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DESCHUTES COUNTY OFFICIAL RECORDS
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After Recording Return to:

North Rim Homeowners' Association, Inc.
409 NW Franklin Ave
Bend, Oregon 97701
Attn: Sue Bossard

BYLAWS OF
NORTH RIM HOMEOWNERS' ASSOCIATION, INC.

ARTICLE I
NAME AND LOCATION

The name of the Association is North Rim Homeowners' Association, Inc., hereinafter referred to as the "Association". The initial registered office of the Association shall be located at 409 NW Franklin Ave., Bend, OR 97701, but meetings of members and directors may be held at such places within the State of Oregon as may be designated by the Board of Directors.

ARTICLE II
DEFINITIONS

Recorded by AmeriTitle as an accommodation only. No liability is accepted for the condition of title or for the validity, sufficiency, or effect of this document.

- 2.1 "Architectural and Landscape Review Committee" or "Committee" shall mean the committee appointed pursuant to the Declaration and these Bylaws.
- 2.2 "Association" shall have the meaning given in the introductory paragraph to these Bylaws.
- 2.3 "Board" shall mean the Board of Directors of North Rim Homeowners' Association, Inc. constituted in accordance with Article V of these Bylaws.
- 2.4 "Class A Members" or "Class A Membership" shall mean all Owners with the exception of Declarant (except that beginning on the date on which the Class B Membership is converted to Class A Membership, as set forth in the Declaration, Class A Members shall be all Owners, including Declarant).
- 2.5 "Class B Members" or "Class B Membership" shall mean Declarant or Declarant's membership in the Association until such membership is converted to Class A Membership in accordance with the Articles of Incorporation and the Declaration.
- 2.6 "Common Areas" shall mean only that portion of the Property that is established for the common use and benefit of the North Rim Homeowners' Association and which has been or is to be conveyed to the Association for the use and benefit of the Members.
- 2.7 "Common Maintenance Areas" shall have the definition given it in the Declaration.

2.8 "Conversion Date" shall mean be the date upon which Class "B" membership shall cease and be converted to Class "A" membership. Such date shall be the date which is the earliest of (i) the date on which one hundred percent (100%) of the total Homesites existing at any time have been conveyed to Class "A" members; or (ii) fifteen (15) years after conveyance of the first Homesite to a Class "A" member; or (iii) at such earlier time as Declarant may elect in writing to terminate Class "B" membership.

2.9 "Declarant" shall mean Brooks Resources Corporation, an Oregon corporation and/or its successors and assigns who are designated in writing as such by Declarant, and who consent in writing to assume the duties and obligations of Declarant with respect to the Homesites acquired by each successor or assign.

2.10 "Declaration" shall mean and refer to the Declaration of Protective Covenants, Conditions, and Restrictions of North Rim, recorded of even date herewith in the real property records of Deschutes County, Oregon, and any amendments or supplements thereto made in accordance with its terms.

2.11 "Director" shall mean a director of the Association as described in and elected in accordance with these Bylaws.

2.12 "Homesite" shall have the definition given it in the Declaration.

2.13 "Member" or "Members" shall mean all Owners, including Declarant. There shall be two classes of membership, as defined in these Bylaws.

2.14 "Officer" shall mean an officer of the Association as described in and elected in accordance with these Bylaws.

2.15 "Owner" shall mean the record owner, whether one or more persons or entities, of a fee simple title to any Homesite, including contract sellers, but excluding those having an interest merely as security for the performance of an obligation.

2.16 "Plat" shall mean the duly recorded plat of North Rim, recorded in the Official Records of Deschutes County, Oregon and any other recorded plats of real property brought within the jurisdiction of the Association pursuant to the terms of the Declaration and made subject to the Declaration.

2.17 "Property" shall mean the real property described in Exhibit A to the Declaration and such additions thereto as may be brought within the jurisdiction of the Association and be made subject to the Declaration.

2.18 "Turnover Meeting" shall be the meeting called by the Declarant for the purpose of turning over administrative responsibility of the Association to the Class A Members, all in accordance with the Declaration and applicable law.

2.19 Other Terms. Capitalized terms used herein without definition shall have the respective meanings given to them in the Declaration.

**ARTICLE III
MEMBERSHIP AND VOTING RIGHTS**

3.1 Membership. The Declarant and every Owner of a Homesite by virtue of being an Owner of a Homesite shall be a Member of the Association. Membership shall be appurtenant to and shall not be separated from ownership of any Homesite. Such membership shall commence, exist, and continue simply by virtue of such ownership, and need not be confirmed or evidenced by any certificate or acceptance of membership.

