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Zupancic Rathbone Law Group, PC
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Lake Oswego, OR 97035
Attn: James D. Zupancic

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I, Richard Hobernicht, Director of Assessment and Taxation and Ex-Office County Clerk for Washington County, Oregon, do hereby certify that the within instrument of writing was received and recorded in the book of records of said county.

Richard Hobernicht, Director of
Assessment and Taxation, Ex-Officio

First American 1157154

BYLAWS OF
COTTAGE TERRACE HOMEOWNERS' ASSOCIATION

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Table of Contents

ARTICLE 1 PLAN OF OWNERSHIP 1

 1.1 Name and Location..... 1

 1.2 Purpose.. 1

 1.3 Applicability of Bylaws..... 1

 1.4 Composition of Association 1

 1.5 Incorporation. 1

 1.6 Definitions. 1

ARTICLE 2 MEETINGS OF ASSOCIATION..... 1

 2.1 Place of Meeting. 1

 2.2 Organizational and Turnover Meeting 1

 2.3 Annual Meetings..... 2

 2.4 Special Meetings..... 2

 2.5 Notice of Meetings 2

 2.6 Voting 2

 2.7 Casting of Votes and Consents. 2

 2.8 Votes Involving Major Decisions..... 3

 2.9 Fiduciaries and Joint Owners. 3

 2.10 Tenants and Contract Vendorst..... 4

 2.11 Quorum of Ownerst. 4

 2.12 Majority Vote..... 4

 2.13 Continued Votes..... 4

 2.14 Order of Business..... 4

 2.15 Rules of Order..... 4

ARTICLE 3 BOARD OF DIRECTORS 5

 3.1 Number and Qualification. 5

 3.2 Interim Directors..... 5

 3.3 Election and Term of Office..... 5

 3.4 Vacancies..... 5

 3.5 Removal of Directors..... 5

 3.6 Powers and Duties 5

 3.7 Managing Agent or Manager..... 7

3.8	Contracts Entered into by Declarant or Interim Board.....	7
3.9	Organizational Meeting.....	8
3.10	Regular and Special Meetings.....	8
3.11	Open Meetings.....	8
3.12	Waiver of Notice.....	9
3.13	Quorum of Board of Directors.....	9
3.14	Voting.....	9
3.15	Compensation.....	9
3.16	Liability and Indemnification of Directors, Officers and Manager.....	9
3.17	Insurance.....	10
ARTICLE 4 OFFICERS.....		10
4.1	Designations.....	10
4.2	Election of Officers.....	10
4.3	Removal of Officers.....	10
4.4	Chairperson.....	10
4.5	Secretary.....	10
4.6	Treasurer.....	10
4.7	Execution of Instruments.....	11
4.8	Compensation of Officers.....	11
ARTICLE 5 BUDGET, EXPENSES AND ASSESSMENTS.....		11
5.1	Budget.....	11
5.2	Determination of Common Expenses.....	11
5.3	Assessments.....	12
5.4	Fiscal Year.....	12
ARTICLE 6 RECORDS AND AUDITS.....		12
6.1	General Records.....	12
6.2	Financial Records and Accounts.....	12
6.3	Assessment Roll.....	12
6.4	Payment of Vouchers.....	12
6.5	Reports and Audits.....	13
6.6	Notice of Sale, Mortgage, Rental or Lease.....	13
6.7	Availability of Records.....	13
6.8	Statement of Assessments Due.....	13
ARTICLE 7 MAINTENANCE OF PROPERTY.....		14

7.1	Maintenance and Repair Responsibilities.....	14
7.2	Maintenance Plan	14
ARTICLE 8 INSURANCE.....		14
8.1	Types of Coverage.....	14
ARTICLE 9 AMENDMENTS TO BYLAWS		14
9.1	Amendment	14
9.2	Unilateral Amendment by Declarant.....	15
9.3	HUD/VA Approval.....	15
ARTICLE 10 DISPUTE RESOLUTION		15
10.1	Claims Other Than for Defective or Negligent Construction or Condition.....	15
10.2	Claims for Negligent or Defective Construction or Condition.....	17
10.3	Arbitration.....	19
10.4	Evidence.....	19
10.5	Survival.....	19
ARTICLE 11 MISCELLANEOUS		20
11.1	Notices	20
11.2	Waiver.....	20
11.3	Action Without a Meeting.. ..	20
11.4	Invalidity; Number; Captions.	20
11.5	Conflicts.....	20

ARTICLE 1

PLAN OF OWNERSHIP

- 1.1 Name and Location. These are the bylaws of the COTTAGE TERRACE HOMEOWNERS ASSOCIATION (the "Association"). COTTAGE TERRACE (the "Development") is located in the City of Beaverton, Washington County, Oregon, and has been submitted to the Oregon Planned Community Act by a declaration recorded concurrently with these Bylaws (the "Declaration"). The location of the Planned Community is described on Exhibit A and in the Declaration.
- 1.2 Principal Office. The principal office of the Association shall be located at such address as may be designated by the Board of Directors from time to time.
- 1.3 Purpose. This Association is formed under the provisions of the Oregon Planned Communities Act and ORS Chapter 65 as a nonprofit corporation to serve as the means through which the Owners of Building Lots within the Planned Community (the "Owners") may take action with regard to the administration, management and operation of the Planned Community.
- 1.4 Applicability of Bylaws. The Association, all Owners, and all persons using the Planned Community property shall be subject to these Bylaws and to all rules and regulations that may be adopted pursuant to these Bylaws.
- 1.5 Composition of Association. The Association shall be composed of all the Owners of the Planned Community, including Chesapeake Holdings West LLC, an Oregon limited liability company, and its successors and assigns (the "Declarant"), and the Association, itself, to the extent any of these own any Building Lot or Building Lots of the Planned Community.
- 1.6 Incorporation. The Association shall be incorporated under the Oregon Non-Profit Corporation Law. The Articles of Incorporation of the Association shall be consistent with the Declaration and these Bylaws, and these Bylaws shall constitute the bylaws of the incorporated association (the "Corporation"). Upon dissolution and winding up, the Corporation shall distribute any remaining assets to the members of the Corporation, as determined immediately prior to dissolution, in proportion to their cumulative contributions to the Corporation.
- 1.7 Definitions. The definitions contained in or adopted by the Declaration shall be applicable to these Bylaws.

ARTICLE 2

MEETINGS OF ASSOCIATION

- 2.1 Place of Meetings. The Association shall hold meetings at such suitable place convenient to the Owners as may be designated by the Board of Directors from time to time.
- 2.2 Organizational and Turnover Meeting. Declarant shall call a meeting by giving notice to each Owner as provided in the Bylaws for the purpose of turning over administrative responsibility for the Planned Community to the Association not later than ninety (90) days after 100% of the Building Lots in the Planned Community have been sold and conveyed by Declarant to Owners other than Declarant. If Declarant does not call the meeting required by this Section within the required period, the Transitional Advisory Committee or any Owner or mortgagee of a Building Lot may call such a meeting and give notice as required by this Section. At the Turnover Meeting, the interim directors

shall resign and their successors shall be elected by the Owners (including Declarant) as provided in this Declaration and the Bylaws. At the Turnover Meeting, Declarant shall also deliver to the Association those items specified in ORS 94.616(3), including, but not limited to, the deed to the common property in the Planned Community. After the Turnover Meeting, Declarant or its representative shall be available to meet with the Board as provided under ORS 94.616(4). The expense of giving notice shall be paid or reimbursed by the Association. Nothing in this Section shall be construed as preventing Declarant from calling the Organizational and Turnover Meeting prior to such date, or from calling informal, informational meetings of the Owners.

