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**INITIAL BYLAWS
OF
FOREST RIDGE NEIGHBORHOOD ASSOCIATION**

These INITIAL BYLAWS OF THE FOREST RIDGE NEIGHBORHOOD ASSOCIATION are adopted as of the 30th day of June, 2020, by The Ridge at Eagle Crest Owners Association ("RECOA").

RECITALS

- A.** Forest Ridge is a Neighborhood within The Ridge at Eagle Crest established pursuant to Declaration Annexing Forest Ridge Phase 1 to The Ridge at Eagle Crest dated October 2, 2000 and recorded October 2, 2000 as Document No. 2000-39953, Declaration Annexing Forest Ridge Phase 1A to The Ridge at Eagle Crest dated June 6, 2001 and recorded June 11, 2001 as Document No. 2001-27718, Amended and Restated Declaration Annexing Forest Ridge Phase 2 to The Ridge at Eagle Crest dated October 2, 2001 and recorded October 2, 2001 as Document No. 2001-48472, all in the Records of Deschutes County, Oregon (collectively, the "Forest Ridge Declaration").
- B.** RECOA is the Association formed to serve as the owners association for all Owners within The Ridge at Eagle Crest pursuant to Article 9 of the Amended and Restated Declaration of Protective Covenants, Conditions, Restrictions and Easements for the Ridge at Eagle Crest, recorded January 28, 2005, in the records of Deschutes County, Oregon, as Document No. 2005-05688 (the "Master Declaration").
- C.** Article 9.12 of the Master Declaration provides that by majority vote, the Owners of Lots within a Neighborhood may elect to establish a Neighborhood Association. The Board of Directors of the Association shall assist the Neighborhood Associations in the performance of their duties and obligations under their respective Neighborhood Declarations, and the Association shall cooperate with each Neighborhood Association so that each of those entities can most efficiently and economically provide their respective services to Owners.
- D.** Article 6.12 of the Declaration Annexing Phase 1 to The Ridge at Eagle Crest, Article 6.12 of the Declaration Annexing Phase 1A to The Ridge at Eagle Crest Article 6.13 of Amended and Restated Declaration Annexing Phase 2 to The Ridge at Eagle Crest Forest Ridge Declaration each provide that the Owners within Forest Ridge (by majority vote) may elect to establish a Neighborhood Association for Forest Ridge. A majority of the Lot

Owners of Forest Ridge voted to establish a Neighborhood Association by petition submitted to RECOA on June 1, 2020.

E. Article 6.12 and 6.13, respectively provide that in such event, the Declarant or Association shall adopt Articles of incorporation and initial Bylaws for the Neighborhood Association and supervise the organization of and election of directors for the Neighborhood Association.

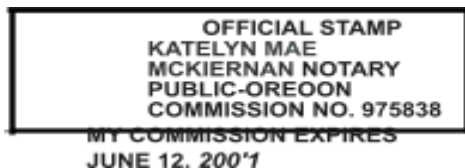
NOW, THEREFORE, RECOA hereby adopts the bylaws attached hereto as Exhibit A as the Initial Bylaws of the Forest Ridge Neighborhood Association and has caused such Bylaws to be recorded in the Real Property Records of Deschutes County, Oregon.

The Ridge at Eagle Crest Owners Association
An Oregon domestic nonprofit corporation

By Leslie J. Brown
Leslie Brown, President

STATE OF OREGON)
)ss.
County of Deschutes)

This instrument was acknowledged before me this 3D th day of Jun:.., 2020,
by LESU B'MY, as
Plfa "-"-'dJn="'"--'--'t of the Ridge at Eagle Crest Owners Association,
an Oregon nonprofit corporation.



Katelyn M

Notary
Public
for
Oregon
My
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EXHIBIT A

BYLAWS OF
FOREST RIDGE NEIGHBORHOOD ASSOCIATION

TABLE OF CONTENTS

Article 1-----	1
1.1 Association-----	1
1.2 Articles of Incorporation-----	1
1.3 Neighborhood Declaration-----	1
1.4 Incorporated by Reference-----	1
Article 2-----	1
2.1 Membership-----	1
2.2 Membership List-----	1
Article 3-----	2
3.1 Place of Meetings-----	2
3.2 Annual Meeting-----	2
3.3 Special Meetings-----	2
3.4 Notice of Meeting-----	2
3.5 Quorum-----	2
3.6 Voting Units-----	3
3.7 Fiduciaries and Joint Owners-----	3
3.8 Tenants and Contract Vendors-----	3
3.9 Absentee Ballots and Proxies-----	3
3.10 Majority Vote-----	3
3.11 Rules of Order-----	4
3.12 Use of Written Ballot-----	4
Article 4-----	5
4.1 Number and Qualification-----	5
4.2 Election and Tenure of Office-----	5
4.3 Vacancies-----	5
4.4 Removal of Directors-----	6
4.5 Powers-----	6
4.6 Board of Director Meetings-----	7
4.7 Open Meetings-----	8
4.8 Notice of Meetings-----	8
4.9 Quorum and Vote-----	9

4.10	Liabi lity	9
4.11	Compensation	9
4.12	Executive and Other Committees	9
Art icle 5 -----		9
5.1	Designation and Qualification	10
5.2	Elect ion and Vacancies	10
5.3	Removal and Resignat ion -----	10
5.4	President -----	10
5.5	Vice President -----	10
5.6	Secret ary -----	10
5.7	Treasure r -----	11
5.8	Compensation of Officers	11
Artic le 6 -----		11
6.1	Purpose of Assessments	11
6.2	Types of Assessments -----	11
6.3	Annual Assessments	11
6.4	Speeial Assessments -----	12
6.5	Emergency Assessments	12
6.6	Individual Assessments	12
6.7	0 perations Fund	13
6.8	Reserve Fund and Mai nte nanee Plan -----	13
6.9	Creation of Lien and Personal Obligation of Assessments	15
6.10	Voluntary Conveyanee	15
6.11	Duties of Board -----	15
Article 7 -----		16
7.1	Records -----	16
7.2	Statement of Assessments Due	16
7.3	Inspection of Books and Records	16
7.4	Payment of Vouchers	17
7.5	Execution of Documents	17
7.6	Reports and Audits	17
Article 8 -----		17
8.1	Use of Neighborhood Common Areas -----	17

8.2	Nonqualifying Improvements and Violation of General Protective Covenants	18
8.3	Default in Payment of Assessments; Enforcement of Lien	18
8.4	Enforcement Procedures -----	19
8.5	Notification to First Mortgagee -----	20
8.6	Subordination of Lien to Mortgages	20
8.7	Interest, Late Charges and Expenses -----	20
8.8	Costs and Attorneys' Fees	20
8.9	Assignment of Rents	20
8.10	Nonexclusiveness and Accumulation of Remedies	21
8.11	Nonwaiver -----	21
Article 9		21
9.1	Mediation -----	21
9.2	Arbitration -----	22
9.3	Selection of an Arbitrator -----	22
9.4	Consolidated Arbitration -----	22
9.5	Discovery -----	23
9.6	Evidence -----	23
9.7	Excluded Matters	23
9.8	Costs and Attorneys' Fees	23
9.9	Survival	24
Article 10		24
10.1	Types of Insurantee	24
10.2	Insurantee by Lot Owners -----	25
10.3	Planned Community Act Requirements -----	26
Article 11	-----	26
11.1	Notices of Action -----	26
11.2	No Priority	26
11.3	Notices to Association -----	26
11.4	Failure of Mortgagee to Respond	26
11.5	Construction of this Article -----	26
Article 12	-----	27
12.1	Seal -----	27
12.2	Notice -----	27