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

3.3 Voting Rights. The Association shall have two classes of voting membership:

3.3.1 Class A. Class A Members shall be all Owners with the exception of Declarant (except that beginning on the date on which Class B Membership is converted to Class A Membership and thereafter, Class A Member shall be all Owners, including Declarant) and shall be entitled to one (1) vote for each Homesite owned. When more than one person holds an interest in any Homesite, all such persons shall be members, but the vote for such Homesite shall be exercised as they among themselves determine, and in no event shall more than one (1) vote be cast with respect to any Homesite. If the co-Owners of a Homesite cannot agree upon the vote, the vote of the Homesite shall be disregarded in determining the proportion of votes with respect to the particular matter at issue.

3.3.2 Class B. The Class B Members shall be the Declarant who shall be entitled to one hundred twenty-five (125) votes for each Homesite it owns until the Conversion Date at which time the Class B membership shall be converted to a Class A membership.

**ARTICLE IV
PROPERTY RIGHTS: RIGHTS OF ENJOYMENT**

Each Member shall be entitled to the use and enjoyment of the Common Areas as provided in the Declaration.

**ARTICLE V
BOARD OF DIRECTORS; ELECTION; TERM OF OFFICE**

5.1 Number. The affairs of the Association shall be managed by a Board of three (3) Directors prior to the Turnover Meeting and five (5) Directors after the Turnover Meeting. The Directors need not be Members of the Association prior to the Turnover Meeting but shall be Members of the Association after the Turnover Meeting.

5.2 Appointment by Declarant Prior to Turnover Meeting. Until the Turnover Meeting, Declarant shall appoint all Directors, and may remove and replace any Director, with or without cause, except that Declarant may revocably or irrevocably delegate the power to appoint, remove and replace Directors hereunder by written instrument delivered to the Association naming the party to whom the power to appoint Directors has been delegated. At and after the Turnover Meeting, the Directors shall be elected in the manner provided in Section 5.3. Voting for Directors shall not be cumulative.

5.3 Election of Directors. At the Turnover Meeting, the members shall elect two (2) Directors for a term of two (2) years, and three (3) Directors for a term of four (4) years, with each Owner entitled to the votes specified in Article III above. Thereafter, at each subsequent annual meeting of the Association, the members shall elect a number of Directors equal to the number whose terms are then expiring, each to serve a term of four (4) years. Any Director may serve more than one term.

5.4 Term of Office. On the date of the Turnover Meeting, the Directors appointed by Declarant or its appointee shall submit their resignations, effective as of the Turnover Meeting. The Directors elected at any meeting held for the purpose of election of Directors, except to replace a Director who leaves his or her position prior to the expiration of his or her term, shall assume all of the duties of office at the meeting at which he is elected, at which time the resignation of the Directors in office prior to such meeting shall become effective, and they shall have no further powers as Directors.

5.5 Removal. Any Director, other than a Director appointed by Declarant, may be removed, with or without cause, by the affirmative majority vote of Owners present and entitled to vote at any meeting of the Owners at which a quorum (as defined in Section 10.5) is present. Removal of a Director is only effective if the matter of removal was included in the notice of the meeting. At such meeting, the Owners shall elect a replacement Director to serve the remainder of the replaced Director's term.

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

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

5.8 Compensation. No Director shall receive compensation for any service he may render to the Association. However, any Director may be reimbursed for his actual expenses reasonably incurred in the performance of his duties.

**ARTICLE VI
MEETINGS OF BOARD**

6.1 Initial Meeting. The initial meeting of the Board shall occur within ninety (90) days after the date the Articles of Incorporation for the Association are filed and shall be called in accordance with Section 6.3.

6.2 Annual Meetings. The Board shall meet at least annually, within thirty (30) days after each annual meeting of the Members. At each annual meeting, in addition to the actions required by the Declaration, the treasurer shall present to the Board a report on the financial condition of the Association, including a report of receipts and disbursements for the preceding calendar year, the allocation thereof to each Homesite, and the estimated receipts and expenses for the coming year.

6.3 Special Meetings. Special meetings of the Board may be called at any time by the president or two (2) Directors. Such meetings shall be scheduled by the secretary at least two (2), but not more than thirty (30), days after the secretary's receipt of written requests signed by two (2) or more Directors; provided that if the purpose of a special meeting is to elect a successor secretary pursuant to Section 11.2 or to consider removal of the secretary pursuant to Section 11.5, such meeting may be scheduled by the president or, if the meeting is also for the purpose of electing a successor president or removing the president, any other Director.

6.4 Place of Meetings. Meetings of the Board shall be held at such place within Oregon as may be designated from time to time by the Board.