- 2.3 Annual Meetings. The annual meetings of the Association shall be held on such date each year as may be established by the Board of Directors from time to time, or if the board does not establish such a date, then in the month of February at such hour and on such date as the chairperson may designate, or if the chairperson should fail to designate such date by the first day of February then on the last Tuesday in February. The annual meetings shall be for the purpose of electing directors and for the transaction of such other business as may properly come before the meeting.
- 2.4 Special Meetings. Special meetings of the Association may be called by the chairperson or by a majority of the Board of Directors, and must be called by the chairperson or secretary upon receipt of a written request from Owners owning at least 30 percent of the voting rights stating the purpose of the meeting. Business transacted at a special meeting shall be confined to the purposes stated in the notice of meeting.
- 2.5 Notice of Meetings. Notice of the annual meeting and all other meetings of the Association stating the time and place and the purpose or purposes for which the meeting is being called shall be given by the chairperson or secretary. Notice must be given in writing by mail or, to the extent permitted by law, by electronic mail, facsimile or other form of electronic communication acceptable to the Board of Directors not less than 10 days nor more than 50 days prior to the date of the meeting to each Owner. If mailed, it shall be sent to the owner at his or her address as it appears on the books of the Association. A copy shall be sent to any first mortgagee requesting such notice. Proof of such notice shall be given by the affidavit of the person giving the notice. For a period of 10 years following recording of the Declaration, notices of meetings (including agendas) shall also be given to Declarant (or any designee of Declarant specified in any written notice to the Association) in the same manner as given to Owners, and Declarant or a representative of Declarant shall be entitled to attend such meetings. Notice of meeting may be waived by any Owner before or after meetings. When a meeting is adjourned for less than 30 days, no notice of the adjourned meeting need be given other than by announcement at the meeting at which such adjournment takes place.
- 2.6 Voting. Voting rights within the Association shall be as described in Section 3.3 of the Declaration.
- 2.7 Casting of Votes and Consents. The voting rights or consent of an Owner may be cast in person at a meeting of the Association or, at the discretion of the Board of Directors, by proxy in accordance with paragraph (a) of this Section, by absentee ballot in accordance with paragraph (b) of this Section, by written ballot in accordance with paragraph (c) of this Section, or by any other method specified in the Declaration, these Bylaws or the Oregon Planned Community Act, except as otherwise provided in Section 2.8 below.
 - a. Proxies. A proxy must be dated and signed by the Owner, is not valid if it is undated or purports to be revocable without notice, and terminates one year after its date unless the proxy specifies a shorter term. The Board of Directors may not require that a proxy be on a form prescribed by the board. An Owner may not revoke a proxy given pursuant to this paragraph except by actual notice of revocation to the person presiding over a meeting of the Association or to the Board of Directors if a vote is being conducted by written ballot in lieu of a meeting. A copy of a proxy in

compliance with this paragraph provided to the Association by facsimile, electronic mail or other means of electronic communication utilized by the Board of Directors is valid.

- b. **Absentee Ballots.** An absentee ballot, if authorized by the Board of Directors, shall set forth each proposed action and provide an opportunity to vote for or against each proposed action. All solicitations for votes by absentee ballot shall include instructions for delivery of the completed absentee ballot, including the delivery location and instructions about whether the ballot may be canceled if the ballot has been delivered according to the instructions. An absentee ballot shall be counted as an Owner present for the purpose of establishing a quorum. Even if an absentee ballot has been delivered to an Owner, the Owner may vote in person at a meeting if the Owner has returned the absentee ballot and canceled the absentee ballot, if cancellation is permitted in the instructions given under this paragraph.
- c. **Ballot Meetings.** 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 by written ballot to the extent and in the manner provided in ORS 94.647.
- d. **Electronic Ballots.** To the extent authorized by the Board of Directors and permitted by the Oregon Planned Community Act, any vote, approval or consent of an Owner may be given by electronic ballot.
- e. **Mortgages.** An Owner may pledge or assign such Owner's voting rights to a mortgagee. In such a case, the mortgagee or its designated representative shall be entitled to receive all notices to which the Owner is entitled under these Bylaws and to exercise the Owner's voting rights from and after the time that the Mortgagee shall give written notice of such pledge or assignment to the Board of Directors. Any first mortgagee may designate a representative to attend all or any meetings of the Association.

2.8 Votes Involving Major Decisions. For votes of the Association involving a Major Decision, as defined in this Section 2.8, Owners choosing to vote by proxy or absentee ballot shall be required to vote either in the affirmative or in the negative for the proposed Major Decision. Owners shall not be permitted to assign proxy voting discretion to any other person or entity on matters involving Major Decisions of the Association. The term "Major Decision" shall include the following:

- a. Any vote of the Association to terminate professional management pursuant to Section 3.7 below;
- b. Any vote of the Association to incur or commit the Association to incur legal fees in excess of \$5,000 for any specific litigation or claim matter or enter into any contingent fee contract on any claim in excess of \$100,000 pursuant to Section 3.6(e) below;
- c. Any vote of the Association proposing to borrow of any sum of money in excess of an amount or amounts, aggregated for the calendar year in question, exceeding 15 percent of the estimated budget of the Association pursuant to Section 3.6(h) below; and
- d. Any vote of the Association to approve an amendment to these Bylaws.

2.9 Fiduciaries and Joint Owners. An executor, administrator, guardian or trustee may vote or grant consent with respect to any Building Lot owned or held in such capacity, whether or not the specific right has been transferred to his or her name; provided, that such person shall satisfy the secretary that he or she is the executor, administrator, guardian or trustee, holding the Building Lot in that capacity. Whenever any Building Lot is owned by two or more persons jointly, according to the records of the Association, the vote of such Building Lot may be exercised by any one of the Owners, in the absence of protest by a co-owner. In the event of disagreement among the co-

Owners, the vote of the Building Lot shall be disregarded completely in determining the proportion of votes given with respect to such matter unless a valid court order establishes the authority of a co-owner to vote.

- 2.10 Tenants and Contract Vendors. Unless otherwise expressly stated in the rental agreement or lease, all voting rights allocated to a Building Lot shall be exercised by the Owner/landlord. Unless otherwise stated in the contract, all voting rights allocated to a Building Lot shall be exercised by the vendee of any recorded land sale contract on the Building Lot.
- 2.11 Quorum of Owners. At any meeting of the Association, members holding 20 percent of the voting rights, present in person, by proxy or by absentee ballot, if permitted by the Board of Directors, shall constitute a quorum. The subsequent joinder of an Owner in the action taken at a meeting by signing and concurring in the minutes of the meeting shall constitute the presence of such person for the purpose of determining a quorum. When a quorum is once present to organize a meeting, it cannot be broken by the subsequent withdrawal of an Owner or Owners. 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 until a quorum is present.
- 2.12 Majority Vote. The vote of the holders of more than 50 percent of the voting rights, present in person or by proxy at a meeting at which a quorum is constituted, shall be binding on all Owners for all purposes unless a higher percentage vote is required by law, by the Declaration or by these Bylaws.
- 2.13 Continued Votes. If at a meeting to consider action on a Major Decision, as defined in Section 2.8, insufficient votes are cast to approve the action, then the action shall be deemed rejected. The meeting or vote may not be continued in order to obtain additional votes. Any further voting on such matter must be taken at a new duly called meeting at which new votes must be cast in person or by proxy.
- 2.14 Order of Business. The order of business at annual meetings of the Association shall be:
 - a. Calling of the roll and certifying of proxies;
 - b. Proof of notice of meeting or waiver of notice;
 - c. Reading of minutes of preceding meeting;
 - d. Reports of officers;
 - e. Reports of committees, if any;
 - f. Election of directors;
 - g. Unfinished business;
 - h. New business; and
 - i. Adjournment.
- 2.15 Rules of Order. Unless other rules of order are adopted by resolution of the Association or the Board of Directors, all meetings of the Association shall be conducted according to the latest edition of Robert's Rules of Order published by Robert's Rules Association.