12.3	Waiver of Notice	27
12.4	Action Without Meeting	27
12.5	Conflicts	27
Article 13		27
13.1	How Proposed	27
13.2	Adoption	27
13.3	Execution and Recording	28

BYLAWS OF
FOREST RIDGE NEIGHBORHOOD ASSOCIATION

Article 1
Definitions

1.1 **Association.** "Association" means FOREST RIDGE NEIGHBORHOOD ASSOCIATION, a domestic nonprofit corporation organized and existing under the laws of the state of Oregon.

1.2 **Articles of Incorporation.** "Articles of Incorporation" means the Articles of Incorporation of the Association.

1.3 **Neighborhood Declaration.** The "Neighborhood Declaration" or "Forest Ridge Declaration" means all declarations as amended and restated which annex Forest Ridge properties to the Ridge at Eagle Crest, including the Declaration Annexing Forest Ridge Phase I to the Ridge at Eagle Crest recorded October 2, 2000 as Document No. 2000-39953 (Phase 1 Declaration), Declaration Annexing Forest Ridge Phase IA to the Ridge at Eagle Crest recorded June 11, 2001 as Document No. 2001-27718 (Phase IA Declaration), Amended and Restated Declaration Annexing Forest Ridge Phase 2 to the Ridge at Eagle Crest recorded October 2, 2001 as Document No. 2001-48472 (Phase 2 Declaration), all in the Records of Deschutes County, Oregon, as may be amended from time to time.

1.4 **Incorporated by Reference.** Except as otherwise provided herein, the terms that are defined or incorporated by reference in the Neighborhood Declaration and Articles of Incorporation are used in these Bylaws as therein defined.

Article 2
Membership

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

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

Article 3
Membership Meetings and Voting

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

3.2 Annual Meeting. The annual meeting of the members for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held at such reasonable hour and on such reasonable day as may be established by the Board of Directors. The first annual meeting shall be held within one year after the date of the Organizational Meeting.

3.3 Special Meetings. A special meeting of the Association may be called at any time by the President or by a majority of the Board of Directors. A special meeting shall be called upon the receipt of a written request stating the purpose of the meeting from members having at least thirty-five percent (35%) of the Voting Units entitled to be cast at such meeting. Business transacted at a special meeting shall be confined to the purposes stated in the notice of meeting.

3.4 Notice of Meeting.

(a) Written or printed notice stating the place, day and hour of the meeting, the items on the agenda, including the general nature of any proposed amendment to the Neighborhood Declaration, Articles of Incorporation or these Bylaws, any budget changes, any proposal to remove a director or officer and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) or more than fifty (50) days before the date of the meeting. Such notice shall be given personally, by mail or email, by or at the direction of the President, Secretary, or the persons calling the meeting, to each member entitled to vote at such meeting and to all mortgagees who have requested such notice. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, with postage fully prepaid thereon, addressed to the member at his or her most recent address as it appears on the records of the Association or to the mailing address of his or her Lot.

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

3.5 Quorum. At any meeting of the Association, members having at least forty percent (40%) of the Voting Units entitled to be cast at such meeting, present in person or by proxy, shall constitute a quorum. When a quorum is once present to organize a meeting, it cannot be broken by the subsequent withdrawal of a member or members. If any meeting of the Association cannot be organized because of a lack of a quorum, the Owners who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present. The quorum when reconvened shall be reduced to twenty percent (20%) of the Voting Units if the meeting is adjourned to a date that is at least 48 hours from the time the original meeting was called, or if

the original meeting notice specified that the quorum will be reduced to twenty percent (20%) of the Voting Units if the meeting cannot be organized because of a lack of a quorum.

3.6 Voting Units. All Owners shall be entitled to one (1) Voting Unit for each Lot owned. When more than one (1) person holds an interest in any Lot, all such persons shall be members; however, the vote for such Lot shall be exercised as they among themselves determine. In no event shall more than one (1) vote be cast with respect to any Lot.

3.7 Fiduciaries and Joint Owners. An executor, administrator, guardian or trustee may vote, in person or by proxy, at any meeting of the Association with respect to any Lot owned or held in such capacity, whether or not the same shall have 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 such Lot in such capacity. Whenever any Lot is owned by two or more persons jointly, according to the records of the Association, the vote or proxy of such Lot may be exercised by any one of the Owners then present, in the absence of protest by a co Owner. In the event of disagreement among the co-Owners, the vote of such 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.

3.8 Tenants and Contract Vendors. Unless otherwise expressly stated in the rental agreement or lease, all Voting Units allocated to a Lot shall be exercised by the Owner. Unless otherwise stated in the contract, all Voting Units allocated to a Lot shall be exercised by the vendee of any recorded land sale contract on the Lot.

3.9 Absentee Ballots and Proxies. A vote may be cast in person, by absentee ballot or by proxy. A proxy given by an Owner to any person who represents such Owner at meetings of the Association shall be in writing and signed by such Owner, and shall be filed with the Secretary at any time prior to or at the start of the meeting. An Owner may not revoke a proxy given except by actual notice of revocation to the person presiding over a meeting or to the Board of Directors if a vote is being conducted by written ballot in lieu of a meeting. A proxy shall not be valid if it is undated or purports to be revocable without notice. A proxy shall terminate one (1) year after its date unless the proxy specifies a shorter term. Every proxy shall automatically cease upon sale of the Lot by its Owner. An Owner may pledge or assign such Owner's Voting Units 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 Units from and after the time that the mortgagee shall give written notice of such pledge or assignment to the Board of Directors.

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

3.11 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.

3.12 Use of Written Ballot.

(a) At the discretion of the Board of Directors, any action that may be taken at any annual, regular, or special meeting of the Association may be taken without a meeting if the Association delivers a written ballot to every member who is entitled to vote on the matter. The written ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action. Action by written ballot may not substitute for the following meetings:

(i) An annual meeting of an Association if more than a majority of the lots are the principal residences of the occupants;

(ii) A meeting of the Association if the agenda includes a proposal to remove a director from the board of directors; or

(iii) A special meeting of the Association called at the request of owners under Article 3.3 of these Bylaws.

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

(c) If approval of a proposed action would otherwise require a meeting at which a certain quorum must be present and at which as a certain percentage of total votes cast is required to authorize the action, the proposal will be deemed to be approved when the date for return of ballots has passed, a quorum of members has voted, and the required percentage of approving votes has been received. Otherwise, the proposal shall be deemed to be rejected.