6.5 Notice of Meetings. The secretary shall give written notice to each Director of each Board meeting at least three (3) but not more than thirty (30) days prior to the date set for such meeting, stating the purpose, time, and place of the meeting. Notice shall be sent to the address of each Director as listed on the books of the Association, or to such other address as any Director may designate by written notice to the secretary given at least ten (10) days prior to the giving of notice of the meeting. Notice of any meeting may be waived by any Director at any time. No Director who is present at a meeting may object to the adequacy or timeliness of the notice given. When a meeting is adjourned for fewer than thirty (30) days, whether or not a quorum is present at the adjourned meeting, no notice of the resumption or reconvening of such adjourned meeting need be given other than by announcement at the meeting at which such adjournment takes place. All meetings of the Board shall be open to all Members, except for matters allowed by law to be considered in executive session. Except in emergencies, the Board shall vote in an open meeting whether to meet in executive session. If the Board votes to meet in executive session, the president shall state the general nature of the action to be considered and when and under what circumstances the deliberations can be disclosed to Members. The statement, motion, or decision to meet in executive session must be included in the minutes of the meeting. A contract or action considered in executive session does not become effective unless the Board, following the executive session, reconvenes in an open meeting and votes on the contract or action, which must be reasonably identified in the open meeting and included in the minutes. For other than emergency meetings, notice of Board meetings shall be mailed to all Members, at the last address for each Member in the records of

the Association, not less than ten (10) days before the meeting; posted at a place or places on the Property at least three (3) days prior to the meeting; or provided by a method otherwise reasonably calculated to inform Members of the meeting. Emergency meetings may be held without notice, if the reason for the emergency is stated in the minutes of the meeting. Only emergency meetings of the Board may be conducted by telephonic communication or by the use of a means of communication permitted by ORS 94.640(8).

6.6 Voting by the Board. Each Director shall have one vote. All voting rights of a Director shall be suspended during any period in which the Director is delinquent in the payment of any amount duly established pursuant to the Declaration or is otherwise in default under the Declaration or any rules and regulations of the Association. So long as a quorum is constituted, the vote of Directors together holding more than fifty percent (50%) of the total votes shall be a binding vote of the Board for all purposes, unless a greater percentage is required by law or the Declaration.

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

6.8 Right of Owners to Attend. Except as otherwise permitted by applicable law, all meetings of the Directors shall be open to all Owners.

ARTICLE VII NOMINATION AND ELECTION OF DIRECTORS

7.1 Nomination. At and following the Turnover Meeting, nominations for election to the Board of Directors shall be made from the floor at the annual meeting.

7.2 Election. Election to the Board of Directors shall be by secret written ballot cast (including proxy votes) at the annual meeting. At such election the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Articles of Incorporation. The person(s) receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VIII POWERS AND DUTIES OF THE BOARD OF DIRECTORS

8.1 Powers. The Board of Directors shall have the power:

(a) To adopt and publish rules and regulations governing the use of the Homesites and Common Area and facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(b) To exercise for the Association all power, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, and the Declaration;

(c) To declare the office of a Directors to be vacant in the event such Director shall be absent from three (3) consecutive regular meetings of the Board of Directors without just cause having been furnished to and accepted by the Board;

(d) To establish, and disburse and maintain such petty cash fund as is necessary for efficiently carrying on the business of the Association;

(e) To engage the services of a manager, an independent contractor, or such employees as it deems necessary, and to prescribe the conditions, compensation and duties of their work. Such power shall include authority to enter into management agreements with other parties to manage, operate or perform all or any part of the affairs and business of the Association;

(f) To exercise those powers delegated to the Board under the Declaration and the Articles of Incorporation of the Association;

(g) To exercise powers of a nonprofit corporation pursuant to the general nonprofit corporation laws of the State of Oregon and the powers of an Association pursuant to the Planned Community Act, as amended from time to time; and

(h) To exercise any additional or different powers necessary or desirable for the purpose of carrying out the functions of the Association pursuant to the Declaration or otherwise promoting the general benefit of the Members within the Property.

8.2 Duties. It shall be the duty of the Board of Directors:

(a) To cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members or at any special meeting, when such statement is requested in writing by one-fourth (1/4) of the votes of the Members who are entitled to vote;

(b) To supervise all Officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) To establish membership fees or assessments and to assess Members for the same, in accordance with the Declaration and these Bylaws;

(d) To procure and maintain adequate liability and hazard insurance on property owned by the Association as described in Article XV and, if deemed appropriate, insurance on the behalf of any Director, Officer, employee, or agent of the Association against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such;

(e) To cause all Officers, employees or agents, having fiscal responsibility to be bonded, as it may deem appropriate;

(f) To cause the Common Maintenance Areas to be maintained, repaired and, when necessary, replaced;

(g) To maintain a current mailing list of the Association;

(h) To adopt annually a budget for the Association to manage and operate North Rim. Within thirty (30) days after adopting the annual budget, the Board shall provide a summary to all Owners;

(i) To perform all duties of the Association and the Board as set forth in the Declaration, Articles of Incorporation, or these Bylaws; and

(j) In performing its duties, the Board shall be governed by ORS 94.640 and the applicable provisions ORS 65.357, 65.361, 65.369 and 65.377.