ARTICLE 3

BOARD OF DIRECTORS

- 3.1 Number and Qualification. The affairs of the Association shall be governed by a Board of Directors composed of one to three interim directors or three regular directors, as provided in Sections 3.2 and 3.3 of this Article. All directors, other than interim directors appointed by Declarant, shall be Owners or co-Owners of Building Lots of the Planned Community. For purposes of this Section, the officers, members, managers, partners and any duly appointed employees of any corporation, limited liability company or partnership shall be considered co-Owners of any Building Lots owned by such corporation, limited liability company or partnership.
- 3.2 Interim Directors. Upon the recording of the Declaration submitting the Planned Community to the Oregon Planned Community Act Declarant shall appoint an interim board of one to three directors, who shall serve until replaced by Declarant or their successors have been elected by the Owners as provided below.
- 3.3 Election and Term of Office. At the first Organizational and Turnover Meeting called by Declarant pursuant to Section 2.2 of these Bylaws, the interim director(s) shall resign and three successors shall be elected, one to serve until the next annual meeting and two to serve until the second annual meeting after their election. The candidates receiving the greatest number of votes shall be elected to the two-year terms. Thereafter, at the expiration of the initial term of office of each respective director, his or her successor shall be elected to serve for a term of two years, so that the term of not less than one-third of the directors shall expire annually. Directors shall hold office until their respective successors have been elected by the Owners. Election shall be by plurality. Upon a majority vote of the membership present in person or by proxy at a meeting called for such purpose, the number of directors may be increased to five directors. Upon such increase, two additional directors shall be elected, one to serve until the next annual meeting and the other to serve until the second annual meeting after their election. Thereafter, each successor shall be elected to serve for a two-year term.
- 3.4 Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a director by a vote of the Association shall be filled by vote of the majority of the remaining directors, even though they may constitute less than a quorum, or by a sole remaining director. Each person so elected shall be a director until a successor is elected to fill the expired term at the next annual meeting of the Association or the next special meeting of the Association called for that purpose. Vacancies in interim directors shall be filled by Declarant.
- 3.5 Removal of Directors. At any regular or special meeting of the Association duly called, any one or more of the directors, other than interim directors, may be removed with or without cause by a majority vote of the Owners present in person or by proxy, and a successor shall be elected at that meeting to fill the vacancy thus created. The notice of any such meeting shall state that such removal is to be considered, and any director whose removal has been proposed shall be given an opportunity to be heard at that meeting.
- 3.6 Powers and Duties. The Board of Directors shall have all the powers and duties necessary for the administration of the affairs of the Association, except such powers and duties that by law or by the Declaration or by these Bylaws may not be delegated to the Board of Directors by the Owners; provided, however, that the Board of Directors may not take any action that could unreasonably interfere with the sale, lease or other disposition of Building Lots owned by Declarant or that could abridge, modify, eliminate or otherwise affect any right, power, easement, privilege or benefit reserved for Declarant or that would impose any discriminatory charge or fee against Declarant,

without the prior written consent of Declarant. The powers and duties to be exercised by the Board of Directors shall include, but shall not be limited to the following:

- a. Operation, care, upkeep, maintenance, repair and replacement of the Common Elements and Association property.
- b. Determination of the amounts required for operation, maintenance and other affairs of the Association, and the making of such expenditures.
- c. Preparation and adoption of budgets, preparation, review and update of reserve studies and Assessment and collection of the common expenses, all in accordance with the provisions of these Bylaws.
- d. Employment and dismissal of such personnel as necessary for the efficient 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 \$5,000 for any specific litigation or claim matter or enter into any contingent fee contract on any claim in excess of \$100,000 unless the Owners have enacted a resolution authorizing the incurring of such fees or contract by a vote of 75 percent of the total voting rights of the Association. These limitations shall not be applicable to legal fees incurred in defending the Association and the Board of Directors from claims or litigation brought against them. The limitations set forth in this paragraph shall increase by 10 percent on each fifth anniversary of the recording of the Declaration.
- f. Opening of bank accounts on behalf of the Association and designating the signatories required therefor.
- g. Preparation and distribution of annual financial statements in accordance with these Bylaws and annual preparation and filing of all required income tax returns or forms for the Association.
- h. Borrowing money on behalf of the Association when required in connection with the operation, care, upkeep, and maintenance of the Common Elements and Association property; provided, however, that (i) the consent of the Owners shall be required for the borrowing of any sum in excess of an amount or amounts, aggregated for the calendar year in question, exceeding 15 percent of the estimated budget of the Association for that calendar year to cover the operation, care upkeep and maintenance of the Common Elements, and (ii) no lien to secure repayment of any sum borrowed may be created on any Building Lot or its appurtenant interest in the Common Elements without the consent of the owner of such Building Lot. If any sum borrowed by the Board of Directors on behalf of the Association pursuant to the authority contained in this paragraph is not repaid by the Association, an Owner who pays to the creditor such proportion thereof equal to his interest in the Common Elements shall be entitled to obtain from the creditor a release of any judgment or other lien that the creditor shall have filed or shall have the right to file against such Owner's Building Lot.
- i. Purchasing Building Lots of the Planned Community at foreclosure or other judicial sales in the name of the Association, or its designee, on behalf of all the Owners as provided in these Bylaws, and selling, leasing, mortgaging, voting the votes appurtenant to (other than for the election of directors), or otherwise dealing with Building Lots of the Planned Community acquired by the Association or its designee on behalf of all the Owners.

