend any services provided by the Association to a Unit in the event that the Owner of such Unit is more than thirty (30) days delinquent in paying any assessment due to the Association. If any occupant, guest or invitee of a Unit violates the Declaration, Bylaws, or a rule or regulation and a fine is imposed, the fine shall first be assessed against the occupant; provided, however, if the fine is not paid by the occupant within the time period set by the Board, the Owner shall pay the fine upon notice from the Association. The failure of the Board to enforce any provision of the Declaration, Bylaws, or any rule or regulation shall not be deemed a waiver of the right of the Board to do so thereafter.

3.22.1 Notice. Prior to imposition of any sanction hereunder, the Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a period of not less than ten (10) days within which the alleged violator may present a written request to the Covenants Committee, if any, or Board of Directors for a hearing; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a challenge is made within ten (10) days (or longer period designated in the written notice) of the notice. If a timely challenge is not made, the sanction stated in the notice shall be imposed.

3.22.2 Hearing. If a hearing is requested within the allotted period designated pursuant to paragraph 3.22.1 above, the hearing shall be held in executive session affording the

alleged violator a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the Officer, Director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. The Board of Directors or the Covenants Committee (if any) may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the period designated pursuant to paragraph 3.22.1 above. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person.

3.22.3 Appeal. If there is a Covenants Committee, then, following a hearing before the Covenants Committee, the violator shall have the right to appeal an adverse decision to the Board of Directors. To perfect this right, a written notice of appeal must be received by the manager, President, or Secretary of the Association within ten (10) days after the hearing date.

3.22.4 Fine Schedule. The current fine schedule, which is subject to modification by the Board of Directors (including modification to increase the amount of each fine to whatever amount the Board of Directors may determine), is as follows:

(a) The period designated pursuant to paragraph 3.22.1 above for presenting a written request for a hearing shall be fourteen (14) days. If a written challenge is not made within the fourteen- (14-) day period, and if the violation is not cured within the fourteen- (14-) day period, a fine of not less than \$25 will be imposed and assessed to the Owner's account. If the violation continues uncured for an additional fourteen (14) days following the initial fourteen- (14-) day period, a second fine of not less than \$75 will be imposed and assessed to the Owner's account.

(b) If a timely challenge by written notice requesting a hearing is presented, and a hearing held, and if the decision at the hearing is adverse to the Owner, the initial fine of not less than \$25 will be imposed at that time. If there is an appeal pursuant to paragraph 3.22.3 above, and the decision at the hearing on the appeal is adverse to the Owner, the initial fine of not less than \$25 will be imposed at that time; and if the violation is not cured within fourteen (14) days following the imposition of the initial fine, the second fine of not less than \$75 will then be imposed.

(c) When there are fines totaling not less than \$100 against an Owner, a notice of lien will be recorded on the Owner's Unit for the amount of the fines and related costs and attorney's fees. The lien will be treated in the same manner as a notice of lien for unpaid assessments and shall be subject to the terms of Section 10.5 of the Declaration and related provisions of the Declaration to the same extent as a recorded lien for unpaid assessments.

3.22.5 Dispute Resolution.

3.22.5.1 Prior to initiating litigation or an administrative proceeding in which the Association and an Owner have an adversarial relationship, the party that intends to initiate litigation or an administrative proceeding shall offer to use any dispute resolution program available within the county in which the Project is located that is in substantial compliance with the standards and guidelines adopted under ORS 36.175. The written offer must be hand-delivered or mailed by certified mail, return receipt requested, to the address, contained in the records of the Association, for the other party.

3.22.5.2 If the party receiving the offer does not accept the offer within ten (10) days after receipt by written notice hand-delivered or mailed by certified mail, return receipt requested, to the address, contained in the records of the Association, for the other party, the initiating party may commence the litigation or the administrative proceeding. The notice of acceptance of the offer to participate in the program must contain the name, address and telephone number of the body administering the dispute resolution program.

3.22.5.3 If a qualified dispute resolution program exists within the county in which the Project is located and an offer to use the program is not made as required under subparagraph 3.22.5.1 above, litigation or an administrative proceeding may be stayed for thirty (30) days upon a motion of the nominating party. If the litigation or administrative action is stayed under this paragraph, both parties shall participate in the dispute resolution process.

3.22.5.4 Unless a stay has been granted under subparagraph 3.22.5.3 of this subsection, if the dispute resolution process is not completed within thirty (30) days after receipt of the initial offer, the initiating party may commence litigation or an administrative proceeding without regard to whether the dispute resolution is completed.

