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<b>D-BYLAWS</b>	<b>03/20/2020 02:17 PM</b>
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\$145.00 \$11.00 \$10.00 \$61.00 \$6.00	<b>\$233.00</b>
I, Nancy Blankenship, County Clerk for Deschutes County, Oregon, certify that the instrument identified herein was recorded in the Clerk records.	
Nancy Blankenship - County Clerk	

Paul J. Taylor  
Bryant, Lovlien & Jarvis, P.C.  
591 SW Mill View Way  
Bend, OR 97702

**BYLAWS  
OF  
HIGHLANDS RIDGE NEIGHBORHOOD ASSOCIATION**

**ARTICLE 1.  
Definitions**

**1.1. Articles of Incorporation.** “Articles of Incorporation” means the Articles of Incorporation of the Highlands Ridge Neighborhood Association filed with the Corporation Division of the Oregon Secretary of State, as the same may be subsequently amended pursuant to the terms thereof.

**1.2. Assessments.** “Assessments” means all assessments and other charges, fines and fees imposed by the Neighborhood Association on an Owner or collected by the Neighborhood Association on behalf of the Master Association in accordance with the Declaration and Supplemental Declaration, including, without limitation, General Assessments, Neighborhood Assessments, Special Assessments, Emergency Assessments, Limited Common Area Assessments and Individual Assessments as described in Article 11 of the Declaration.

**1.3. Board or Board of Directors.** “Board” or “Board of Directors” means the board of directors for the Neighborhood Association.

**1.4. Bylaws.** “Bylaws” means these Bylaws of the Highlands Ridge Home Neighborhood Association.

**1.5. Declarant.** “Declarant” shall mean Tetherow Heath, LLC, an Oregon limited liability company, successor to SFI Cascade Highlands LLLC, Arrowood Tetherow, LLC and TD Tetherow LLC, and its successors and assigns.

**1.6. Declaration.** “Declaration” means the Declaration of Covenants, Conditions, Restrictions and Easements for Tetherow recorded October 3, 2007, in the Official Records of Deschutes County, Oregon, as Document No. 2007-53418, as amended, and as the same may be subsequently amended or supplemented pursuant to the terms thereof.

When recorded, return to:

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**1.7. Highlands Ridge.** “Highlands Ridge” means the Neighborhood established by the Supplemental Declaration and any Additional Property subjected to the Supplemental Declaration via annexation.

**1.8. Master Association.** “Master Association” means the Tetherow Owners Association.

**1.9. Neighborhood Association.** “Neighborhood Association” means the Highlands Ridge Neighborhood Association, a nonprofit corporation organized and existing under the laws of the State of Oregon.

**1.10. Neighborhood Declarant.** “Neighborhood Declarant” means Tetherow AB, LLC, an Oregon limited liability company and its respective successors and assigns, if such successor or assignee should acquire Neighborhood Declarant's interest in the remainder of Highlands Ridge, or in less than all of Highlands Ridge if a recorded instrument executed by Neighborhood Declarant assigns to the transferee all of Neighborhood Declarant's rights under the Declaration.

**1.11. Operating Fund.** “Operating Fund” means one or more funds for the purpose of promoting the recreation, health, safety and welfare of the residents within Highlands 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, Limited Common Areas, and of the Owners, including but not limited to:

(a) Payment of the cost of maintenance, utilities and services, repairs, replacements of that portion of Highlands Ridge for which the Neighborhood Association is responsible.

(b) Payment of the cost of insurance maintained by the Neighborhood Association.

(c) Payment of taxes assessed against the Neighborhood Common Areas and Limited Common Areas and any Improvements thereon.

(d) Payment of the cost of other services which the Neighborhood Association deems to be of general benefit to the Owners, including but not limited to accounting, legal and secretarial services.

**1.12. Oregon Planned Community Act.** The “Oregon Planned Community Act” means the short title to ORS 94.550 to 94.783.

**1.13. Owner.** “Owner” means the Person, including Declarant, owning any Unit within Highlands Ridge, but does not include a tenant or holder of a leasehold interest or a Mortgagee or other Person holding only a security interest in a Unit. If a Unit is sold under a recorded real estate installment sale contract, the purchaser (rather than the seller) will be considered the Owner unless the contract specifically provides to the contrary. If a Unit is subject to a written lease with a term in excess of one year and the lease specifically so provides, then upon filing a copy of the lease with the Board of Directors, the lessee (rather than the fee owner) will be considered the Owner during the term of the lease for the purpose of exercising any rights related to such Unit under the Supplemental Declaration and the Bylaws. The rights, obligations and other status of being an Owner commence upon acquisition of the ownership of a Unit and terminate upon disposition of such ownership, but termination of ownership shall not discharge an Owner from its obligations incurred prior to termination.