ARTICLE IX COMMITTEES

The Board of Directors may appoint such committees as it deems appropriate in carrying out its purposes.

ARTICLE X MEETINGS OF MEMBERS

10.1 Annual Meetings Prior to Turnover Date. A regular or annual meeting of Members shall be held annually. Such meeting shall be called in accordance with Section 10.4 below.

10.2 Meetings to Elect Directors; Annual Meetings Following Turnover Meeting. The first meeting of the Members held for the purpose of electing Directors pursuant to this Article X shall be the Turnover Meeting. The first annual meeting of the Association shall be held within one (1) year from the date of incorporation of the Association and each subsequent regular annual meeting of the Members shall be held annually on a date within thirty (30) days of the anniversary date of the first annual meeting of the Members or on a date otherwise set by the Board. If the day for the annual meeting is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday. At the annual meeting, the president, and any other Officer or person whom the president may designate, shall report on the activities and financial condition of the Association.

10.3 Special Meetings. Special meetings of the Members may be called at any time by the president or by a majority of the Board of Directors, or upon written request of the Members who are entitled to vote one-fourth (1/4) of all of the votes of the entire membership. Business transacted at a special meeting shall be confined to the purposes stated in the notice of such special meeting.

10.4 Notice of Meetings. Except as otherwise provided in the Articles of Incorporation, or these Bylaws, written notice of each meeting of the Members shall be given by,

or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least ten (10) days before such meeting, but no more than fifty (50) days before such meeting, to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or these Bylaws, any budget changes, or any proposal to remove a Director or Officer. Notice of any such meeting may be waived by any Member at any time. No Member who is present at a meeting may object to the adequacy or timeliness of the notice given.

10.5 Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, one-third (1/3) of the votes shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws and provided that no quorum shall be required for the Turnover Meeting. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid, shall be present or be represented.

10.6 Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon cessation of membership or restriction of the Member's voting rights.

10.7 Canvass in Lieu of Meeting. In the event that a quorum of Members is not achieved at any scheduled meeting, the Board may authorize a door-to-door canvass of all Members whose votes shall be duly recorded and any action so taken shall have the same force and effect as if taken at a meeting at which a quorum of Members was present. Any such canvass must be completed within thirty (30) days of the Board's decree.

10.8 Majority Vote; Withdrawal of Quorum. When a quorum is present at any meeting of the Members, the vote of the holders of a majority of the votes, present in person or represented by proxy, shall decide any question brought before such meeting unless the question is one upon which by express provision of the statutes, the Articles of Incorporation, the Declaration or these Bylaws, a different vote is required, in which case such express provision shall govern and control the deciding of such question. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

10.9 Voting By Mail. In any case in which voting by mail is necessary or desirable, the secretary shall give written notice to all Members at least ten (10) days before written ballots are mailed or otherwise delivered, which notice shall comply with the terms of ORS 94.647 or applicable successor provisions. The written ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action. The solicitation for votes by written ballot shall comply with the terms of ORS 94.647 or applicable successor provisions. In no event may action by written ballot substitute for the Turnover Meeting or the annual meeting of the Association. Any voting by mail shall be conducted in accordance with

applicable law, including without limitation, the provisions of ORS 94.647 or applicable successor provisions.

ARTICLE XI OFFICERS AND THEIR DUTIES

11.1 Enumeration of Officers. The Officers of this Association shall be a president and a vice-president, who shall at all times be members of the Board of Directors, a secretary, and a treasurer, and such other Officers as the Board may from time to time by resolution create.

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

11.3 Term. The Officers shall be elected annually by the Board and shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

11.4 Special Appointments. The Board may elect such other Officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

11.5 Resignation and Removal. Any Officer may be removed from office with or without cause by the Board and a successor may be elected at a special meeting of the Board called for such purpose. Any Officer may resign at any time by giving notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein; the acceptance of such resignation shall not be necessary to make it effective.

11.6 Vacancies. A vacancy in any office may be filled by election at a special meeting of the Board called for such purpose. The Officer elected to such vacancy shall serve for the remainder of the term of the Officer he replaces.

11.7 Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 11.4.