- j. Obtaining insurance pursuant to the provisions of these Bylaws and the Declaration and at least annually reviewing the insurance coverage of the Association.
 - k. Making additions and improvements to, or alterations of, the Common Elements; provided, however, that no such project may be undertaken by the board if the total cost will exceed \$20,000 unless the Owners have enacted a resolution authorizing the project by a majority vote of the members, except that no such vote shall be required for work that is urgently needed for reasons of life, safety or structural integrity. This limitation shall not be applicable to maintenance, repairs or replacement undertaken pursuant to paragraph (a) above. The limitation set forth in this paragraph shall increase by \$1,000 on each anniversary of the recording of the Declaration.
 - l. Modify, close, remove, eliminate or discontinue the use of a Common Element facility or improvement or portion of the Common Element landscaping.
 - m. Designating one or more committees that, to the extent provided in the resolution designating the committee, shall have the powers of the Board of Directors in the management of the affairs of the Association. At least one member of each committee shall be a member of the Board of Directors.
 - n. Enforcement by legal means of the provisions of the Oregon Planned Community Act, the Declaration, these Bylaws and any rules and regulations adopted hereunder. Nothing in these Bylaws shall be construed as requiring the Association to take any specific action to enforce violations.
 - o. Maintain a current mailing address for the Association, file an Annual Report and any amendment in accordance with ORS 94.667, and maintain and keep current the information required to enable the Association to comply with ORS 94.670.
 - p. Subject to the restrictions in subsection (e) above, initiate or intervene in litigation or administrative proceedings (including mediation under Article 10 of these Bylaws) in the name of the Association, and without joining the individual Owners, as permitted under ORS 94.662; provided that no litigation or administrative proceeding may be initiated on a matter relating to or affecting the Building Lot or interest of an Owner unless the Owner has consented in writing to such action after full disclosure of the potential cost, duration and possible outcomes of the proposed litigation or administrative proceeding. To the extent required by ORS 94.662, the board shall notify the Owners prior to instituting litigation or administrative proceedings. With regard to any pending litigation involving the Association, the board shall periodically report to the Owners as to the status (including settlement offers), progress, and method of funding such litigation. Nothing in this paragraph shall be construed as requiring the board to disclose any privileged communication between the Association and its counsel.
- 3.7 Managing Agent or Manager. On behalf of the Association, the Board of Directors may employ or contract for a managing agent or a manager at a compensation to be established by the Board of Directors. The Board of Directors may delegate to the managing agent or manager such duties and powers as the Board of Directors may authorize. In the absence of such appointment, the Board of Directors shall act as manager; provided, however, that the Board of Directors may not terminate professional management and assume self-management unless the decision to do so is approved by at least 75 percent of the total voting rights of the Association.
- 3.8 Contracts Entered into by Declarant or Interim Board. Notwithstanding any other provision of these Bylaws, any management contracts, service contracts or employment contracts entered into by

Declarant or the interim board on behalf of the Association shall have a term not in excess of three years. In addition, any such contract shall provide that it may be terminated without cause or penalty by the Association or Board of Directors upon not less than 30 days' notice to the other party given not later than 60 days after election of the permanent board at the Organizational and Turnover Meeting described in Section 2.2 of these Bylaws.

- 3.9 Organizational Meeting. Unless otherwise agreed by the board, within 14 days following the annual meeting of the Association or following any meeting at which an election of directors has been held, the Board of Directors shall hold an Organizational Meeting at such place and time as shall have been fixed by the directors at the meeting at which the election was held.
- 3.10 Regular and Special 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. Special meetings of the Board of Directors may be called by the chairperson and must be called by the secretary at the written request of at least two directors. Notice of any special meeting shall be given to each director, personally or by mail, telephone or, to the extent permitted by the Oregon Planned Community Act, by electronic mail, facsimile or other form of electronic communication acceptable to the Board of Directors at least seven days prior to the day named for such meeting, and shall state the time, place and purpose of such meeting. For a period of 10 years following recording of the Declaration, notices of meetings (including agendas) shall also be given to Declarant in the same manner as given to the directors. Unless other rules of order are adopted by resolution of the Association or the Board of Directors, all meetings of the Board of Directors shall be conducted according to the latest edition of Robert's Rules of Order published by Robert's Rules Association.
- 3.11 Open Meetings.
- a. All meetings of the Board of Directors shall be open to Owners and, for a period of 10 years following recording of the Declaration, to Declarant or a representative of Declarant, except that, in the discretion of the board, the following matters may be considered in executive session: (i) consultation with legal counsel concerning the rights and duties of the Association regarding existing or potential litigation, or criminal matters; (ii) personnel matters, including salary negotiations and employee discipline; (iii) negotiation of contracts with third parties; and (iv) collection of unpaid Assessments. Except in the case of an emergency, the Board of Directors shall vote in an open meeting whether to meet in executive session. If the Board of Directors votes to meet in executive session, the presiding officer shall state the general nature of the action to be considered, as precisely as possible, when and under what circumstances the deliberations can be disclosed to Owners. The statement, motion or decision to meet in the executive session shall be included in the minutes of the meeting, and any contract or action considered in executive session shall not become effective unless the board, following the executive session, reconvenes in open meeting and votes on the contract or action, which shall be reasonably identified in the open meeting and included in the minutes.
 - b. Meetings of the Board of Directors may be conducted by telephonic communication or by other means of communication that allows all members of the board participating to hear each other simultaneously or otherwise to be able to communicate during the meeting, except that if a majority of the Building Lots are principal residences of the occupants, then: (i) 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 days prior to the meeting, or notice shall be provided by a method otherwise reasonably calculated to inform the Owners of such meeting; and (ii) only emergency meetings of the Board of Directors may be conducted by telephonic communication or such other means. The meeting and notice requirements of this Section may not be circumvented by chance or social meetings or by any other means.

- 3.12 Waiver of Notice. Any director may, at any time, waive notice of any meeting of the Board of Directors in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the board shall constitute a waiver of notice by such director, unless the director attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. If all of the directors are present at any meeting of the board, no notice to directors shall be required and any business may be transacted at such meeting.
- 3.13 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 votes 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. If at any meeting of the Board of Directors less than a quorum is present, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business that might have been transacted at the meeting originally called may be transacted without further notice to the directors.
- 3.14 Voting. A director who is present at a meeting of the Board of Directors at which action is taken on any Association matter is presumed to have assented to the action unless the director votes against the action or abstains from voting on the action because the director claims a conflict of interest. When action is taken on any matter at a meeting of the Board of Directors, the vote or abstention of each director present must be recorded in the minutes of the meeting. Directors may not vote by proxy or by secret ballot at meetings of the Board of Directors, except that officers may be elected by secret ballot.
- 3.15 Compensation. No director shall receive any compensation from the Association for acting as director.
- 3.16 Liability and Indemnification of Directors, Officers and Manager. A member of the Board of Directors or an officer of the Association shall not be liable to the Association, any Owner or any third party for any damage, loss or prejudice suffered or claimed on account of any action or failure to act in the performance of his or her duties as long as the individual acted in good faith, believed that the conduct was in the best interests of the Association, or at least was not opposed to its best interests, and in the case of criminal proceedings, had no reason to believe the conduct was unlawful. A director appointed under Section 3.2 of these Bylaws and Section 3.6 of the Declaration, or acting under ORS 94.600, shall not be liable to the Association, any Owner or any third party under ORS 65.357- 65.361, ORS 94.630 or associated rules of common law for any damage, loss or prejudice suffered or claimed on account of any action or failure to act that represents the exercise of authority established in Section 3.6 of the Declaration and ORS 94.600, including any action or failure to act requested by Declarant or resulting from any prior or concurrent duty or loyalty owed by such director to Declarant; provided that nothing in this section limits the liability of Declarant for such actions or failure to act by a director. If any member of the Board of Directors or any officer of the Association is threatened with or made a party to any proceeding because the individual was or is a director or officer of the Association, the Association shall defend the individual against such claims and indemnify the individual against liability and expenses incurred to the maximum extent permitted by law. The manager of the Association, and its officers and employees, shall not be liable to the Association, the Owners or any third party on account of any action or failure to act in the performance of its duties as manager, except for acts of gross negligence or intentional acts. Prior to the Organizational and Turnover Meeting described in Section 2.2, the manager shall not be liable to the Association, any Owner or any third party for any damage, loss or prejudice suffered or claimed on account of any action or failure to act that represents the exercise of authority established in Section 3.6 of the Declaration and ORS 94.600, including any action or failure to act requested by Declarant or resulting from any prior or concurrent duty or loyalty owed by such director to Declarant; provided that nothing in this Section

limits the liability of Declarant for such actions or failure to act by the manager. If the manager is threatened with or made a party to any proceeding, the Association shall defend the manager against such claims and indemnify the manager and its officers and employees from any such claims to the maximum extent permitted by law.