**1.14. President.** “President” means an officer of the Neighborhood Association with the powers and duties set forth in these Bylaws.

**1.15. Reserve Fund.** “Reserve Fund” means one or more funds dedicated to major maintenance, repair or replacement of Neighborhood Common Areas and Limited Common Areas that will normally require replacement in whole or in part in more than one (1) and less than thirty (30) years if the Neighborhood Association has responsibility to maintain such common properties. The Reserve Fund need not include those items that can reasonably be funded from the Operating Fund or for those items for which one or more, but less than all, Owners are responsible for maintenance and replacement under the provisions of the Declaration, Supplemental Declaration, or the Bylaws.

**1.16. Rules and Regulations.** “Rules and Regulations” means rules and regulations governing the details for the operation of the Neighborhood Association, the conduct of persons and the operation and use of the Units, Neighborhood Common Areas, and Limited Common Areas as the Board of Directors may deem necessary or appropriate to ensure the peaceful and orderly use and enjoyment of the Property.

**1.17. Secretary.** “Secretary” means an officer of the Neighborhood Association with the powers and duties set forth in these Bylaws.

**1.18. Supplemental Declaration.** “Supplemental Declaration” means the Supplemental Declaration to Tetherow (Highlands Ridge, Phases 1 & 2) recorded on March \_\_\_\_, 2020 as Document No. 2020-12779 in the Deschutes County Official Records, which annexes the Additional Property into Tetherow, establishes the Highlands Ridge Neighborhood, and authorizes formation of the Neighborhood Association to which these Bylaws are attached, as the same may be subsequently amended or supplemented pursuant to the terms thereof and that of

the Declaration. These Bylaws are effective as to all real property subjected to the Supplemental Declaration.

**1.19. Transitional Advisory Committee.** “Transitional Advisory Committee” means a committee established pursuant to ORS 94.604 and these Bylaws to facilitate the transition of administrative control of the Neighborhood Association from Neighborhood Declarant to the Owners.

**1.20. Treasurer.** “Treasurer” means an officer of the Neighborhood Association with the powers and duties set forth in these Bylaws.

**1.21. Turnover Meeting.** “Turnover Meeting” means the meeting called by Neighborhood Declarant at which Neighborhood Declarant will turn over administrative responsibility of the Neighborhood Association to the Owners.

**1.22. Unit.** Lots 1 through 20 on the subdivision plat of Highlands Ridge, Phases 1 & 2 recorded in the Official Records of Deschutes County, Oregon on March 9, 2020 as Document No. 2020-10700 and any additional developable property subjected to the Supplemental Declaration via annexation.

**1.23. Incorporation by Reference.** Undefined terms, including capitalized undefined terms, shall take the meaning assigned in the Supplemental Declaration, Declaration, Oregon Planned Community Act, or remainder of the Oregon Revised Statutes, in that order.

## **ARTICLE 2. Membership**

**2.1. Membership.** Each Owner of a Unit shall, immediately upon creation of the Neighborhood Association and thereafter during the entire period of the Owner's ownership of a Unit, be a member of the Neighborhood 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 Neighborhood Association, a membership list showing the name and address of the Owner of each Unit within Highlands Ridge. 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.**  
**Meetings and Voting**

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

**3.2. Turnover Meeting.** If Neighborhood Declarant elects to turn over administrative control of the Neighborhood Association to the Owners, Neighborhood Declarant shall call a meeting of the Owners within ninety (90) days of such election. Notice of such meeting shall be given to all Owners as provided in Section 3.5. If a quorum of the Owners is present, the Owners shall elect not fewer than the number of directors sufficient to constitute a quorum of the Board of Directors. If Neighborhood Declarant fails to call the meeting, the meeting may be called and notice given by any Owner or Mortgagee of a Unit. The expense of giving the notice shall be paid or reimbursed by the Neighborhood Association. In the event of a lack of quorum at such Turnover Meeting, it may be adjourned as provided in Section 3.6.