If approval of a proposed action otherwise would require a meeting at which a specified percentage of members must authorize the action, the proposal shall be deemed to be approved when the percentage of total votes cast in favor of the proposal equals or exceeds such required percentage. The proposal shall be deemed to be rejected when the number of votes cast in

opposition renders approval impossible or when both the date for return of ballots has passed and such required percentage has not been met. Except as otherwise provided in paragraph (b) of this section, votes may be counted from time to time before the final return date to determine whether the proposal has passed or failed by the votes already cast on the date they are entered.

(d) All solicitations for votes by written ballot shall: (1) state the number of responses needed to meet any applicable quorum requirements, (2) the total percentage of votes needed for approval, and (3) the period during which the Association will accept written ballots for counting, which period shall end on the earliest of (i) the date on which the Association has received a sufficient number of approving ballots to pass the proposal, (ii) the date on which the Association has received a sufficient number of disapproving ballots to render the proposal impossible of passage, or (iii) a date certain by which all ballots must be returned to be counted. A written ballot may not be revoked.

Article 4

Directors: Management

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

4.2 Election and Tenure of Office.

In the initial election after these Bylaws are adopted, Members shall elect one (1) or two (2) directors to serve for one (1) year, one (1) or two (2) directors to serve for two (2) years and one (1) director to serve for three (3) years. In all subsequent elections, one (1) or (2) directors will be elected to replace those whose terms are expiring to serve a term of three (3) years. All directors shall hold office until their respective successors shall have been elected by the members. Election shall be by plurality.

4.3 Vacancies.

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

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

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

4.5 Powers. The Board of Directors shall have all the powers and duties set forth in Article 3 of the Articles of Incorporation which are necessary for the administration of the affairs of the Association, except such powers and duties as by law, the Articles of Incorporation or by these Bylaws may not be delegated to the Board of Directors. The Board of Directors may delegate responsibilities to committees or a managing agent, but shall retain ultimate control and supervision. The powers and duties to be exercised by the Board of Directors shall include, but not be limited to, the following:

(a) Carry out the program for maintenance, upkeep, repair and replacement of any property required to be maintained by the Association as described in the Neighborhood Declaration, the Articles of Incorporation and these Bylaws.

(b) Determine the amounts required for operation, maintenance and other affairs of the Association, and the making of such expenditures.

(c) Prepare a budget for the Association, and assessment and collection of the assessments.

(d) Employ and dismiss such personnel as may be necessary for such maintenance, upkeep and repair of the Neighborhood Common Areas.

(e) Employ 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 matter unless the Owners have enacted a resolution authorizing the incurring of such fees by a vote of seventy-five percent (75%) of the Voting Units present in person or by absentee ballot or proxy at a meeting at which a quorum is constituted. This limitation shall not be applicable to legal fees incurred in defending the Association or Board of directors from claims or litigations brought against them. The limitation set forth in this paragraph shall increase by \$500 on each fifth anniversary of the recording of these Initial Bylaws. To the extent required by the Oregon Planned Community Act, the Board shall notify the Owners before instigating litigation or administrative proceedings. With regard to any pending litigation involving the Association, the Board shall periodically report to the Lot 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.

(f) Open bank accounts on behalf of the Association and designating the signatories required therefor.

(g) Prepare and file, or cause to be prepared and filed, any required income tax returns or forms for the Association.

(h) Purchase Lots at foreclosure or other judicial sales in the name of the Association or its designee.

(i) Sell, lease, mortgage, vote the votes appurtenant to (other than for the election of directors), or otherwise deal with Lots acquired by the Association or its designee.

(j) Obtain insurance or bonds pursuant to the provisions of these Bylaws and review such insurance coverage at least annually.

(k) From time to time adopt, modify or revoke such Policies and Procedures governing the details for the operation of the Association, the conduct of persons and the operations and use of Forest Ridge as the Board of Directors may deem necessary or appropriate to ensure the peaceful and orderly use and enjoyment of Forest Ridge. Such action may be overruled or modified by vote of not less than seventy-five percent (75%) of the Voting Units of members present, **in** person or by proxy, at any meeting, the notice of which shall have stated that such modification or revocation of Policies & Procedures will be under consideration.

(l) Monitor and enforce by legal means the provisions of the Neighborhood Declaration, the Articles of Incorporation, these Bylaws and any Policies and Procedures adopted hereunder.

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

(n) Enter into management agreements with professional management firms, either alone or with other Neighborhood Associations or the Master Association.

(o) May, but shall not be obligated to, maintain and support certain activities within Forest Ridge designed to make Forest Ridge safer than it otherwise might be. Neither the Association, the Master Association, any managing agent retained by the Association or the Master Association, nor Declarant shall in any way be considered insurers or guarantors of security within Forest Ridge, nor shall any of them be held liable for any loss or damage by reason of failure to provide adequate security or of ineffectiveness of security measures undertaken. No representation or warranty is made that any fire protection system, burglar alarm system or other security system cannot be compromised or circumvented, nor that any such systems or security measures undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges, understands and covenants to inform its tenants that the Association, Master Association, their Board of Directors and committees, any managing agent retained by them, and Declarant are not insurers and that each person using Forest Ridge assumes all risks for loss or damage to persons, to property and to the contents resulting from acts of third parties and releases such parties from any liability therefore.

4.6 Board of Director Meetings.

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

(b) Organizational meetings of the Board of Directors shall be held within thirty (30) days following the adjournment of the annual meetings of the members.

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

(d) 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.

4.7 Open Meetings. All meetings of the Board of Directors shall be open to Owners except that, in the discretion of the Board, the following matters may be considered in executive session: (a) consultation with legal counsel concerning the rights and duties of the Association regarding existing or potential litigation, or criminal matters; (b) personnel matters, including salary negotiations and employee discipline; (c) the negotiation of contracts with third parties, and (d) collection of unpaid assessments. Except in the case of an emergency, the Board of Directors shall vote in an open meeting on 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 and, 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 be 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. Meetings of the Board of Directors may be conducted by telephonic communication or video conferencing; however, for other than emergency meetings, notice of each Board of Directors' meeting shall be provided to the Owners at least three (3) days before the meeting. The meeting and notice requirements of this section may not be circumvented by chance, social meetings, or any other means.

4.8 Notice of Meetings.

(a) Notice of the time and place of meetings shall be given to each director orally, or delivered in writing personally or by mail or email, at least twenty-four (24) hours before the meeting. Notice shall be sufficient if actually received at the required time or if mailed or emailed not less than seventy-two (72) hours before the meeting. Notice mailed or emailed shall be directed to the address shown on the Association's records or to the director's actual address ascertained by the person giving the notice. Such notice need not be given for an adjourned meeting if such time and place is fixed at the meeting adjourned.