- 3.17 Insurance. The Board of Directors shall obtain the insurance required in Article 8 of these Bylaws. In addition, the Board of Directors, in its discretion, may obtain such other insurance as it deems necessary to protect the interests of the Association or Owners. The Board of Directors shall conduct an annual insurance review that, if appropriate, shall include an appraisal of all improvements contained in the Planned Community.

ARTICLE 4

OFFICERS

- 4.1 Designation. The principal officers of the Association shall be the chairperson, the secretary and the treasurer, all of whom shall be elected by the Board of Directors. The directors may appoint a vice chairperson, an assistant treasurer, an assistant secretary, and such other officers as in their judgment may be necessary. The chairperson shall be a member of the Board of Directors, but the other officers need not be directors or Owners.
- 4.2 Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the Organizational Meeting of each new board and shall hold office at the pleasure of the board. If any office shall become vacant, the Board of Directors shall elect a successor to fill the unexpired term at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose.
- 4.3 Removal of Officers. Upon the affirmative vote of a majority of the directors, any officer may be removed either with or without cause, and a successor may be elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose.
- 4.4 Chairperson. The chairperson shall be the chief executive officer of the Association. He or she shall preside at all meetings of the Association and of the Board of Directors. The chairperson shall have all of the general powers and duties that are usually vested in the chief executive officer of an association, including but not limited to the power to appoint committees from among the Owners from time to time as the chairperson may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Association.
- 4.5 Secretary. The secretary shall keep or supervise the keeping of the minutes of all proceedings of the Board of Directors and the minutes of all meetings of the Association. He or she shall attend to the giving and serving of all notices to the Owners and directors and other notices required by law. The secretary shall keep the records of the Association, except for those of the treasurer, and shall perform all other duties that are incidental to the office of secretary of an association and as may be required by the directors or the chairperson. In addition, the secretary shall act as vice chairperson, taking the place of the chairperson and performing the chairperson's duties whenever the chairperson is absent or unable to act, unless the directors have appointed another vice chairperson.
- 4.6 Treasurer. The treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of required financial statements. He or she shall be responsible for overseeing the deposit of all moneys and other valuable effects in such depositories as may from time to time be designated by the Board of Directors, and shall disburse

or cause to be disbursed funds of the Association upon properly authorized vouchers. The treasurer shall perform all other duties incident to the office of treasurer of an association and such other duties as may be assigned to him or her by the Board of Directors.

- 4.7 Execution of Instruments. All agreements, contracts, deeds, leases and other instruments of the Association, except checks, shall be executed by such person or persons as may be designated by general or special resolution of the Board of Directors and, in the absence of any general or special resolution applicable to any such instrument, then such instrument shall be signed by the chairperson. All checks shall be signed by the treasurer, or in the absence or disability of the treasurer, by the chairperson or any duly elected assistant treasurer, or by the manager.
- 4.8 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 Owners. The Board of Directors may fix any compensation to be paid to any officers who are not also directors.

ARTICLE 5

BUDGET, EXPENSES AND ASSESSMENTS

- 5.1 Budget. The Board of Directors shall from time to time, and at least annually, prepare a budget for the Association, estimate the common expenses expected to be incurred, less any previous overassessment and plus any underassessment, and assess the common expenses to each Owner in the proportion set forth in the Section 4.2 of Declaration. The budget shall provide for a Reserve Account in accordance with Section 4.6 of the Declaration and shall take into account the Maintenance Plan required by Section 7.2 of these Bylaws. Within 30 days after adopting the annual budget, the Board of Directors shall provide a summary of the budget to all Owners. If the Board of Directors fails to adopt an annual budget, the last adopted budget shall continue in effect.
- 5.2 Determination of Common Expenses. As described in the Declaration, common expenses shall include:
- a. maintenance, repair, replacement, and operation (including irrigation) of the Building Structures (to the extent provided in Section 3.9 of the Declaration), private utilities, Common Elements, Landscaped Areas, and Parkway Strips;
 - b. premiums for all insurance policies that the Association is required or permitted to maintain pursuant to the Declaration and Bylaws;
 - c. professional management fees and expenses, employee salaries, and legal and accounting costs;
 - d. any deficits remaining from the previous fiscal year of the Association;
 - e. reasonable Reserve Funds of the Association established at the discretion of the Board;
 - f. costs related to the preparation, review, and update of the Reserve Study described in Section 4.6.2 of the Declaration; and
 - g. such other and further costs, expenses, obligations, and liabilities as the Board, in its discretion, may incur for the management, operation, and maintenance of the Property and the Association in accordance with this Declaration.

5.3 Assessments.

- a. Obligation to pay. As more fully provided in Section 4 of the Declaration, all Owners shall be obligated to pay common expenses assessed to them by the Board of Directors on behalf of the Association. Such Assessments and charges, together with any interest, expenses or attorneys' fees imposed pursuant to Section 8.7 of the Declaration, shall be a charge on the land and shall be a continuing lien upon the Building Lot against which each such assessment or charge is made. Such assessments, charges and other costs shall also be the personal obligation of the person who was the Owner of such Building Lot at the time the assessment or charge fell due. Such liens and personal obligations shall be enforced in the manner set forth in Section 8 of the Declaration. No Owner may avoid such personal obligation by abandonment of the Owner's Building Lot.
- b. Statement of Assessments. The Board of Directors shall advise each Owner in writing of the amount of Assessments payable by such owner, and furnish copies of each budget on which such Assessments are based to all Owners and, if requested, to their Mortgagees. The Board of Directors shall promptly provide any Owner who makes a request in writing with a written statement of the Owner's unpaid Assessments.

5.4 Fiscal Year. The fiscal year of the Association shall be the calendar year, except that the first fiscal year shall begin on the date of establishment of the Association as set forth in the Declaration

ARTICLE 6

RECORDS AND AUDITS

- 6.1 General Records. The Board of Directors and the manager, if any, shall keep detailed records of the actions of the Board of Directors and the manager, minutes of the meetings of the Board of Directors and minutes of the meetings of the Association. The Board of Directors shall maintain a Book of Resolutions containing the rules, regulations and policies adopted by the Association, Board of Directors and the manager. The Board of Directors shall maintain a list of Owners entitled to vote at meetings of the Association and a list of all Mortgagees of Building Lots. All documents, information and records delivered to the Association by Declarant pursuant to ORS 94.616 and other records of the Association shall be kept within the State of Oregon for the time periods specified in ORS 94.670.
- 6.2 Financial Records and Accounts. The Board of Directors or its designee shall keep within the State of Oregon financial records sufficient for proper accounting purposes and as required by the Oregon Planned Community Act. All Assessments shall be deposited in the name of the Association in a separate federally insured account at a financial institution as defined in ORS 706.008, other than an extranational institution. All expenses of the Association shall be paid from the Association's bank account.
- 6.3 Assessment Roll. The Assessment roll shall be maintained in a set of accounting books in which there shall be an account for each Building Lot. The account shall designate the name and address of the owner or Owners, the amount of each Assessment against the Owners, the dates and amounts in which the Assessment comes due, the amounts paid on the account and the balance due on the Assessments.
- 6.4 Payment of Vouchers. The treasurer or manager shall pay all vouchers for all budgeted items and for any nonbudgeted items up to \$1,000 signed by the chairperson, managing agent, manager or other person authorized by the Board of Directors. Any voucher for nonbudgeted items in excess

of \$1,000 (or such other amount as may be established by the board) shall require the authorization of the chairperson. Any checks written on Reserve Fund Accounts must be signed by a member of the Board of Directors.