**3.3. Annual Meeting.** The Neighborhood Association shall hold an annual meeting of the Owners. The annual 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 of the incorporation of the Neighborhood Association. The first annual meeting of the Owners held for the election of directors shall be the Turnover Meeting.

**3.4. Special Meetings.** A special meeting of the Neighborhood 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 by the President or Secretary upon receipt of a written request stating the purpose of the meeting from Owners having at least thirty percent (30%) of the voting rights 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.

**3.5. Notice of Meeting.**

(a) Written or printed notice stating the place, day and hour of the meeting, the items on the agenda, including the general nature of any proposed amendment to the Supplemental Declaration or these Bylaws, any budget changes, any proposal to remove a director or officer and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) or more than fifty (50) days before the date of the meeting. Such notice shall be given either personally, by mail or, to the extent permitted by law, by electronic mail, facsimile or other form of electronic communication acceptable to the Board of Directors, by or at the direction of the President, the Secretary, or the persons calling the

meeting, to each Owner entitled to vote at such meeting, and to all Mortgagees who have requested such notice. If mailed, such notices shall be deemed to be delivered when deposited in the United States mail, with postage fully prepaid thereon, addressed to the Owner at his most recent address as it appears on the records of the Neighborhood Association or to the mailing address of the Unit.

(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 announcement at the meeting at which such adjournment is taken.

(c) Notices of meetings (including agendas) shall be given to the Master Association and a representative of the Master Association shall be entitled to attend such meetings.

(d) Following the Turnover Meeting, if ever, notices of meetings (including agendas) shall be given Neighborhood Declarant (or any designee of Neighborhood Declarant specified in any written notice to the Neighborhood Association) and a representative of Neighborhood Declarant shall be entitled to attend such meetings.

**3.6. Quorum.** At any meeting of the Neighborhood Association, Owners having at least twenty percent (20%) of the voting rights entitled to be cast at such meeting, present in person or by proxy or absentee ballot, if permitted by the Board of Directors, shall constitute a quorum, except when a larger quorum is required by the Declaration. When a quorum is present to organize a meeting, it cannot be broken by the subsequent withdrawal of an Owner or Owners. If any meeting of Owners cannot be organized because of a lack of quorum, the Owners who are present, either in person or by proxy, may adjourn the meeting from time to time not less than forty-eight (48) hours or more than thirty (30) days from the time the original meeting was called until a quorum is present.

**3.7. Voting Rights.** The Neighborhood Association shall have one class of voting membership. Votes shall only be exercised by Owners with each Owner entitled to one (1) vote for each Unit owned. When more than one (1) person holds an interest in any Unit, all such persons shall be Owners. The vote for such Unit shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Unit. If the Owners of a Unit cannot agree upon how to exercise their vote, then the vote for that Unit 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. Fiduciaries and Joint Owners.** An executor, administrator, guardian or trustee may vote or grant consent with respect to any Unit owned or held in such capacity, whether or not the specific right 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 Unit in such capacity. Whenever any Unit is owned by two (2) or more persons jointly, according to the records of the Neighborhood Association, the vote of such Unit may be exercised by anyone of the Owners, in the absence of protest by a co-Owner. In the event of disagreement among the co-Owners, the vote of such Unit 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.

**3.9. Tenants and Contract Vendors.** Unless otherwise expressly stated in a written rental agreement or lease, all voting rights allocated to a Unit shall be exercised by the Owner. Unless otherwise stated in a written contract, all voting rights allocated to a Unit shall be exercised by the vendee of any recorded land sale contract on the Unit.

**3.10. Casting of Votes and Consents.** The voting rights or consent of an Owner may be cast in person at a meeting of the Neighborhood Association or, at the discretion of the Board of Directors, by proxy in accordance with paragraph (a) of this Section 3.10, by absentee ballot in accordance with paragraph (b) of this Section, by written ballot in accordance with paragraph (c) of this Section 3.10, or by any other method specified in the Declaration, these Bylaws or the Oregon Planned Community Act.