(b) Attendance of a director at a meeting shall constitute a waiver of notice of such meeting except when a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

4.9 Quorum and Vote.

(a) A majority of the directors shall constitute a quorum for the transaction of business. A minority of the directors, in the absence of a quorum, may adjourn from time to time but may not transact any business.

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

4.10 Liability. Neither a member of the Board of Directors nor an officer of the Association shall be liable to the Association or any member or third party for any damages, loss or prejudice suffered or claimed on account of any action or failure to act in the performance of his or her duties so 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 the best interests, and in the case of criminal proceedings, had no reason to believe the conduct was unlawful. In the event any member of the Board of Directors or any officer of the Association is made a party to any proceeding because the individual is or was a director or officer of the Association, the Association shall defend such individual against such claims and indemnify such individual against liability and expenses incurred to the maximum extent permitted by law.

The managing agent of the Association (if any), and its officers and employees (if any), shall not be liable to the Owners or any third parties on account of any action or failure to act in the performance of its duties as managing agent, except for acts of gross negligence or intentional acts, and the Association shall indemnify the managing agent and its officers and employees from any such claims, other than for gross negligence or intentional misconduct.

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

4.12 Executive and Other Committees. Subject to law, the provisions of the Articles of Incorporation and these Bylaws, the Board of Directors, by a vote of the majority of the directors in office, may appoint an Executive Committee and such other standing or temporary committees as may be necessary from time to time consisting of Owners and at least one member of the Board of Directors and having such powers as the Board of Directors may designate. Such committees shall hold office at the pleasure of the Board.

Article 5 Officers

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

5.2 Election and Vacancies. The officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board to serve for one (1) year and until their respective successors are elected. If any office shall become vacant by reason of death, resignation, removal, disqualification or any other cause, the Board of Directors shall elect a successor to fill the unexpired term at any meeting of the Board of Directors.

5.3 Removal and Resignation.

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

(b) Any officer may resign at any time by giving written notice to the Board of Directors, the President or the Secretary of the Association. Any such resignation shall take effect upon receipt of such notice or at any later time specified therein. Unless otherwise provided, however, the acceptance of such resignation shall not be necessary to make it effective, provided, however, that the Board of Directors may reject any postdated resignation by notice in writing to the resigning officer. The effectiveness of such resignation shall not prejudice the contract rights, if any, of the Association against the officer so resigning.

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

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

5.6 Secretary.

(a) The Secretary shall keep or cause to be kept a book of minutes of all meetings of directors and members showing the time and place of the meeting, whether it was regular or special, and if special, how authorized, the notice given, the names of those present at directors'

meetings, the number of memberships present or represented at members' meetings and the proceedings thereof.

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

(c) If there is not a Vice President, then in the absence or disability of the President, the President's duties and powers shall be performed and exercised by the Secretary.

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

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

Article 6 Assessment

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6.1 Purpose of Assessments. The Assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the Owners and occupants of Forest Ridge and for the improvement, operation and maintenance of Neighborhood Common Areas.

6.2 Types of Assessments. The Association may levy Annual Assessments, Special Assessments, Emergency Assessments, and Individual Assessments, all as more particularly described below.

6.3 Annual Assessments. The Board of Directors of the Association shall from time to time and at least annually prepare an operating budget for the Association, taking into account the current costs of maintenance and services and future needs of the Association, any previous over

assessment and any common profits of the Association. The budget shall provide for such reserve or contingency funds as the Board deems necessary or as may be required by law, but not less than the reserves required by Section 6.8 below. Annual Assessments for such operating expenses and reserves ("Annual Assessments") shall then be apportioned equally among the Lots. Within thirty (30) days after adopting the annual budget, the Board of Directors shall provide a summary of the budget to all Owners. If within thirty (30) days after the summary is provided to the Owners, the Board of Directors is petitioned by Owners representing thirty five percent (35%) of the Voting Units of the Association, the Board shall call a meeting of the Owners to consider rejection of the budget. The date of the meeting shall be not less than ten (10) days nor more than fifty (50) days after receipt of the petition. At the meeting, whether or not a quorum is present, the budget shall be adopted unless seventy-five percent (75%) or more of the Voting Units of the Association reject the budget. If the proposed annual budget is rejected, or if the Board of Directors fails to adopt an annual budget, the last adopted budget shall continue in effect.

6.4 Special Assessments. In addition to the Annual Assessments authorized above, the Board of Directors may levy during any fiscal year a Special Assessment ("Special Assessment"), applicable to that year only, for the purpose of deferring all or any part of the cost of any construction or reconstruction, unexpected repair, or acquisition or replacement of a described capital improvement, or for any other one-time expenditure not to be paid for out of Annual Assessments. Special Assessments that in the aggregate in any fiscal year exceed an amount equal to five percent (5%) of the budgeted gross expenses of the Association for such fiscal year may be levied only if approved by a majority of the Voting Units voting on such matter. Special Assessments will be apportioned equally among the Lots and may be payable in lump sum or in installments, with or without interest or discount, as determined by the Board of Directors.

6.5 Emergency Assessments. If the Annual Assessments levied at any time are or will become inadequate to meet all expenses incurred under these Bylaws for any reason, including nonpayment of any Owner's Assessments on a current basis, the Board of Directors shall immediately determine the approximate amount for such inadequacy and issue a supplemental budget, noting the reason therefor, and levy an Emergency Assessment for the amount required to meet all such expenses on a current basis. Any Emergency Assessment that in the aggregate in any fiscal year would exceed an amount equal to five percent (5%) of the budgeted gross expenses of the Association for such fiscal year may be levied only if approved by not less than a majority of the Voting Units voting on such matter. Emergency Assessments will be apportioned equally among the Lots and payable as determined by the Board of Directors.

6.6 Individual Assessments. Any common expense or any part of a common expense benefiting fewer than all of the Lots may be assessed exclusively against the Lots benefited. Individual Assessments include, without limitation, charges for services or any common expense that the Board of Directors determines is the fault of the Owner and not paid by insurance. Individual Assessments shall also include default Assessments levied against any Lot to reimburse the Association for costs incurred in bringing such Lot or its Owner into compliance with the provisions of these Bylaws or the Policies and Procedures of the Association and for fines or other charges imposed pursuant to these Bylaws for violation thereof. Unless otherwise

provided by the Board of Directors, Individual Assessments shall be due thirty (30) days after the Board of Directors has given written notice thereof to the Owners subject to the Individual Assessments.

6.7 Operations Fund. The Association shall keep all funds received by it as Assessments, other than reserves described in Section 6.8, separate and apart from its other funds, in a bank account in the State of Oregon in the name of the Association to be known as the "Operations Fund." All expenses of the Association shall be paid from the Operations Fund or from the Reserve Fund referred to in Section 6.8. The Association shall use such fund exclusively for the purpose of promoting the recreation, health, safety and welfare of the residents within Forest Ridge and in particular for the improvement and maintenance of properties, services and facilities devoted to this purpose and related to the use and enjoyment of the Neighborhood Common Areas and of the Lots within Forest Ridge, including but not limited to:

- (a) Payment of the cost of maintenance, utilities and services as described by the Neighborhood Declaration, the Articles of Incorporation and these Bylaws;
- (b) Payment of the cost of insurance as described in the Neighborhood Declaration and these Bylaws;
- (c) Payment of taxes assessed against the Neighborhood Common Areas and any improvements thereon;
- (d) Payment of the cost of other services that the Association deems to be of general benefit to the Owners, including but not limited to, accounting, legal and secretarial services.