- 6.5 Reports and Audits. An annual financial statement consisting of a balance sheet and income and expense statement for the preceding fiscal year shall be rendered by the Board of Directors to all Owners and to all Mortgagees of Building Lots who have requested it within 90 days after the end of each fiscal year. Commencing with the fiscal year following the Turnover Meeting, if the annual Assessments exceed \$75,000 for the year, then the Board of Directors shall cause such financial statements to be reviewed within 180 days after the end of the fiscal year by an independent certified public accountant licensed in Oregon in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants, or if the annual Assessments are \$75,000 or less, shall cause such review within 180 days after receipt of a petition requesting such review signed by Owners holding at least a majority of the voting rights. The Board of Directors need not cause such a review to be performed if so directed by an affirmative vote of Owners holding at least 60 percent of the voting rights, not including votes of Declarant with respect to Building Lots owned by Declarant. Upon written request, any holder, insurer or guarantor of a first Mortgage shall be entitled to an audited financial statement for the immediately preceding fiscal year at the expense of the requesting party, if the statement is not otherwise available.
- 6.6 Notice of Sale, Mortgage, Rental or Lease. Upon the sale, mortgage, rental or lease of any Building Lot, such Owner shall promptly inform the secretary or manager of the name and address of the vendee, Mortgagee, lessee, or tenant.
- 6.7 Availability of Records. Except as otherwise provided in ORS 94.670(9)(b), during normal business hours or under other reasonable circumstances, the Association shall make reasonably available for examination and, upon written request, available for duplication, by Owners, lenders and holders, insurers or guarantors of any first Mortgage that make the request in good faith for a proper purpose, current copies of the Declaration, Bylaws, other rules concerning the Planned Community, amendments or supplements to such documents, and the books, records, financial statements and current operating budget of the Association. The Association, within 10 business days after receipt of a written request by an Owner, shall furnish copies of such documents to the requesting Owner. Upon written request, the Association shall make such documents, information and records available to such persons for duplication during reasonable hours. The Board of Directors, by resolution, may adopt reasonable rules governing the frequency, time, location, notice and manner of examination and duplication of Association records and the imposition of a reasonable fee for furnishing copies of such documents, information or records. The fee may include reasonable personnel costs incurred to furnish the information.
- 6.8 Statement of Assessments Due. The Association shall provide, within 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 regular and Special Assessments, fines and other charges, accrued interest, and 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 rate charge for late payment. The Association is not required to comply with this Section if the Association has commenced litigation by filing a complaint against the owner and the litigation is pending when the statement would otherwise be due.

ARTICLE 7

MAINTENANCE OF PROPERTY

- 7.1 Maintenance and Repair Responsibilities. The respective maintenance responsibilities of the Association and the Owners shall be as described in the Declaration, including Sections 3.9.1, 3.9.3 and 3.10 thereof.
- 7.2 Maintenance Plan. Declarant shall initially prepare and thereafter the Board of Directors shall implement, review and update a maintenance plan (the "Maintenance Plan") for the maintenance, repair and replacement of all property for which the Association has maintenance, repair or replacement responsibility under the Declaration or these Bylaws or the Oregon Planned Community Act.
- a. Contents of Maintenance Plan. The Maintenance Plan shall describe the maintenance, repair or replacement to be conducted, include a schedule for maintenance, repair or replacement, be appropriate for the size and complexity of the maintenance, repair and replacement responsibility of the Association and address issues that include, but are not limited to, warranties and the useful life of the items of which the Association has maintenance, repair or replacement responsibility.
 - b. Inspections. The Maintenance Plan shall provide for inspections of the property for evidence of water intrusion or other needed repairs by a knowledgeable independent party annually. The board shall reasonably address any matters revealed by the inspection. For a period of 10 years following recording of the Declaration, Declarant (or any designee of declarant specified in any written notice by Declarant to the Association) shall be notified prior to the inspections, shall have a right for Declarant or its designees, employees or contractors to be present during the inspections and have a right to receive a copy of the inspection reports.
 - c. Reviews and Updates to Maintenance Plan. The Board of Directors shall review and update the Maintenance Plan as necessary. Changes or updates to the Maintenance Plan shall be based on advice of competent experts or consultants. For a period of 10 years following recording of the Declaration, any changes to the Maintenance Plan without the approval of the Declarant and the original general contractor may void any applicable warranty and will release them from liability for any damage resulting from such change.

ARTICLE 8

INSURANCE

- 8.1 Types of Coverage. The respective insurance obligations of the Association and the Owners shall be as described in Section 3.9.2 of the Declaration.

ARTICLE 9

AMENDMENTS TO BYLAWS

- 9.1 Amendment. These Bylaws may be amended at regular or special meeting of the Members, by a majority vote of the total votes, in the Association. At least thirty (30) days prior to a meeting being called for this purpose, a copy of the proposed amendment will be mailed to all Members. Except as provided in 9.2 below, an amendment is not effective unless it is certified by the President and

Secretary of the Association as having been adopted in accordance with these Bylaws and ORS 94.625 and 94.630, and recorded in the office of the deed records of Clackamas County, Oregon.

- 9.2 Unilateral Amendment by Declarant. Notwithstanding any provisions hereof to the contrary, the Declarant may, at its sole discretion and without consent being required of anyone, modify, amend or repeal these Bylaws at any time before the closing of the sale of the first Lot to an Owner other than Declarant. The Declarant may amend these Bylaws in order to comply with the requirements of the Federal Housing 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 other state in which the Lots are marketed and sold, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon, or such other state, the approval of which entity is required in order for it to insure, guarantee or provide financing in connection with development of the Property and sale of Lots. Declarant shall have such additional rights of unilateral amendment as may be allowed by law. Prior to the Turnover Meeting, to the extent permitted by applicable law, no Declarant amendment shall require notice to or approval by any Class A Member.
- 9.3 HUD/VA Approval. The Department of Housing and Urban Development (“HUD”) and the Veterans' Administration (“VA”) shall have the right to veto amendments to these Bylaws so long as there exists Class B Membership in the Association. If neither HUD nor VA notifies Declarant, or the Board of Directors, of objections to any amendment or intent to repeal these Bylaws within fifteen (15) days of the date of Declarant's or the Board of Directors' request for approval, such approval shall be deemed to have been granted.