(a) Proxies. A proxy must be dated and signed by the Owner, is not valid if it is undated or purports to be revocable without notice, and terminates one (1) year after its date unless the proxy specifies a shorter term. The Board of Directors may not require that a proxy be on a form prescribed by the Board of Directors. An Owner may not revoke a proxy given pursuant to this paragraph except by actual notice of revocation to the person presiding over a meeting of the Neighborhood Association or to the Board of Directors if a vote is being conducted by written ballot in lieu of a meeting. A copy of a proxy in compliance with this paragraph provided to the Neighborhood Association by facsimile, electronic mail or other means of electronic communication utilized by the Board of Directors is valid.

(b) Absentee Ballots. An absentee ballot, if authorized by the Board of Directors, shall set forth each proposed action and provide an opportunity to vote for or against each proposed action. All solicitations for votes by absentee ballot shall include instructions for delivery of the completed absentee ballot, including the delivery location and instructions about whether the ballot may be canceled if the ballot has been delivered according to the instructions. An absentee ballot shall be counted as an Owner present for the purpose of establishing a quorum. Even if an absentee ballot has been delivered to an Owner, the Owner may vote in



person at a meeting if the Owner has returned the absentee ballot and canceled the absentee ballot, if cancellation is permitted in the instructions given under this paragraph.

(c) Ballot Meetings. At the discretion of the Board of Directors, any action that may be taken at any regular or special meeting of the Neighborhood Association may be taken without a meeting by written ballot to the extent and in the manner provided in ORS 94.647, provided that action by written ballot may not substitute for (i) the Turnover Meeting; (ii) the annual meeting of the Neighborhood Association if more than a majority of the Units are the principal residences of the occupants; (iii) a meeting of the Neighborhood Association if the agenda includes a proposal to remove a director from the Board of Directors; and (iv) a special meeting of the Neighborhood Association called at the request of the Owners.

(d) Electronic Ballots. To the extent authorized by the Board of Directors and permitted by the Oregon Planned Community Act, any vote, approval or consent of an Owner may be given by electronic ballot.

(e) Mortgagee. An Owner may pledge or assign such Owner's voting rights to a Mortgagee. In such a case, the Mortgagee or its designated representative shall be entitled to receive all notices to which the Owner is entitled under these Bylaws and to exercise the Owner's voting rights from and after the time that the Mortgagee shall give written notice of such pledge or assignment to the Board of Directors. Any first Mortgagee may designate a representative to attend all or any meetings of the Neighborhood Association.

**3.11. Majority Vote.** The vote of a majority of the voting rights entitled to be cast by the Owners 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 Owners, unless a greater proportion is required by law, by the Declaration, by the Articles of Incorporation, or by these Bylaws.

**3.12. Rules of Order.** Unless other rules of order are adopted by resolution of the Neighborhood Association or the Board of Directors, all meetings of the Neighborhood Association shall be conducted according to the latest edition of Robert's Rules of Order, published by Robert's Rules Association. A decision of the Neighborhood Association may not be challenged because the appropriate rules of order were not used unless a person entitled to be heard was denied the right to be heard and raised an objection at the meeting in which the right to be heard was denied. Further, a decision of the Neighborhood Association is deemed valid without regard to procedural errors related to the rules of order one (1) year after the decision is made unless the error appears on the face of a written instrument memorializing the decision.

#### ARTICLE 4.

## **Board of Directors; Management**

**4.1. Number and Qualification.** The affairs of the Neighborhood Association shall be governed by a Board of Directors with a minimum of three (3) and a maximum of five (5) directors. The number of directors shall initially be three (3). The number of directors may be fixed or changed periodically, within the minimum and maximum, by the Board of Directors. All directors, other than interim directors appointed by Declarant, shall be Owners or Co-Owners of Units. Notwithstanding the foregoing, if a corporation, limited liability company, or partnership owns a Unit or an interest in an entity that owns a Unit, then an officer, employee or agent of the corporation, a member, manager, employee or agent of the limited liability company, or a partner, employee or agent of the partnership may serve on the Board of Directors.

**4.2. Interim Directors.** Upon the recording of the Supplemental Declaration, Neighborhood Declarant shall appoint an interim board of three (3) directors, who shall serve until replaced by Neighborhood Declarant or until their successors are elected by the Owners at the Turnover Meeting. The interim board shall serve as the Board of Directors of the Neighborhood Association until the Turnover Meeting.