6.8 Reserve Fund and Maintenance Plan.

(a) **Establishment of Reserve Account.** RECOA has established a Reserve Fund designated for replacement of Forest Ridge Neighborhood Common Areas and for Neighborhood common maintenance. The Association shall budget, collect and hold reserves for repair or replacement of Neighborhood Common Areas and for Neighborhood common maintenance that will normally require replacement in whole or in part in more than one (1) and less than thirty (30) years, for exterior painting, and for other items, whether or not involving Neighborhood Common Areas, if the Association has responsibility to maintain the items. The Reserve Fund need not include those items that could reasonably be funded from operating Assessments or for those items for which one or more Owners are responsible for maintenance and replacement under the provisions of the Neighborhood Declaration, the Articles of Incorporation or these Bylaws.

(b) **Funding of Reserve Fund.** The Reserve Fund shall be funded by Assessments against the individual Lot assessed for maintenance of the items for which the reserve Fund is established, which sums shall be included in the regular Annual Assessment for the Lot. The Reserve Fund shall be held in the name of the Association. The Association is responsible for administering the Reserve Fund and making periodic payments into it.

(c) **Reserve Studies.** The reserve portion of the Annual Assessment shall be based on a reserve study described in this paragraph or other sources of information. The Board of Directors annually shall conduct a reserve study, or review and update an existing study, to determine the Reserve Fund requirements and may adjust the amount of payments as indicated by the study or update and provide other reserve items that the Board of Directors, in its discretion, may deem appropriate. The reserve study shall include:

- (i) Identification of all items for which reserves are to be established;
- (ii) The estimated remaining useful life of each item as of the date of the reserve study;
- (iii) The estimated cost of maintenance, repair or replacement of each item at the end of its useful life;
- (iv) A thirty (30) year plan with regular and adequate contributions, adjusted by estimated inflation and interest earned on reserves, to meet the maintenance, repair and replacement schedule.

(d) **Use of Reserve Fund.** The Reserve Fund shall be used only for the purposes for which the reserves have been established and shall be kept separate from other funds. The Board of Directors may borrow funds from the Reserve Fund to meet high seasonal demands on the regular operating funds or to meet unexpected increases in expenses if the Board of Directors has adopted a resolution, which may be an annual continuing resolution, authorizing the borrowing of funds. Funds so borrowed from the Reserve Fund must be repaid from Assessments. Not later than the adoption of the budget for the following year, the Board of Directors shall adopt by resolution a written payment plan providing for repayment of the borrowed funds within a reasonable period. In addition to the authority of the Board of Directors under paragraph (c) of this section, the Association may elect to reduce or increase future Assessment for the Reserve Fund by an affirmative vote of not less than seventy-five percent (75%) of the voting power of the Association and may, on an annual basis by a unanimous vote, elect not to fund the Reserve Fund. Assessments paid into the Reserve Fund belong to Forest Ridge Neighborhood Association and are not refundable to sellers or Owners of Lots. Sellers of the Lots, however, may treat their outstanding share of the Reserve Fund as a separate item in any sales agreement.

(e) **Maintenance Plan.** The board of directors shall prepare a maintenance plan for the maintenance, repair and replacement of all property for which the Association has maintenance, repair or replacement responsibility under the Neighborhood Declaration, these Bylaws or ORS 94.550 to 94.783. The board of directors shall review and update the maintenance plan described under this subsection as necessary. The maintenance plan shall:

- (1) Describe the maintenance, repair and replacement to be conducted;
- (2) Include a schedule for the maintenance, repair and replacement;

(3) Be appropriate for the size and complexity of the maintenance, repair and replacement responsibility of the Association; and

(4) Address issues that include but are not limited to warranties and the useful life of the items for which the Association has maintenance, repair and replacement responsibility.

6.9 Creation of Lien and Personal Obligation of Assessments. Each Owner of any Lot by acceptance of a conveyance thereof, whether or not so expressed any such conveyance, shall be deemed to covenant to pay to the Association all Assessments or other charges as may be fixed, established and collected from time to time in the manner provided in these Bylaws. Such Assessments and charges, together with any interest, expenses or attorneys' fees imposed pursuant to Section 8.7, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such Assessment or charge is made. Such Assessments, charges and other costs shall also be the personal obligation of the person who was the Owner of such Lot at the time when the Assessment or charge fell due. Such liens and personal obligations shall be enforced in the manner set forth in Article 8 below.

6.10 Voluntary Conveyance. In a voluntary conveyance of a Lot, the grantee shall be jointly and severally liable with the grantor for all unpaid Assessments against the grantor of the Lot up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor. However, upon request of a prospective purchaser, the Board of Directors shall make and deliver a statement of the unpaid Assessments against the prospective grantor of the Lot through a date certain specified in the statement, and the grantee in that case shall not be liable for, nor shall the Lot when conveyed be subject to, a lien filed thereafter for any unpaid Assessments against the grantor in excess of the amount set forth in the statement.

6.11 Duties of Board. As provided in the Neighborhood Declaration, Articles of Incorporation, the Association, through its Board of Directors, shall do the following:

(a) Assess and collect from every Owner any and all Assessments in the manner described in these Bylaws.

(b) Keep all funds received by the Association as Assessments, other than reserves, in the Operations Fund and keep all reserves collected pursuant to these Bylaws in the Reserve Fund and use such funds only for the purposes described in these Bylaws.

(c) From time to time, and at least annually, prepare a budget for the Association, estimating the common expenses expected to be incurred with adequate allowance for reserved based upon the reserve study required by these Bylaws, and determine whether the Annual Assessment should be increased or decreased. Within thirty (30) days after adopting a proposed annual budget, the Board of Directors shall provide a summary of the budget to all Owners. If

the Board of Directors fails to adopt a budget, the last adopted annual budget shall continue in effect.

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

(e) Enforce the Assessments in the manner provided in these Bylaws.

(f) Keep records of the receipts and expenditures affecting the Operations Fund and Reserve Fund and make the same available for examination by members and their mortgagees at convenient hours, maintain an Assessment roll showing the amount of each Assessment against each Owner, the amounts paid upon the account and the balance due on the Assessments.

Article 7 Records and Reports

7.1 Records. The Association shall keep within the State of Oregon correct and complete financial records sufficiently detailed for proper accounting purposes, keep minutes of the proceedings of its members, Board of Directors and committees having any of the authority of the Board of Directors, and retain all documents, information and records turned over to the Association by RECOA and its managing agents. All documents, information and records shall be kept within the State of Oregon.

7.2 Statement of Assessments Due. The Association shall provide, within ten (10) business days after 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.