ARTICLE 10

DISPUTE RESOLUTION

- 10.1 Claims Other Than for Defective or Negligent Construction or Condition. The following provisions of this Section 10.1(a) shall apply to any claim, controversy or dispute by or among Declarant (including members, officers, directors, shareholders and affiliates of Declarant), the Association, the manager or one or more Owners, or any of them, arising out of or related to the Declaration, these Bylaws or the Planned Community, other than claims relating to defective or negligent construction or condition as provided in Section 10.2 below:
- a. Mediation.
- (1) Except as otherwise provided in this Section 10.1(a), before initiating litigation, arbitration or an administrative proceeding in which the Association and an owner have an adversarial relationship, the party that intends to initiate litigation, arbitration or an administrative proceeding shall offer to use any dispute resolution program available within Washington County, Oregon, 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.
 - (2) If the party receiving the offer does not accept the offer within 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, arbitration 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) If a qualified dispute resolution program exists within Washington County, Oregon, and an offer to use the program is not made as required under paragraph (1) of this Section 10.1(a), litigation, arbitration or an administrative proceeding may be stayed for 30 days upon a motion of the non-initiating party. If the litigation, arbitration or administrative action is stayed under this paragraph, both parties shall participate in the dispute resolution process.
 - (4) Unless a stay has been granted under paragraph (3) of this Section 10.1(a), if the dispute resolution process is not completed within 30 days after receipt of the initial offer, the initiating party may commence litigation, arbitration or an administrative proceeding without regard to whether the dispute resolution is completed.
 - (5) Once made, the decision of the court, arbitrator or administrative body arising from litigation, arbitration or an administrative proceeding may not be set aside on the grounds that an offer to use a dispute resolution program was not made.
 - (6) The requirements of this Section 10.1(a) do not apply to circumstances in which irreparable harm to a party will occur due to delay or to litigation, arbitration or an administrative proceeding initiated to collect Assessments, other than Assessments attributable to fines.
- b. Arbitration. Any such claim, controversy or dispute shall be first subject to mediation as provided in Section 10.1(a) above or otherwise, and, if not timely settled by mediation, resolved by arbitration in accordance with this Section 10.3 below. The decision and award of the arbitrator shall be final, binding and nonappealable.
 - c. Excluded matters. Notwithstanding the foregoing, the following matters shall not be subject to mediation or arbitration under this Section 10.1 (but shall be subject to the applicable provisions of Section 10.1(d) below): (i) actions relating to the collection of fees, Assessments, fines and other charges imposed or levied by the Association (other than disputes as to the validity or amount of such fees, Assessments, fines or charges, which disputes shall be subject to mediation or arbitration as provided above), and (ii) actions to enforce any order, decision or award rendered by arbitration pursuant to Section 10.3. The filing of a lis pendens or the application to any court for the issuance of any provisional process or similar remedy described in the Oregon or Federal Rules of Civil Procedure shall not constitute a waiver of the right or duty to utilize the procedures specified in this Section 10.1.
 - d. Costs and attorneys' fees. The fees of any mediator and the costs of mediation shall be divided and paid equally by the parties. Each party shall pay its own attorneys' fees and costs in connection with any mediation. The fees of any arbitrator and the costs of arbitration shall be paid by the non-prevailing party or parties; if none, such fees and costs shall be divided and paid equally by the parties. In any suit or action brought by the Association to foreclose its lien or to collect delinquent Assessments or in any suit or action brought by Declarant, the Association or any owner or class of Owners to enforce compliance with the terms and provisions of the Oregon Planned Community Act, the Declaration or these Bylaws, including all amendments and supplements thereto or any rules or regulations adopted by the Association, the prevailing party shall be entitled to recover reasonable attorney fees and costs and disbursements therein and in any appeal therefrom. The determination of who is the prevailing party and the amount of reasonable attorneys' fees to be paid to the prevailing party shall be decided by the arbitrator (with respect to attorneys' fees incurred prior to and during the arbitration proceeding) and by

the court or courts, including any appellate or review court, in which such matter is tried, heard or decided, including a court that hears a request to compel or enjoin arbitration or that hears exceptions made to an arbitration award submitted to it for confirmation as a judgment (with respect to attorneys' fees incurred in such proceedings).

10.2 Claims for Negligent or Defective Construction or Condition. The following alternative dispute resolution procedures shall apply to any claim by the Association or any Owner against Declarant or its members or managers, or any contractor, subcontractor, supplier, consultant or design professional of every tier performing any work or services in connection with the Planned Community, and their agents, brokers, successors, employees, representatives, officers, directors, managers and members, and any of their insurers and reinsurers, related to the design, construction or condition of the Planned Community, including, but not limited to, claims for detective or negligent construction or design or failure to disclose a defective condition.

- a. Initial dispute resolution procedures. In the event of a claim for a construction defect governed by ORS 701.550 to 701.595, the parties shall first comply with the provisions contained therein. In the event the claim is not for a construction defect governed by such provisions, but relates to a claimed defect in the condition of the project, the parties shall follow the same procedures as set forth in such provisions, except that the notice of defect shall include a statement of the basis on which the recipient is claimed to be liable for the defect. Compliance with the procedures contained in this Section 10.2(a) shall be a condition precedent to mediation, arbitration or litigation of any such claims.
- b. Mediation. If the initial dispute resolution proceedings under Section 10.2(a) do not resolve the claims, the parties shall then engage in mediation to resolve the claims. The fees of any mediator and the costs of mediation shall be divided and paid equally by the parties. Each party shall pay its own attorneys' fees and costs in connection with any mediation. Completion of the mediation process under this section shall be a condition precedent to the filing of any arbitration or litigation proceedings or any claims relating to the matter with the Oregon Construction Contractors Board, and the Association and Owners waive any right to file any such claims if the Association and Owners have not fully complied with this Section 10.2(b). The mediation shall be conducted in accordance with the following procedures:
 - (1) Within 60 days after completion of the proceedings under Section 10.2(a) and delivery of a demand for mediation by one of the parties to the other parties, the parties shall agree on a neutral mediator. If the parties are unable to agree on a mediator within that period, upon application of any party, the presiding judge of the Circuit Court of Washington County, Oregon, shall designate the mediator.
 - (2) Within 60 days after delivery of the demand for mediation, the parties shall exchange with each other all inspection and consultant's reports in their possession pertaining to the claims.
 - (3) The parties shall have 90 days after exchanging reports in which to perform additional inspections. Any additional reports resulting from such inspections shall be furnished to the other parties prior to mediation.
 - (4) The mediation shall be conducted after completing parts (1) and (3) above, but within 180 days following delivery of the demand for mediation. The mediator may elect to adjourn the mediation to additional sessions if the mediator determines that further sessions would be beneficial in resolving the disputes.

- (5) Each party shall send to the mediation a representative with authority to settle the dispute and will attempt in good faith to resolve all disputes in the mediation.
 - (6) Any settlement agreed on in mediation shall be documented and executed within 60 days following completion of the mediation.
- c. Arbitration. All claims that have not been resolved by mediation shall be resolved by arbitration in accordance with Section 10.3 below. The decision and award of the arbitrator shall be final, binding and nonappealable.
 - d. Third parties. Upon demand by any party, claims between or among the parties and third parties shall be submitted in a single, consolidated arbitration. Notwithstanding the provisions of Section 10.2(c) above, if any claim involves a claim by either party against a third party who is not required to and does not voluntarily agree to submit such claim to arbitration, then either party may elect to have the claim and the third party claim determined by a court of law in a consolidated proceeding, rather than by arbitration. In such case, the parties waive trial by jury and agree that the matter shall be determined by a judge sitting without a jury.
 - e. Attorney's fees. Except to the extent otherwise provided by law, in the event of any claim determined by arbitration or by a court of law under Sections 10.2(c) or 10.2(d) above, each party shall bear its own costs, including, without limitation, filing fees, attorney's fees, investigation expenses, consultant's fees and expert's fees. The other costs of arbitration and other court costs shall be divided and paid equally by the parties. To the extent permitted by law, statutory attorney's fees under the Unlawful Trade Practices Act or any other applicable statute are hereby waived.
 - f. Confidentiality. The parties shall keep all discussions of disputes, settlements and arbitration awards and decisions confidential and shall not disclose any such information, whether directly or indirectly, to any third parties other than their attorneys and consultants, unless compelled to do so by an order of a court of competent jurisdiction. In the event of a breach of this confidentiality obligation, the other party shall be entitled to seek and obtain any and all equitable remedies, including injunctive relief and specific performance, and the breaching party waives any claim or defense that the other party has an adequate remedy at law for any such breach, and such party shall not be required to post any bond or other security in connection with any such equitable relief.
 - g. Time Periods within which claims must be asserted.
 - (1) Statutory warranty claims. A written claim reasonably specifying a breach of the statutory warranty on the Building Lot must be delivered to Declarant (or any designee of Declarant specified in any written notice to the Association) before the expiration of such warranty. A written claim reasonably specifying a breach of the statutory warranty on the Common Elements must be delivered to Declarant within two years of expiration of such warranty, but the claim must be for a defect existing prior to the expiration of the warranty. An action to enforce the statutory warranty shall not be commenced later than four years after expiration of the warranty.
 - (2) Other claims. Any other claims under this Section 10.2, including, without limitation allegations of property damage or personal injury claims arising out of fungus, spores, or mold, any water intrusion or dampness, or otherwise, regardless of the legal theory or basis of alleged causation, including but not limited to, negligence, professional errors or omissions, strict liability, non-statutory warranty, or breach of contract, must be commenced under Section 10.2(a) above within 90 days after the date the Association or