**4.3. Transitional Advisory Committee.** If ORS 94.604 applies, and unless the Turnover Meeting has already been held, Neighborhood Declarant shall call a meeting of the Owners for the purpose of forming a Transitional Advisory Committee. The meeting shall be called within sixty (60) days after the date Neighborhood Declarant conveys fifty percent (50%) or more of the Units then existing in Highlands Ridge to Owners other than a successor Neighborhood Declarant. The committee shall consist of two (2) or more Owners elected by the Owners other than Neighborhood Declarant and not more than one (1) representative of Neighborhood Declarant. The members shall serve until the Turnover Meeting. The Transitional Advisory Committee shall be advisory only and its purpose shall be to enable ease of transition from administrative control of the Neighborhood Association by Neighborhood Declarant to control by the Owners. The Transitional Advisory Committee shall have access to any information, documents and records that Neighborhood Declarant must turn over to the Owners at the time of the Turnover Meeting. If Neighborhood Declarant fails to call the meeting to elect a Transitional Advisory Committee within the time specified, the meeting may be called and notice given by any Owner. If the Owners fail to elect a Transitional Advisory Committee at the meeting called for such purpose, Neighborhood Declarant shall have no further obligation to form the committee.

### **4.4. Nominations, Election and Tenure of Office.**

(a) At the Turnover Meeting, the interim directors shall resign and the Owners shall elect three (3) directors, two (2) to serve for two (2) years and one (1) to serve for one (1) year.

The two (2) nominees receiving the greatest number of votes shall serve for two (2) years. In the event of a tie, term selection shall be by random means. Thereafter, the successors to each director shall serve for terms of two (2) years each.

(b) All directors shall hold office until their respective successors shall have been elected by the Owners.

(c) Election shall be by plurality and there shall be no cumulative voting.

(d) Nominations for election to the Board of Directors may be made by a nominating committee. Nominations may also be made from the floor at the annual meeting of the Owners or any other meeting of the Owners called for the purpose of election of directors. The Board of Directors may organize a nominating committee and appoint the Owners thereof prior to each annual meeting of the Owners for the purpose of nominating directors to be elected at the annual meeting of the Owners. If a nominating committee is formed, it shall consist of a chairman, who shall be a member of the Board of Directors, and two (2) or more Owners. The nominating committee may make as many nominations for election to the Board of Directors as it shall in its discretion determine, but in no event less than the number of positions to be filled.

#### **4.5. Vacancies.**

(a) A vacancy in the Board of Directors shall exist upon the death, resignation, disqualification or removal of any director, or if the authorized number of directors is increased, or if the Owners fail at any annual or special meeting of Owners 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. Vacancies in interim directors shall be filled by Neighborhood Declarant.

(b) Vacancies in the Board of Directors, other than interim directors and other than vacancies caused by the removal of directors by the Owners in accordance with Section 4.6 below, may be filled by a majority of the remaining directors even though less than a quorum, or by a sole remaining director. Each director so elected shall hold office for the balance of the expired term and until his successor is elected.

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

**4.7. Powers.** The Board of Directors shall have all the powers and duties necessary for the administration of the affairs of the Neighborhood Association, except such powers and duties as by law or by the Declaration, Supplemental Declaration or these Bylaws may not be delegated to the Board of Directors by the Owners. 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, those set forth in the Declaration, Supplemental Declaration, and the following:

(a) Carry out the program for maintenance, upkeep, repair and replacement of any property required to be maintained by the Neighborhood Association as described in the Declaration, Supplemental Declaration and these Bylaws including, without limitation, implementation of a maintenance plan and inspections.

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

(c) Preparation of an annual budget for the Neighborhood Association, and assessment and collection of Assessments.

(d) Employ and dismiss such personnel as may be necessary for such maintenance, upkeep and repair.

(e) Employ legal, accounting or other personnel for reasonable compensation to perform such services as may be required for the proper administration of the Neighborhood Association; provided, however, the Board may not incur or commit the Neighborhood Association to incur legal fees in excess of \$10,000.00 for any specific litigation or claim matter or enter into any contingent fee contract on any claim in excess of \$100,000.00 unless the Owners have enacted a resolution authorizing the incurring of such fees by a vote of seventy-five percent (75%) of the voting rights of the Neighborhood Association; provided, however, that the foregoing limitations shall not apply to any of the following actions: (i) the defense of claims or litigation asserted against the Neighborhood Association or the Board of Directors, including the assertion of counterclaims by the Neighborhood Association or the Board of Directors in any proceedings instituted against either of them; (ii) actions by the Neighborhood Association for the collection of delinquent Assessments, fines or other charges due and payable under the Declaration, these Bylaws or the Rules and Regulations; (iii) actions initiated by the Neighborhood Association during Neighborhood Declarant's period of administrative control; (iv) actions challenging condemnation proceedings; (v) actions initiated against any contractor or vendor hired by the Neighborhood Association or supplier of goods and services to the Neighborhood Association; and (vi) actions to summarily abate, enjoin and remove a structure or condition that violates the Declaration, these Bylaws or the Rules and Regulations. The