11.8 Duties. The duties of the Officers are as follows:

(a) **President.** The president shall be a Director and shall preside at all meetings of the Board, shall see that orders and resolutions of the Board are carried out, shall sign all leases, mortgages, deeds, and other written instruments and shall co-sign (together with either the vice-president or treasurer) all checks in an amount over \$5,000, payment vouchers, and promissory notes of the Association.

(b) Vice-President. The vice-president shall be a director and shall act in the place and stead of the president in his absence or inability or refusal to act, shall co-sign (together with either the president or treasurer) all checks in an amount over \$5,000, payment vouchers, and promissory notes of the Association and shall exercise and discharge such other duties as may be required of him by the Board.

(c) Secretary. The secretary shall keep or cause to be kept a record of the votes and the minutes of all meetings and proceedings of the Board and of the Members, keep the corporate seal of the Association and affix it on all papers requiring said seal, serve or cause to be served notice of meetings of the Board and of the Members, keep or cause to be kept appropriate current records showing the Members of the Association together with their addresses, and shall perform such other duties as may be required by the Board.

(d) Treasurer. The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors, shall co-sign (together with either the president or vice-president) all checks in an amount over \$5,000, payment vouchers, and promissory notes of the Association, keep proper books of account, cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year, if requested by the Board, and shall prepare an annual budget and a statement of income and expenditures to be adopted by the Board and presented to the membership at its regular annual meeting and deliver a copy of each to the Members.

The officers may delegate the signing of checks in an amount less than \$5,000 each to a professional property manager, if the Association has a contract with such property manager for professional management of the Association.

11.9 Compensation. Other than reimbursement of out-of-pocket expenses incurred on behalf of the Association, no officer shall receive any compensation from the Association for acting as an Officer, unless such compensation is authorized by the Board.

11.10 Professional Management. In the event that the Board employs professional management for the Association, the professional manager(s) shall manage the day-to-day operations of the Association, subject to the direction and oversight of the Board. Any of the obligations of the officers described in Section 11.8 may be delegated to a professional manager of the Association; provided, however, the officers provide proper controls and supervision and such delegation is permitted by applicable law. The employment of a professional manager for the Association shall be subject to the terms related thereto in the Declaration.

11.11 All powers and duties of an Officer shall be suspended during any period in which that Officer is delinquent in the payment of any amount duly established pursuant to the Declaration or is otherwise in default under the Declaration or any rules and regulations of the Association.

ARTICLE XII ASSESSMENTS

12.1 Conformance with Declaration. The Association shall levy, collect, and enforce the payment of assessments in accordance with all relevant provisions of the Declaration.

12.2 Basis of Annual Assessments for Class A Members. Without consideration of special and additional assessments, the maximum annual assessment for any Homesite shall not exceed an amount determined in good faith by the Board.

12.3 Assessments to be Levied by Board. After consideration of current operating costs, maintenance, repair and replacement costs and all other future needs and obligations of the Association, the Board may levy the annual assessments. The Board shall have the authority to adjust the amount of annual assessments during any assessment period, upon not less than thirty (30) days notice to the Members. Assessments may be used to fund all costs incurred by the Association pursuant to the Declaration, these Bylaws or otherwise in the reasonable discretion of the Directors.

12.4 Special Assessments for Working Capital Fund, Non-recurring Maintenance and Capital Improvements. In addition to the annual assessments authorized above and any other assessments authorized by the Declaration, the Association may levy special assessments as follows:

(a) In any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any non-recurring maintenance, or the acquisition, construction, reconstruction, repair or replacement of a capital improvement upon any Common Maintenance Areas or improvements particular to a Homesite for which the Association is responsible, including fixtures and personal property related thereto may be assessed. A special assessment may be levied against one or more Homesites and not other Homesites if the Board determines in good faith that the Homesites to be assessed are specially benefited by the expenditures of such funds. The Association shall not commingle the proceeds of such special assessments with other assessment funds. Such proceeds shall be used solely and exclusively to fund the non-recurring maintenance or improvements in question.

(b) The Board shall determine the necessity and the amount of any special assessment. Special assessments shall not be effective unless approved by a vote of two-thirds (2/3) of the Members voting in person or by proxy at a meeting called for the purpose of approving the special assessments and conducting other business, if any, or if the special assessment is against a particular Homesite or group of Homesites, two-thirds (2/3) of the Members who own the affected Homesites who are voting in person or by proxy at a meeting called for the purpose of approving the special assessments and conducting other business, if any. Written notice of such meeting shall be sent to each Member (or if only a particular Homesite or group of Homesites is affected, to Members owning those affected Homesites) not less than ten (10) days nor more than fifty (50) days in advance of the meeting.