the Owner knew or reasonably should have known of facts sufficient to put them on notice of the claim, or if earlier, with respect to the Building Lot, by no later than the first anniversary of the closing date of the sale of the Building Lot to the first purchaser or, with respect to the Common Elements, within 90 days after the date of the Turnover Meeting as described in Section 2.2 of these Bylaws. Any arbitration or litigation based upon such claims must be instituted within 90 days after completion of the mediation proceedings under Section 10.2(b), or if shorter, the applicable statute of limitations. Any and all such claims not brought within these time periods will be deemed time barred, regardless of when the Association or Owners actually discovered the alleged basis for the claim.

- 10.3 Arbitration. Any arbitration under these Bylaws shall be conducted in Portland, Oregon, or such other location as may be agreed upon by the parties, pursuant to the arbitration statutes of the State of Oregon and any arbitration award may be enforced by any court with jurisdiction. Filing for arbitration shall be treated the same as filing in court for purposes of meeting any applicable statute of limitations or for purposes of filing a notice of pending action.
- a. Selection of arbitrator. The arbitration shall be conducted by a single arbitrator selected by mutual agreement of the parties. The arbitrator selected shall be neutral and unbiased, except to the extent that the arbitrator's prior relationship with any party is fully disclosed and consented to by the other party or parties. If the parties are unable to agree on the arbitrator within 30 days after a party's demand for arbitration, upon application of any party, the presiding judge of the Circuit Court of Washington County, Oregon shall designate the arbitrator.
 - b. Consolidated Arbitration. Upon demand by any party, claims between or among the parties and third parties shall be submitted in a single, consolidated arbitration. Notwithstanding the provisions of Section 10.2(c), if any claim, controversy or dispute involves a claim by either party against a third party who is not required to and does not voluntarily agree to submit such claim to arbitration, then either party may elect to have the matter determined by a court of law in a consolidated proceeding, rather than by arbitration. In such case, the parties hereby waive trial by jury and agree that the matter shall be determined by a judge sitting without a jury.
 - c. Discovery. The parties to the arbitration shall be entitled to the same discovery that would be available to them in an action in Washington County Circuit Court. The arbitrator shall have all of the authority of the court incidental to such discovery, including without limitation authority to issue orders to produce documents or other materials, to issue orders to appear and submit to deposition, and to impose appropriate sanctions including without limitation award against a party for failure to comply with any order.
- 10.4 Evidence. The parties to the arbitration may offer such evidence as they desire and shall produce such additional evidence as the arbitrator deems necessary for an understanding and determination of the dispute. The arbitrator shall determine the admissibility of the evidence offered. All evidence shall be taken in the presence of the arbitrator and all of the parties, unless any of the parties is absent, in default or has waived its right to be present.
- 10.5 Survival. The mediation and arbitration agreements set forth in this Article 10 shall survive the transfer by any party of its interest or involvement in the Planned Community and any Building Lot therein and the termination of the Declaration or these Bylaws.

ARTICLE 11
MISCELLANEOUS

- 11.1 Notices. All notices to the Association or to the Board of Directors shall be sent care of the manager, or if there is no manager, to the principal office of the Association or to such other address as the Board of Directors may designate from time to time. All notices to any Owner shall be sent to such address as may have been designated by such owner from time to time, in writing, to the Board of Directors, or, if no address has been designated, then to the Owner's Building Lot. In the discretion of the Board of Directors, any notice, information or other written material required to be given to an Owner or director under the Declaration or these Bylaws or pursuant to the Oregon Planned Community Act, may be given by electronic mail, facsimile or other form of electronic communication acceptable to the Board of Directors, except for the following notices: failure to pay an Assessment; foreclosure of an association lien under ORS 94.709; an action the Association may take against an Owner; or an offer to use the dispute resolution program under ORS 94.630(4). An Owner or director may decline to receive notice by electronic mail, facsimile or other form of electronic communication and may direct the Board of Directors to provide notice in any other manner permitted under the Declaration or these Bylaws or the Oregon Planned Community Act.
- 11.2 Waiver. No restriction, condition, obligation, or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce it, regardless of the number of violations or breaches thereof which may occur.
- 11.3 Action Without a Meeting. Any action that the Oregon Planned Community Act, the Declaration or these Bylaws require or permit the Owners or directors to take at a meeting or ballot meeting may be taken without a meeting or ballot meeting if a consent in writing setting forth the action so taken is signed by all the Owners or directors entitled to vote on the matter. The consent, which shall have the same effect as a unanimous vote of the Owners or directors, shall be filed in the records of minutes of the Association.
- 11.4 Invalidity; Number; Captions. The invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these Bylaws. As used in these Bylaws, the singular shall include the plural, and the plural the singular. The masculine and neuter shall each include the masculine, feminine and neuter, as the context requires. All captions are intended solely for convenience of reference and shall in no way limit any of the provisions of these Bylaws.
- 11.5 Conflicts. These Bylaws are intended to comply with the Oregon Planned Community Act and the Declaration. In case of any irreconcilable conflict, such statute and document shall control over these Bylaws or any rules and regulations adopted hereunder.

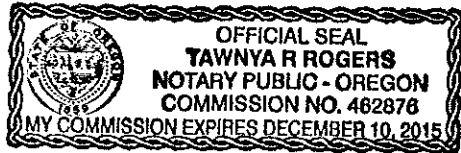
DATED this 5 day of July, 2012

IN WITNESS WHEREOF, the undersigned, as Declarant, has executed this Declaration as of the date first set forth above. Chesapeake Holdings West LLC, an Oregon corporation.

[Handwritten Signature]

Name: James T. Collins
Title: Vice President, Member

STATE OF OREGON)
)ss.
County of Clackamas)



The foregoing instrument was acknowledged before me this 5th day of JULY, 2012, by JAMES T. COLLINS.

[Handwritten Signature]
Notary Public

My commission expires: 12/10/2015

EXHIBIT A

The Property

All of that real property in Washington County, Oregon, legally described on that certain Plat of Cottage Terrace, City of Beaverton, Washington County, state of Oregon as recorded in Document No. 2012047704 Washington County records.