7.3 Inspection of Books and Records. Except as otherwise provided in ORS 94.670(9)(b), during normal business hours or under other reasonable circumstances, the Association shall make available to Owners and holders of any mortgage of a Lot, current copies of the Neighborhood Declaration, Articles of Incorporation, Bylaws, Policies and Procedures, amendments or supplements to such documents and the books, records, financial statements and current operating budget of the Association and other records required to be maintained by ORS 94.670. The Association shall maintain a copy, suitable for purposes of duplication, of each of the following: (a) the Neighborhood Declaration, the Articles of Incorporation, these Bylaws,

the Policies and Procedures and any amendments or supplements thereto, (b) the most recent financial statement of the Association, and (c) the current operating budget of the Association. Upon written request, the Association shall make such documents, information and records available to such persons for duplication during reasonable hours. The Association may charge a reasonable fee for furnishing copies of such documents, information or records. The fee may include reasonable personnel costs for furnishing the documents, information or records.

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

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

7.6 Reports and Audits. An annual financial report, prepared on the accrual basis of accounting, consisting of a balance sheet, a statement of revenues, expenses and changes in fund balance, and a statement of cash flows for the preceding year shall be rendered by the Board of Directors to all Owners and to all mortgagees who have requested the same within ninety (90) days after the end of each fiscal year (December 31). From time to time, the Board of Directors, at the expense of the Association, may obtain an audit of the books and records pertaining to the Association and furnish copies thereof to the members. At any time any Owner or holder of a mortgage may, at their own expense, cause an audit or inspection to be made of the books and records of the Association.

Article 8 Enforcement

8.1 Use of Neighborhood Common Areas. In the event any Owner shall violate any provision of the Neighborhood Declaration, the Articles of Incorporation, these Bylaws or the Policies and Procedures adopted by the Association governing the use of Neighborhood Common Areas, then the Association, acting through its Board of Directors, shall notify the Owner in writing that the violations exist and the Owner is responsible for them, and may, after reasonable notice and opportunity to be heard, do any or all of the following: (a) suspend the Owner's Voting Units and right to use the Neighborhood Common Areas for the period that the violations remain unabated, or for any period not to exceed sixty (60) days for any infraction of its Policies and Procedures, (b) impose reasonable fines upon the Owner, in the manner described in Section 8.2(a) below, which fines shall be paid into the Operations Fund as Individual Assessments, or (c) bring suit or action against such Owner to enforce such

provisions. Nothing in this section, however, shall give the Association the right to deprive any Owner of access to and from the Owner's Lot.

8.2 Nongualifying Improvements and Violation of General Protective Covenants. In the event any Owner constructs or permits to be constructed on his or her Lot an Improvement contrary to the provisions of the Neighborhood Declaration, the Articles of Incorporation, these Bylaws or the Policies and Procedures, or causes or permits any Improvement, activity, condition or nuisance contrary to such provisions to remain uncorrected or unabated on the Owner's Lot, then the Association acting through its Board of Directors shall notify Owner in writing of any such specific violations and shall require the Owner to remedy or abate the same in order to bring his or her Lot, the Improvements thereon and the use thereof, in conformance with such provisions. If the Owner is unable, unwilling or refuses to comply with the Association's specific directives for remedy or abatement, or the Owner and the Association cannot agree to a mutually acceptable solution within the framework and intent of these Bylaws, after notice and opportunity to be heard and within sixty (60) days of written notice to the Owner, then the Association acting through its Board of Directors shall have the right to do any or all of the following:

(a) Assess reasonable fines against such Owner, based upon a resolution adopted by the Board of Directors that is delivered to each Lot, mailed to the mailing address of each Lot or mailed to the mailing address designated by the Owner of each Lot in writing, which fines shall constitute Individual Assessments for purposes of these Bylaws;

(b) Enter the offending Lot and remove the cause of such violation, or alter, repair or change the item that is in violation of such provisions in such a manner as to make it conform thereto, in which case the Association may assess such Owner for the entire cost of the work done, which amount shall be payable to the Operations Fund as an Individual Assessment, provided that no items of construction shall be altered or demolished in the absence of judicial proceedings;

(c) Bring suit or action against the Owner on behalf of the Association and other Owners to enforce such provisions.

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

(a) The Association may suspend such Owner's Voting Units and right to use the Neighborhood Common Areas until such amounts, plus other charges under these Bylaws, are paid in full and may declare all remaining periodic installments of any Annual Assessment immediately due and payable. In no event, however, shall the Association deprive any Owner of access to and from his Lot.

(b) The Association shall have a lien in accordance with ORS 94.709 against each Lot for any Assessment levied against the Lot, including any fines or other charges imposed under these Bylaws against the Owner of the Lot, and may foreclose such lien in the manner provided in ORS 94.709.

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

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

8.4 Enforcement Procedures. The Association shall have the power, as provided in these Bylaws, to impose sanctions for violation of the Neighborhood Declaration, the Articles of Incorporation, these Bylaws or the Policies and Procedures. To the extent specifically required by these Bylaws, the Board of Directors shall comply with the following procedures prior to the imposition of sanctions:

(a) **Notice.** The Board of Directors or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) the alleged violator shall have fourteen (14) days to present a written request for a hearing before the Board of Directors; and (iv) a statement that the proposed sanction may be imposed as contained in the notice unless a hearing is requested within fourteen (14) days of the notice.

(b) **Response.** The alleged violator shall respond to the notice of the alleged violation in writing within such fourteen (14) day period, regardless of whether the alleged violator is challenging the imposition of the proposed sanction. If the alleged violator cures the alleged violation and notifies the Board of Directors in writing within such fourteen (14) day period, the Board of Directors may, but shall not be obligated to, waive the sanction. Such waiver shall not constitute a waiver of the right to sanction future violations of the same or other provisions by any person. If a timely request for a hearing is not made, the sanction stated in the notice shall be imposed; provided the Board of Directors may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the fourteen (14) day period.

(c) **Proof of Notice.** Prior to the effectiveness of sanctions imposed pursuant to this section, proof of proper notice shall be placed in the minutes of the Board of Directors. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative requests and appears at the hearing.

(d) **Hearing.** If a hearing is requested within the allotted fourteen (14) day period, the hearing shall be held before the Board of Directors. The alleged violator shall be afforded a

reasonable opportunity to be heard. The minutes of the meeting shall contain a written statement of the results of the hearing (i.e., the decision) and the sanction, if any, to be imposed.

8.5 Notification to First Mortgagee. If a First Mortgagee has requested such notice in writing, the Board of Directors shall notify any first mortgagee of any individual Lot of any default in performance under these Bylaws by the Lot Owner which is not cured within sixty (60) days after notice of default to the Owner.