limitations set forth in this paragraph shall increase by ten percent (10%) on each fifth (5th) anniversary of the recording of the Declaration. To the extent required by the Oregon Planned Community Act, the Board shall notify the Owners before instituting litigation or administrative proceedings. With regard to any pending litigation involving the Neighborhood Association, the Board shall periodically report to the Owners as to the status (including settlement offers), progress, and method of funding such litigation. Nothing in this paragraph shall be construed as requiring the Board to disclose any privileged communication between the Neighborhood Association and its counsel.

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

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

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

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

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

(k) Subject to the provisions in the Declaration, make additions and improvements to, or alterations of, the Neighborhood Common Areas and Limited Common Areas, or modify, close, remove, eliminate or discontinue use of any common facility, including any improvement or landscaping, except that any such modification, closure, removal, elimination or discontinuance other than on a temporary basis of any swimming pool, spa or recreational or community building must be approved by a majority vote of the Owners at a meeting or by written ballot held or conducted in accordance with these Bylaws.

(l) From time to time adopt, modify, or revoke the Rules and Regulations. Such action may be overruled or modified by vote of not less than seventy-five percent (75%) of the voting rights, in person or by proxy, at any meeting, the notice of which shall have stated that such modification or revocation of rules and regulations will be under consideration.

(m) Enforcement by legal means of the provisions of the Declaration, Supplemental Declaration, these Bylaws and any Rules and Regulations adopted hereunder.

(n) In the name of the Neighborhood Association, maintain a current mailing address of the Neighborhood Association, file annual reports with the Oregon Secretary of State and maintain and keep current the information required to enable the Neighborhood Association to comply with ORS 94.670.

(o) Enter into management agreements with professional management firms.

(p) The Neighborhood Association may collect Assessments from Owners owing under the Declaration for forwarding to the Master Association.

(q) Enter into shared use agreements with other entities for shared use by Owners of facilities and enter into agreements with the Master Association for the provision and performance of various services.

#### **4.8. Board Meetings.**

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

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

(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 (2) directors.

(d) Unless other rules of order are adopted by resolution of the Neighborhood 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. A decision of the Board of Directors may not be challenged because the appropriate rules of order were not used unless a director entitled to be heard was denied the right to be heard and raised an objection at the meeting in which the right to be heard was denied. Further, a decision of the Board of Directors is deemed valid without regard to procedural errors related to the rules of order one (1) year after the decision is made unless the error appears on the face of a written instrument memorializing the decision.

#### **4.9. Open Meetings.**

(a) All meetings of the Board of Directors shall be open to Owners except that, in the discretion of the Board, the following matters may occur in executive session: (i) consultation

with legal counsel; (ii) discussion of personnel matters, including salary negotiations and employee discipline; (iii) negotiation of contracts with third parties; and (iv) discussion of collection of unpaid Assessments. Except in the ease of an emergency, the Board of Directors shall vote in an open meeting whether to meet in executive session. If the Board of Directors votes to meet in executive session, the presiding officer shall state the general nature of the action to be considered, as precisely as possible, when and under what circumstances the deliberations can be disclosed to the Owners. The statement, motion or decision to meet in executive session shall be included in the minutes of the meeting, and any contract or action considered in executive session shall not become effective unless the Board, following the executive session, reconvenes in open meeting and votes on the contract or action, which shall be reasonably identified in the open meeting and included in the minutes.

(b) Meetings of the Board of Directors may be conducted by telephonic communication or by other means of communication that allows all members of the Board participating to hear each other simultaneously or otherwise to be able to communicate during the meeting, except that if a majority of the Units are principal residences of the occupants, then: (i) for other than emergency meetings, notice of each Board of Directors' meeting shall be posted at a place or places on the property at least three (3) days prior to the meeting, or notice shall be provided by a method otherwise reasonably calculated to inform the Owners of such meeting; and (ii) only emergency meetings of the Board of Directors may be conducted by telephonic communication or such other means. The meeting and notice requirements of this section may not be circumvented by chance or social meetings or by any other means.