12.5 Limited Assessments. In addition to the other assessments set forth herein, the Association shall have the authority to levy assessments to satisfy the common expenses of a particular project or effort undertaken by the Association that benefits some, but less than all, of the Homesites. The rate at which each benefited Homesite will be assessed, and whether such assessment shall be payable monthly, quarterly or annually, will be determined by the Board at least thirty (30) days in advance of each assessment period. Said rate may be determined and adjusted by the Board in its sole discretion, as it deems necessary and appropriate.

12.6 Uniform Rate. Except as otherwise provided in the Declaration or herein, both annual and special assessments must be fixed at a uniform rate for each Homesite and may be collected on a monthly, quarterly or annual basis as determined by the Directors at least thirty (30) days in advance of each assessment period.

12.7 Quorum for any Action Authorized under Sections 12.4. At any meeting called for purposes described under Section 12.4 hereof, the presence at the meeting of Members or of proxies entitled to cast a majority of all the votes of each class of membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called, subject to the notice requirement set forth in Section 12.4; however, the quorum requirement shall be one-half (1/2) of the previous quorum requirements. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting. The necessary approval may also be obtained by a canvass of the Members as set forth in Section 10.7.

12.8 Date of Commencement of Annual Assessments: Due Dates. All Homesites in a Phase (including those owned by Declarant) become subject to assessment on the day the first Homesite in that Phase is conveyed to an Owner other than Declarant, but in no event prior to January 1, 2005. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board shall fix the amount of the annual assessment against each Homesite at least thirty (30) days in advance of each annual assessment period; provided, however, that the Board of Directors shall have the right to adjust the annual assessment as long as any such adjustment does not exceed the maximum permitted hereunder with thirty (30) days written notice given to each Member. Written notice of the annual assessment shall be sent to every Member subject thereto. The due dates shall be established by the Board of Directors. The Association shall, upon demand at any time, furnish a certificate in writing signed by an Officer of the Association setting forth whether the assessments on a specified Homesite have been paid. A reasonable charge may be made by the Board for the issuance of these certificates. Such certificates shall be conclusive evidence of payment of any assessment therein stated to have been paid. Declarant may defer payment of any accrued Reserve Fund assessment as provided in the Declaration.

12.9 Effect of Non-payment of Assessments: Remedies of the Association. Any assessments due hereunder or under the Declaration which are not paid when due shall be delinquent. If the assessment is not paid within ten (10) days after the due date, the Association shall have the remedies set forth herein, in the Declaration and as allowed under the Oregon Planned Community Act. The Association or its agents shall have the right and power to bring

all actions against the defaulting Member personally for the collection of such charges as a debt and to enforce the Association's lien by all methods available for the enforcement of such liens, including foreclosure by an action brought in the name of the Association in like manner as a mortgage or deed of trust lien on real property. The lien provided for in this section shall be in favor of the Association and shall be for the benefit of all other Members. The provisions contained in ORS 94.709 through 94.719 (or applicable successor provisions) shall apply to the Association lien. The lien shall be foreclosed in accordance with the provisions regarding the foreclosure of liens under ORS Chapter 38 (as modified by ORS 94.709). The lien shall be subordinate to any prior recorded deed of trust securing payment for the subject Homesite and/or the Unit on the subject Homesite. If any assessment is payable in installments, the full amount of the assessment is a lien from the date the first installment of the assessment becomes due.

The Association acting on behalf of the Members shall have the power to bid on an interest foreclosed at foreclosure sale and to acquire and hold, lease, mortgage and convey the same; and to subrogate so much of its right to such liens as may be necessary or expedient to an insurance company continuing to give total coverage notwithstanding non-payment of such defaulting Member's portion of the premium. An election by the Association to pursue any remedy provided for herein shall not prevent concurrent or subsequent exercise of another remedy permitted hereunder. The remedies provided herein are not exclusive but shall be in addition to all other remedies, including actions for damages and suits for injunctions and specific performance, available under the Declaration and applicable law to the Association.

12.10 No Reimbursement to Declarant. The proceeds of the regular annual assessments shall not be used to reimburse Declarant for any capital expenditures incurred in construction or other improvements of common facilities.

12.11 Reallocation Upon Annexation or Withdrawal. If new property is added to the Property by annexation or withdrawn from the Property, common expenses shall be reallocated as set forth in the Declaration.

ARTICLE XIII BOOKS AND RECORDS

13.1 Books and Records. The Board shall cause the Association to keep the books, records and papers of the Association at all times in compliance with ORS 94.670 or applicable successor provisions.