8.6 Subordination of Lien to Mortgages. The lien of the Assessments or charges provided for in these Bylaws shall be subordinate to the lien of any mortgage or deed of trust on such Lot, which was made in good faith and for value and that was recorded before the recordation of the notice of lien. Sale or transfer of any Lot shall not affect the Assessment lien, but the sale or transfer of any Lot that is subject to any mortgage or deed of trust pursuant to a decree of foreclosure thereunder or any deed or proceeding, deed or assignment in lieu of foreclosure shall extinguish any lien of an Assessment, notice of which was recorded after the recording of the mortgage or trust deed. The unpaid Assessments as a result of such foreclosure or sale shall become a common expense of all Owners, including the mortgagee or purchaser, and such sale or transfer shall not release the Lot from liability for any Assessments or charges thereafter becoming due or from the lien of such Assessments or charges.

8.7 Interest, Late Charges and Expenses. Any amount not paid to the Association when due in accordance with these Bylaws shall bear interest from the due date until paid at a rate of 12% per annum as of the due date, or such other rate as may be established by the Board of Directors, but not to exceed the lawful rate of interest under the laws of the State of Oregon. A late charge may be charged for each delinquent Assessment in an amount established from time to time by resolution of the Board of Directors, together with all expenses incurred by the Association in collecting such unpaid assessments, including attorneys' fees (whether or not suit is instituted). In the event the Association shall file a notice of lien, the lien amount shall also include the recording fees associated with filing the notice, and a fee for preparing the notice of lien, established from time to time by resolution of the Board of Directors of the Association.

8.8 Costs and Attorneys' Fees. In the event the Association shall bring any suit or action to enforce the Neighborhood Declaration, the Articles of Incorporation, these Bylaws or the Policies and Procedures or to collect any money due hereunder or to foreclose a lien, the Owner defendant shall pay to the Association all costs and expenses incurred by it in connection with such suit or action, including a foreclosure title report, and the prevailing party in such suit or action shall recover such amount as the court may determine to be reasonable as attorneys' fees at trial and upon any appeal or petition for review thereof or in connection with any bankruptcy proceedings or special bankruptcy remedies.

8.9 Assignment of Rents. As security for the payment of all liens arising pursuant to this Article 8, each Owner hereby gives to and confers upon the Association the right, power and authority, during the continuance of such ownership, to collect the rents, issues and profits of the Owner's Lot, reserving unto the Owner the right, prior to any default by such Owner in performance of that Owner's obligation under the Neighborhood Declaration or these Bylaws to collect and retain such rents, issues and profits as they become due and payable. Upon any such

default, the Association may, at any time after ten (10) days written notice to such Owner, either in person, by agent or be a receiver to be appointed by a court of competent jurisdiction, and without regard to the adequacy of any security for such indebtedness, enter upon and take possession of such Owner's Lot or any part thereof, in its own name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, in payment of any indebtedness to the Association or in performance of any agreement hereunder, and in such order as the Association may determine. Such action shall not cure nor waive any default hereunder or invalidate any act done pursuant to the Neighborhood Declaration or these Bylaws. The assignment of rents and powers described in the foregoing paragraph shall not affect, and shall in all responses be subordinate to, the rights and powers of the holder of any first or second mortgage on any Lot, or any part thereof, to do the same or similar acts.

8.10 Nonexclusiveness and Accumulation of Remedies. An election by the Association to pursue any remedy provided for violation of these Bylaws shall not prevent concurrent or subsequent exercise of another remedy permitted under these Bylaws. The remedies provided in these Bylaws are not exclusive but shall be in addition to all other remedies, including actions for damages and suits for injunctions and specific performance, available under applicable law to the Association. In addition, any aggrieved Owner may bring an action against another Owner or the Association to recover damages or to enjoin, abate or remedy any violation of these Bylaws by appropriate legal proceedings.

8.11 Nonwaiver. Failure by the Association or by any Owner to enforce any covenant or restriction contained in the Neighborhood Declaration, the Articles of Incorporation, these Bylaws or the Policies and Procedures shall in no event be deemed a waiver of the right to do so thereafter.

Article 9 Dispute Resolution

9.1 Mediation.

(a) Except as otherwise provided in this section, 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 Deschutes 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 other party.

(b) If the party receiving the offer does not accept the offer within ten (10) days after receipt of the offer, such acceptance to be made 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 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.

(c) If a qualified dispute resolution program exists within Deschutes County, Oregon and an offer to use the program is not made as required under paragraph (a) of this section, then litigation, arbitration or an administrative proceeding may be stayed for thirty (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.

(d) Unless a stay has been granted under paragraph (c) of this section, if the dispute resolution process is not completed within thirty (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.

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

(f) The requirements of this section to 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.

9.2 Arbitration. Any claim, controversy, or dispute by or among Declarant, the Master Association, Association, the Architectural Review Committee, or one or more Owners, or any of them, arising out of or related to the Neighborhood Declaration, the Articles of Incorporation, these Bylaws of the Association, the Policies and Procedures, or Forest Ridge shall be first subject to mediation as described in Section 9. I above or otherwise, and if not timely settled by mediation, resolved by arbitration in accordance with this Article 9. The decisions and award of the arbitrator shall be final, binding and non-appealable. The arbitration shall be conducted in Deschutes County, Oregon, 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 ("!is pendens").

9.3 Selection of an 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 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 upon the arbitrator within ten (10) days after a party's demand for arbitration, upon application of any party, the presiding judge of the Circuit Court of Deschutes County, Oregon shall designate the arbitrator.

9.4 Consolidated Arbitration. Upon demand by any party, claims between or among the parties and third parties shall be submitted in a single, consolidated arbitration.

9.5 Discovery. The parties to the arbitration shall be entitled to such discovery as would be available to them in an action in Deschutes 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.

9.6 Evidence. The parties to the arbitration may offer such evidence as they desire and shall produce such additional evidence as the arbitrator may deem 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, except when any of the parties is absent in default or has waived its right to be present.

9.7 Excluded Matters. Notwithstanding the foregoing, the following matters shall not be subject to mediation or arbitration under this Article 9 (but shall be subject to the applicable provisions of Section 9.8 below): (a) 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/arbitration as provided above); (b) actions to enforce any order, decision or award rendered by arbitration pursuant to this Article 9. 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 Article 9.

9.8 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. Should any suit, action or arbitration be commenced in connection with any dispute related to or arising out of the Neighborhood Declaration, the Articles of Incorporation, these Bylaws or the Policies and Procedures; to obtain a judicial construction of any provision of the Neighborhood Declaration, the Articles of Incorporation, these Bylaws or the Policies and Procedures; to rescind such documents; or to enforce or collect any judgment or decree of any court or any award obtained during arbitration, the prevailing party shall be entitled to recover its costs and disbursements, together with such investigation, expert witness and attorneys' fees incurred in connection with such dispute as the court or arbitrator may adjudge reasonable, at trial, in the arbitration, upon any motion for reconsideration, upon petition for review, and on any appeal of such suit, action or arbitration proceeding. 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 before 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).

9.9 Survival. The mediation and arbitration agreement set forth in this Article 9 shall survive the transfer by any party of its interest or involvement in Forest Ridge and any Lot therein and shall survive the termination of the Neighborhood Declaration.