#### **4.10. Notice of Meetings.**

(a) Notice of the time and place of meetings shall be given to each director orally, or delivered in writing personally, by mail or to the extent permitted by the Oregon Planned Community Act, by electronic mail, facsimile or other form of electronic communication acceptable to the Board of Directors at least twenty-four (24) hours before the meeting. Notice shall be sufficient if actually received at the required time or if mailed or sent electronically not less than seventy-two (72) hours before the meeting. If mailed, the notice shall be directed to the address shown on the Neighborhood 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.

(c) Notices of meetings (including agendas) shall be given to the Master Association and a representative of the Master Association shall be entitled to attend such meetings.

(d) Until the Turnover Meeting, notices of meetings (including agendas) shall be given Neighborhood Declarant (or any designee of Neighborhood Declarant specified in any written notice to the Neighborhood Association) and a representative of Neighborhood Declarant shall be entitled to attend such meetings.

#### **4.11. 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 Declaration, the Supplemental Declaration, the Articles of Incorporation or these Bylaws.

(c) A director who is present at a meeting of the Board of Directors at which action is taken on any Neighborhood Association matter is presumed to have assented to the action unless the director votes against the action or abstains from voting on the action because the director claims a conflict of interest. When action is taken on any matter at a meeting of the Board of Directors, the vote or abstention of each director present must be recorded in the minutes of the meeting. Directors may not vote by proxy or by secret ballot at meetings of the Board of Directors, except that officers may be elected by secret ballot.

**4.12. Liability.** The liability of a member of the Board of Directors or an officer or committee member of the Neighborhood Association to the Neighborhood Association or any Owner for any damage, loss or prejudice suffered or claimed on account of any action or failure to act in the performance of his or her duties as a member of the Board of Directors or an officer or committee member of the Neighborhood Association shall be eliminated to the maximum extent permitted by law. In the event any member of the Board of Directors or an officer or committee member of the Neighborhood Association is threatened with or made a party to any proceeding because the individual is or was a member of the Board of Directors or an officer or committee member of the Neighborhood Association, the Neighborhood Association shall defend such individual against such claims and indemnify such individual against liability and expenses incurred to the maximum extent permitted by law.

**4.13. Compensation.** No director shall receive any compensation from the Neighborhood Association for acting as such.



**4.14. Committees.** Subject to any applicable law, the provisions of the Declaration, the Supplemental Declaration, and these Bylaws, the Board of Directors, may appoint 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.

**4.15. Enforcement Procedures.** The Neighborhood Association shall have the power, as provided in the Declaration and Supplemental Declaration, to impose sanctions for any violation of the Declaration, Supplemental Declaration, these Bylaws or the Rules and Regulations. To the extent specifically required by the Declaration or Supplemental Declaration, 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) a statement that the alleged violator shall have fourteen (14) days to present a written request for a hearing before the Board of Directors or a committee appointed by the Board of Directors, if any; 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, however, that the Board of Directors or appointed committee may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the fourteen (14) day period. Any response or request for a hearing shall be delivered to the Neighborhood Association's manager, President or Secretary, or as otherwise specified in the notice of violation.

(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 or appointed committee, as applicable. 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 or the Covenants Committee, as applicable. 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.

(e) Appeal. Following a hearing before an appointed committee, the violator shall have the right to appeal the decision to the Board of Directors. To exercise this right, the violator must deliver a written notice of appeal to the Neighborhood Association's manager, President or Secretary within ten (10) days after the hearing date.

(f) Enforcement Policies. The Board of Directors, by resolution, may adopt additional policies and procedures governing enforcement of the Declaration, these Bylaws or the Rules and Regulations or modify the policies and procedures set forth herein. Any additional policies and procedures or modifications of existing policies and procedures adopted by the Board of Directors shall be sent to each Owner of the Neighborhood Association in accordance with the notice provisions contained in Section 8.2 and shall be deemed effective and binding upon the Owners on the date sent by the Neighborhood Association.

(g) Collection of Assessments. The foregoing enforcement policies and procedures shall not apply to the imposition of interest charges or late fees on unpaid Assessments or the exercise of any remedies of the Neighborhood Association for the collection of unpaid Assessments.