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

13.3 Financial Statements. The Board may (or shall, if the same is required by law) appoint a certified public accountant or certified public accounting firm as auditor, who

shall not be an Officer or own any interest in any Homesite, to audit the books and financial records of the Association. So long as the same is required by applicable law, within ninety (90) days after the end of each fiscal year, the Board shall distribute to each Member and, upon request, any mortgagee of a Homesite a copy of the annual financial statement of the Association, consisting of a balance sheet and income and expense statement for the preceding fiscal year. The Association shall make available to Members and to holders, insurers or guarantors of any mortgage on a Homesite, for their inspection and copying, upon request, during normal business hours or under other reasonable circumstances, current copies of: (i) the Declaration, Articles of Incorporation, Bylaws, and rules concerning the Property, (ii) the Association's most recent financial statement, (iii) the current operating budget of the Association, and (iv) all other records of the Association required to be made available by applicable law. Upon written request of a prospective purchaser of a Homesite, the Association shall make available for examination and duplication during reasonable hours the documents and items described in items (i) through (iii) in the preceding sentence. The Association may charge a reasonable fee for furnishing copies of any documents, information, or records described in this Section 13.3.

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

ARTICLE XIV FISCAL YEAR

The Fiscal Year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

ARTICLE XV INSURANCE

15.1 By the Association. The Board shall obtain, and maintain in effect, the insurance required by the Declaration and applicable law. At least annually, the Board of Directors shall review the insurance coverage of the Association.

15.2 Insurance for Annexed Property. The Board shall be responsible for obtaining any additional insurance coverages required of it in any Declaration of Annexation.

15.3 By the Owners. Each Owner of a Homesite is encouraged to obtain, and maintain in effect, from reputable insurance companies authorized to do business in the State of Oregon, public liability and property damage insurance with respect to such Homesite and fire and extended coverage casualty insurance with respect to the Unit in an amount equal to One Hundred Percent (100%) of the replacement cost thereof. Each Owner shall also be responsible for obtaining fire and extended coverage casualty insurance with respect to that Owner's personal property, if such Owner elects to do so. No Owner shall be obligated to obtain any of the insurance coverages described in Section 15.1, nor shall any insurance coverage obtained by an Owner (or such Owner's mortgagee) be brought into contribution with insurance obtained by the Association.

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

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

ARTICLE XVI RULES AND REGULATIONS

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

ARTICLE XVII SHARES OF STOCK AND DIVIDENDS PROHIBITED

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

ARTICLE XVIII ARCHITECTURAL AND LANDSCAPE DESIGN REVIEW

The Architectural and Landscape Review Committee shall perform and shall be empowered to perform all acts relating to building restrictions as provided in the Declaration on behalf of the Association.

ARTICLE XIX
TRANSFER OF CONTROL

19.1 Transitional Advisory Committee. Declarant or the Owners shall form a transitional advisory committee (the "Transitional Advisory Committee") to provide for the transition from administrative responsibility by Declarant for the planned community of North Rim to administrative responsibility by the Association. Not later than the sixtieth (60th) day after Declarant has conveyed to Owners, other than Declarant, Homesites representing fifty (50) percent or more of the Homesites then existing in North Rim, Declarant shall call a meeting of Owners for the purpose of selecting the Transitional Advisory Committee. Declarant shall give notice in accordance with Section 10.4, to each Owner of the special meeting. The Transitional Advisory Committee shall consist of three (3) or more members. At such meeting, the Owners in attendance, other than Declarant, shall select two (2) or more members. Declarant may select no more than one (1) member. The members of the Transitional Advisory Committee shall serve until the Turnover Meeting. The function of the Transitional Advisory Committee shall be to facilitate the transition from control of the administration of the Association by Declarant to control by the Owners. The Transitional Advisory Committee shall have reasonable access to all information and documents that Declarant is required to turn over to the Association under ORS 94.616(3) or applicable successor provisions. If the meeting required pursuant to this Section 19.1 is not called by Declarant within the time specified, the meeting may be called and notice given by any Owner. Notwithstanding the foregoing, if the Owners do not select members of the Transitional Advisory Committee as provided above, Declarant shall have no further obligation to form the Transitional Advisory Committee. There shall be no requirement that a Transitional Advisory Committee be formed and no Transitional Advisory Committee shall be appointed, once the Turnover Meeting has been held.

19.2 Turnover Meeting. On a date that is not later than ninety (90) days following the Conversion Date, Declarant shall call the Turnover Meeting. Declarant shall give notice of such meeting as provided in Section 10.4 to each Member. The notice shall state the purpose of the meeting, which shall be the relinquishment by Declarant of control of the administration of the Association and election of new Directors by the Members, and the time and place at which the meeting is to be held. If Declarant does not call the Turnover Meeting required by this Section 19.2 within the required period, any Member may call such a meeting and give notice as required by this Section 19.2. At the Turnover Meeting: (a) Declarant shall relinquish control of the administration of the Association and the Members shall assume the control thereof, (b) the Directors then serving shall resign and the Members shall elect a Board in accordance with these Bylaws, and (c) Declarant shall deliver to the Association the books, records, and other materials belonging to the Association that are required by ORS 94.616(3) or applicable successor provisions.