3.22.5.5 Once made, the decision of the court or administrative body arising from litigation or an administrative proceeding may not be set aside on the grounds that an offer to use the dispute resolution program was not made.

3.22.5.6 The requirements of this subsection do not apply to circumstances in which irreparable harm to a party will occur due to delay or to litigation or an administrative proceeding initiated to collect assessments, other than assessments attributable to fines.

3.22.6 Damage Claims Affecting Lots or Interests of Owners in Lots. At least ten (10) days prior to initiating any litigation or administrative proceeding to recover damages under ORS 94.630(1)(e)(E), the Association shall provide written notice to each affected Owner of the

Association's intent to seek damages on behalf of the Owner. The notice shall comply with the requirements set forth in ORS 94.662.

3.22.7 Additional Enforcement Rights. Notwithstanding anything to the contrary herein contained, the Association, acting through the Board of Directors, may elect to enforce any provision of the Declaration, these Bylaws, or the rules and regulations of the Association by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations) or by suit at law or in equity to enjoin any violation or to recover monetary damages or both without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorney's fees actually incurred.

After complying with the procedures set forth in paragraphs 3.22.1, 3.22.2 and 3.22.3 of this Section 3.22, the Association or its duly authorized agent shall have the power to enter upon a Unit or any portion of the Area of Common Responsibility to abate or remove, using such force as may be reasonably necessary, any structure, thing or condition that violates this Declaration, the Bylaws, or the rules and regulations. All costs of self-help, including reasonable attorney's fees, shall be assessed against the violating Unit Owner as a Special Assessment.

Article IV. Officers

Section 4.1 Officers. The officers of the Association shall be a President, Vice President, Secretary, and Treasurer, to be elected from among the members of the Board. The Board of Directors may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed from time to time by the Board of Directors. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

Section 4.2 Election, Term of Office, and Vacancies. The officers of the Association shall be elected annually by the Board of Directors, to serve for a term of one (1) year and until their respective successors are elected. The election of officers shall take place at the first regular or special meeting of the Board held following each election or selection of a new Board of Directors. A vacancy in any office arising because of death, resignation, removal, or otherwise may be filled by the Board for the unexpired portion of the term at any meeting of the Board.

Section 4.3 Removal. Any officer may be removed by the Board of Directors whenever in its judgment the best interests of the Association will be served thereby.

Section 4.4 Powers and Duties. The officers of the Association shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may from time to time specifically be conferred or imposed by the Board of Directors. The President shall be the chief executive officer of the Association. The Treasurer shall have primary responsibility for the preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

Section 4.5 Resignation. Any Officer may resign at any time by giving written notice to the Board of Directors, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4.6 Agreements, Contracts, Deeds, Leases, Checks, et cetera. All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two (2) officers or by such other person or persons as may be designated by resolution of the Board of Directors.

Article V. Committees

Section 5.1 General. Committees are hereby authorized to perform such tasks and to serve for such periods as may be designated (by a resolution adopted by a Majority of the Directors present at a meeting at which a quorum is present). Each committee shall operate in accordance with the terms of the resolution of the Board of Directors designating the committee or with rules adopted by the Board of Directors.

Section 5.2 Covenants Committee. In addition to any other committees that may be established by the Board pursuant to Section 5.1 of this Article, the Board of Directors may appoint a covenants committee ("Covenants Committee") consisting of at least five (5) and no more than seven (7) Members. Acting in accordance with the provisions of the Declaration, these Bylaws, and resolutions the Board may adopt, the Covenants Committee, if established, shall be the hearing tribunal of the Association and shall conduct all hearings held pursuant to Article III, Section 3.22 of these Bylaws.

Article VI. Miscellaneous

Section 6.1 Fiscal Year. The fiscal year of the Association shall be set by resolution of the Board of Directors. In the absence of a resolution, the fiscal year shall be April 1 through March 31.

Section 6.2 Parliamentary Rules. Except as may be modified by Board resolution, Robert's Rules of Order (current edition) shall govern the conduct of Association proceedings when not in conflict with Oregon law, the Articles of Incorporation, the Declaration, or these Bylaws.