Article 10
Insurance

10.1 Types of Insurance. The Association, through the Board of Directors, shall obtain and maintain at all times and shall pay for out of Neighborhood Assessments the following insurance covering the Neighborhood Common Areas within Forest Ridge:

(a) **Property Damage Insurance**

(i) Property insurance covering loss or damage from perils normally covered by "special" form policy or the equivalent, including, to the extent available at a reasonable cost, earthquake and flood;

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

(iii) The policy or policies shall include fixtures and building service equipment to the extent that they are part of the Neighborhood Common Areas and all personal property and supplies belonging to the Association.

(b) **Liability Insurance**

(i) Comprehensive General Liability Insurance covering the legal liability of the Association, including but not limited to, the Board of Directors, Officers and the managing agent (if any), against liability for bodily injury or property damage to the public or to Owners and their invitees or tenants, incident to the operation, maintenance, ownership or use of the Neighborhood Common areas

(ii) Directors and Officers Liability Insurance covering the legal liability of the Association, including but not limited to the Board of Directors, Officers and the managing agent (if any), against liability for wrongful acts in their capacity as Directors or Officers; for indemnity provided the Officers and Directors pursuant to Article 8.2 of the Articles of Incorporation. If the Association has employees, the policy shall legal liability arising out of lawsuits related to employment contracts of the Association.

(iii) There may be excluded from this insurance any coverage for the legal liability of an Owner (other than as a member of the Association or Board of Directors) for liability arising out of acts or omissions of such Owner

- and liability incident to the ownership and/or use of the part of Forest Ridge as to which such Owner has the exclusive use or occupancy.
- (iv) Limits of liability under such insurance shall not be less than One Million Dollars (\$1,000,000) on a combined single-limit basis.
 - (v) Such policy or policies shall be issued on a comprehensive liability basis and shall provide a cross-liability endorsement providing that the rights of named insureds under the policy or policies shall not be prejudiced as respects his, her or their action against another named insured.

Each Owner appoints the Association an attorney-in-fact for the purpose of purchasing and maintaining such insurance related to the neighborhood Common Area, including: the collection and appropriate disposition of the proceed thereof; the negotiation of losses and execution of releases of liability; the execution of documents; and the performance of all other acts necessary to accomplish such purpose.

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

(d) **Fidelity Bonds**

(i) The Board of Directors shall cause the Association to maintain blanket fidelity bonds for all persons with access to association funds, including directors, officers, employees, managing agents and employees of a management company or other entity with which the association contracts; and for computer fraud and funds transfer fraud.

The cost of such insurance, if any, may be borne by the Association.

(ii) The fidelity bond must be in an amount that is at least equal to the combined amount of all funds maintained in the name of the Association and any obligations issued by the United States government purchased by the Association.

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

10.2 Insurance by Lot Owners. Each Owner shall be responsible for obtaining and maintaining, at his or her own expense, property insurance covering the Living Unit and Lot and personal liability insurance covering the Owner for liability arising out of the acts of omissions of that Owner on terms and amounts acceptable to RECOA. RECOA shall publish acceptable terms and amounts by resolution, which shall be reviewed and if necessary, updated by the RECOA. Owners' policies shall specify RECOA and the Association as a "Certificate Holder", deliver proof of insurance to the Treasurer and ensure RECOA and the Association are notified of cancellation or non-renewal. The Treasurer shall ensure all Lot Owners are in compliance with the insurance requirements and provide copies of certificates and a report of compliance to RECOA.

10.3 Planned Community Act Requirements. The insurance maintained by the Association shall comply with the requirements of the Oregon Planned Community Act, ORS 94.550 to 94.780.

Article 11
Mortgagee

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11.1 Notices of Action. An institutional holder, insurer, or guarantor of a mortgage which provides a written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the street address of the Living Unit to which its mortgage relates, thereby becoming an "Eligible Holder", will be entitled to timely written notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of Forest Ridge or which affects any Living Unit on which there is a mortgage held, insured, or guaranteed by such Eligible Holder;

(b) Any delinquency in the payment of assessments or charges owed by a Living Unit subject to the mortgage of such Eligible Holder, where such delinquency has continued for a period of sixty (60) days, or any other violation of the Neighborhood Declaration, Articles of Incorporation, these Bylaws or the Policies and Procedures relating to such Living Unit or the Owner or occupant which is not cured within sixty (60) days;

(c) Any proposed action that would require the consent of a specified percentage of Eligible Holders.

11.2 No Priority. No provision of these Bylaws gives or shall be construed as giving any Owner or other party priority over any rights of a mortgagee of any Living Unit in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Neighborhood Common Area.

11.3 Notices to Association. Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any mortgage encumbering such Owner's Living Unit.

11.4 Failure of Mortgagee to Respond. Any mortgagee who received a written request from the Board of Directors to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the mortgagee within thirty (30) days of the date of the Association's request, provided such request is delivered to the mortgagee by certified or registered mail, return receipt requested.

11.5 Construction of this Article. Nothing contained in this Article shall be construed to reduce the percentage vote that must otherwise be obtained under the Neighborhood Declaration,

the Articles of Incorporation, these Bylaws or Oregon law for any of the acts set out in this Article.

Article 12 General Provisions

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

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

12.3 Waiver of Notice. Whenever any notice to any member or director is required by law, the Neighborhood Declaration, the Articles of Incorporation, or these Bylaws, a waiver of notice in writing signed at any time by the person entitled to notice shall be equivalent to the giving of the notice.

12.4 Action Without Meeting. Any action that the law, the Neighborhood Declaration, the Articles of Incorporation or these Bylaws require or permit the members or directors to take at any 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 of the members or directors entitled to vote on the matter. The consent, which shall have the same effect as a unanimous vote of the members or directors, shall be filed in the records of minutes of the Association.

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

Article 13 Amendments to Bylaws

13.1 How Proposed. Amendments to these Bylaws shall be proposed by either a majority of the Board of Directors or by members holding at least thirty percent (30%) of the Voting Units entitled to be cast for such amendment. The proposed amendment must be reduced to writing and shall be included in the notice of any meeting at which action is to be taken thereon or be attached to any request for consent to the amendment.

13.2 Adoption. A resolution adopting a proposed amendment may be proposed by either the Board of Directors or by the members and may be approved by the membership at a meeting called for such purpose or by ballot vote. Members not present at the meeting considering such amendment may express their approval in writing or by proxy. Any resolution must be approved

by members holding a majority of the Voting Units of the Association, voting in person, by proxy, or by ballot, at a meeting of the Association at which a quorum is represented. Amendment or repeal of any provision of these Bylaws that is also contained in the Neighborhood Declaration or Articles of Incorporation must be approved by the same voting requirement for amendment of such provision of the Neighborhood Declaration or the Articles of Incorporation.

13.3 Execution and Recording. An amendment shall not be effective until certified by the President and Secretary of the Association as being adopted in accordance with these Bylaws and ORS 94.625 and recorded in the Deed Records of Deschutes County, Oregon.