ARTICLE XX
WAIVER OF NOTICE

Whenever any notice is required to be given under the provisions of the nonprofit corporation laws of the State of Oregon, as it exists or may be amended in the future, or under the provisions of the Articles of Incorporation or these Bylaws, a waiver thereof in writing signed by

the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XXI ACTION WITHOUT A MEETING

Any action which applicable law, the Declaration or these Bylaws require or permit the Members or the Board to take at a meeting may be taken without a meeting if a consent in writing setting forth the action so taken is signed by all of the Members or Directors entitled to vote on the matter. Notwithstanding the foregoing, action by written ballot may not substitute for the Turnover Meeting or the annual meeting of the Association. The consent, which shall have the same effect as a unanimous vote of the Members or the Board, as the case may be, shall be filed in the records of minutes of the Association.

ARTICLE XXII AMENDMENTS

Except as expressly provided in the Declaration, these Bylaws may be amended or repealed and new Bylaws may be adopted by a majority of the Directors present at any regular meeting or at any special meeting, if at least two (2) days' written notice is given of intention to amend or repeal and adopt new Bylaws at such meeting accompanied by a copy or summary of the amendment without the approval of the Members; provided however, that the Board shall have no authority to amend or repeal any provision of these Bylaws relating to the election, qualifications, powers, duties or terms of Directors without the approval of the Members given at a special meeting called for such purpose. In addition, except for the amount of assessments and level of maintenance, any amendment that imposes an additional disproportionate burden upon or takes away or impairs an existing right particular to any one Homesite or group of like-affected Homesites shall require the vote of seventy-five percent (75%) of the Members owning the like-affected Homesites. An amendment shall not be 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 (or applicable successor provision(s)), acknowledged in the manner provided for acknowledgement of deeds, and recorded in the office of the recording officer of Deschutes County, Oregon. 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 Homesite by Declarant to a third party or as allowed by law.

ARTICLE XXIII GENDER AND GRAMMAR

The singular wherever used herein shall be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provision hereof apply either to corporations or individuals, men or women, shall in all cases be assumed as though in each case fully expressed.

**ARTICLE XXIV
ENFORCEMENT**

If the Association institutes legal action to enforce any restrictive covenant or other condition of the Declaration, Articles of Incorporation or Bylaws, and the violator voluntarily corrects or abates such violation after litigation has been filed, the Association shall not dismiss or abandon such legal action until it has been reimbursed all of its expenses, including reasonable attorney's fees and court costs.

**ARTICLE XXV
LOANS TO DIRECTORS AND OFFICERS PROHIBITED**

25.1 No Loans to Directors or Officers. No loan shall be made by the Association to its Directors or Officers. The Directors who vote for or assent to the making of a loan to a Director or Officer, and any Officer or Officers participating in the making of such loan, shall be jointly and severally liable to the Association for the amount of such loan until the repayment thereof.

25.2 Contribution; Subrogation. Any Director against whom a claim shall be asserted under or pursuant to this Article XXV shall be entitled to contribution from the other Directors who voted for the action upon which the claim is asserted. To the extent that any Director is required to pay such claim, he shall be subrogated to the rights of the Association against the debtor on the loan.

**ARTICLE XXVI
DISPUTE RESOLUTION**

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

**ARTICLE XXVII
CONFLICTS AND PARTIAL INVALIDITY**

27.1 Conflicts. These Bylaws are intended to comply with applicable law and the Declaration. In case of any irreconcilable conflict, applicable law and the Declaration shall control over these Bylaws (unless these Bylaws expressly provide otherwise) and any amendments hereto, and any rules or regulations adopted hereunder.

27.2 Partial Invalidity. The invalidation of any one of the provisions of these Bylaws by judgment or court order shall not affect any other provisions, which shall remain in full force and effect.

I, Jade Mayer, as secretary of the North Rim Homeowners' Association, Inc., do hereby certify the foregoing to be the Bylaws of the Association, as adopted by the Board on the 29th day of June 2004.




Jade Mayer, Secretary

STATE OF OREGON)

COUNTY OF DESCHUTES)

The foregoing instrument was acknowledged before me the 5th day of July 2004, by Jade Mayer, the Secretary of the North Rim Homeowners' Association, Inc., an Oregon nonprofit corporation, on behalf of the corporation.



Notary Public, State of Oregon

My Commission Expires: February 23, 2008