Section 6.3 Conflicts. If there are conflicts between the provisions of Oregon law, the Articles, the Declaration, and these Bylaws, the provisions of Oregon law, the Declaration, the Articles, and the Bylaws (in that order) shall prevail. If these Bylaws are inconsistent with the Declaration or the Articles in any respect, then these Bylaws shall be deemed modified to the extent necessary to be consistent with the Declaration and the Articles. To the extent the Act provides the Association or the Board with additional powers and rights that are not specifically enumerated in these Bylaws, the Association or Board, as applicable, shall be deemed to have such additional powers and rights.

Section 6.4 Books and Records.

6.4.1 Inspection by Members and Mortgagees. The Declaration, Bylaws and Articles, any amendments to the foregoing, the recorded plat (if feasible), the rules and regulations of the Association including the architectural standards and guidelines, the membership register, books of account, the reserve study and the minutes of meetings of the Members, the Board (except those records concerning confidential matters as described in ORS 94.670(5) as it may be amended from time to time), and committees shall be made available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a Unit, Member of the Association, or by the duly appointed representative of the foregoing, at any reasonable time and for a purpose reasonably related to his or her interest in the Unit at the office of the Association or at such other place within the Properties as the Board shall prescribe.

6.4.2 Rules for Inspection. The Board shall establish reasonable rules with respect to:

- (a) notice to be given to the custodian of the records;
 - (b) hours and days of the week when such an inspection may be made;
- and
- (c) payment of the cost of reproducing copies of documents requested.

6.4.3 Inspection by Directors. Every Director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make extracts and a copy of relevant documents at the expense of the Association.

Section 6.5 Notices. Unless otherwise provided in these Bylaws, all notices, demands, bills, statements, or other communications under these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States Mail, first class postage prepaid:

6.5.1 if to a Member, at the address that the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Unit of such Member; or

6.5.2 if to the Association, the Board of Directors, or the managing agent, at the principal office of the Association or the managing agent, if any, or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

Section 6.6 Amendments to Bylaws.

6.6.1 How Proposed. Any amendments to these Bylaws may be proposed by a Majority of the Board of Directors or by at least thirty percent (30%) of the Owners.

6.6.2 Adoption. A resolution adopting a proposed amendment must be approved by vote of a Majority of the Class A Members, voting personally, by Authorized Representative, Proxy Holder or absentee ballot, at a meeting called for such purpose or by written ballot vote, together with the written consent of the Class B Member, if any, and, as long as there is a Class B member, by the Federal Housing Administration or the Veterans Administration, if these Bylaws were previously approved by such agencies. Any provision of these Bylaws that is also contained in the Declaration must be approved by the same voting requirement for amendment of such provision of the Declaration.

Notwithstanding the provisions of the preceding paragraph, until the turnover meeting described in Section 2.5 has occurred, Declarant shall have the right to amend these Bylaws in order to comply with the requirements of the Federal Housing Administration, the United States Department of Veterans Affairs, the Farmers Home Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Mortgage Loan 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 that insures, guarantees or provides financing for a planned community or lots in a planned community. After the Turnover Meeting, any such amendment shall require the approval of a Majority of the Class A Members, voting in person, by proxy or by ballot, at a meeting or ballot meeting of the Association at which a quorum is represented.

6.6.3 Execution and Recording. Any amendment to be effective must be certified by the President and Secretary as having been adopted in accordance with these Bylaws and ORS 94.625 and recorded in the Auditor's Office of Clackamas County, Oregon.

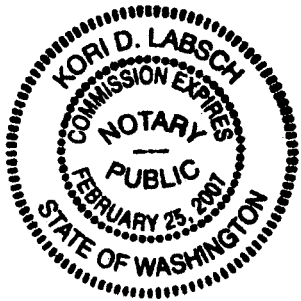
6.6.4 Authority to Consent. If an Owner consents to any amendment to the Declaration or these Bylaws, it will be conclusively presumed that such Owner has the authority so to consent and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

STATE OF WASHINGTON)
)ss
County of Clark)

On this 9th day of January, 2006, before me, the undersigned, a Notary Public in and for the State of Washington duly sworn, personally appeared Jennifer Elson, to me known to be the Secretary of Taralon Residential Community Association the company that executed the foregoing instrument and acknowledged the said instrument to be the free and voluntary act and deed of said company for the uses and purposes therein mentioned, and on oath that she is authorized to execute the said instrument.

Witness my hand and official seal hereto affixed the day and year first above written.



Kori D. Labsch
Notary Public in and for the State of Washington
Residing at: Vancouver, WA
My commission expires February 25, 2007

K:\41520\00009\KSS\KSS_A20VT