## **ARTICLE 5.**

### **Officers**

**5.1. Designation and Qualification.** The officers of the Neighborhood Association shall be the President, the Secretary, the Treasurer, and such subordinate officers as the Board of Directors shall appoint from time to time. The President shall be a member of the Board of Directors, but other officers need not be members of the Board of Directors. Any two (2) offices, except the offices of President and Secretary, may be held by the same person.

**5.2. Election and Vacancies.** The officers of the Neighborhood Association shall be elected annually by the Board of Directors at the annual meeting and shall serve for a term of 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 Neighborhood 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 Neighborhood Association. Any such resignation shall take effect upon receipt of such notice or at any later time specified therein. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective, provided, 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 Neighborhood Association against the officer so resigning.

**5.4. President.** The President shall be the chief executive officer of the Neighborhood 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 Neighborhood Association. He or she shall preside at all meetings of the Owners and of the Board of Directors. He or she shall be an ex officio member of all the committees, 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. Secretary.**

(a) The Secretary shall keep or cause to be kept a book of minutes of all meetings of the Board and Owners 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 Board meetings, the number of Owners present or represented at Owners' meetings and the proceedings thereof.

(b) The Secretary shall give or cause to be given such notice of the meetings of the Owners and of the Board of Directors as is required by these Bylaws or by law. The Secretary shall keep the seal of the Neighborhood 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) In the absence or disability of the President, the President's duties and powers shall be performed and exercised by the Secretary.

**5.6. 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 Neighborhood 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 Neighborhood Association with such depositories as may be designated by the Board. The Treasurer shall disburse or cause to be disbursed the funds of the Neighborhood 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 Neighborhood Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

**5.7. Subordinate Officers.** Subordinate officers, if any, shall perform such duties as the Board of Directors shall prescribe.

**5.8. Compensation of Officers.** No officer who is a member of the Board of Directors shall receive any compensation from the Neighborhood Association for acting as an officer.

## **ARTICLE 6.**

### **Assessments, Records and Reports**

**6.1. Assessments.** As provided in the Declaration, the Neighborhood Association, through the Board of Directors, shall do the following:

(a) Assess and collect Assessments in the manner described in the Declaration and Supplemental Declaration.

(b) Keep all funds received by the Neighborhood Association as Assessments, other than reserves, in the Operations Fund and keep all reserves in the Reserve Fund and use such funds only for the purposes of the Reserve Fund. All Assessments shall be deposited in the name of the Neighborhood Association in one or more separate federally insured accounts, including certificates of deposit, at a financial institution as defined in ORS 706.008, other than an extra-national institution. Funds of the Neighborhood Association maintained in accounts established pursuant to this section may be used to purchase obligations of the United States government. All expenses of the Neighborhood Association shall be paid from the Neighborhood Association's bank accounts.

(c) From time to time, and at least annually, prepare a budget for the Neighborhood Association, estimating the common expenses expected to be incurred with adequate allowance for reserves based upon the reserve study required by the Supplemental Declaration, and determine whether Assessments 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 Assessments against each Unit for the year 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. The Board of Directors shall cause to be prepared a roster of the Units showing Assessments applicable to each Unit. The roster shall be kept in the Neighborhood Association office and shall be subject to inspection by any Owner or Mortgagee during regular business hours.

(e) Enforce the Assessments in the manner provided in the Supplemental Declaration and Declaration.

(f) Keep records of the receipts and expenditures affecting the Operations Fund and Reserve Fund and make the same available for examination by the Owners and their Mortgagees at convenient hours.

**6.2. Records.** The Neighborhood 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 Owners, the 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 Neighborhood Association by Neighborhood Declarant. All documents, information and records delivered to the Neighborhood Association by Neighborhood Declarant pursuant to ORS 94.616 and other records of the Neighborhood Association shall be kept within the State of Oregon for the time periods specified in ORS 94.670.

**6.3. Statement of Assessments Due.** The Neighborhood 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; (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 Neighborhood Association is not required to comply with this section if the Neighborhood Association has commenced

litigation by filing a complaint against the Owner and the litigation is pending when the statement would otherwise be due.

**6.4. 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 Neighborhood Association shall make reasonably available for examination and, upon written request, available for duplication, by Owners, lenders, and holders of any Mortgage of a Unit that make the request in good faith for a proper purpose, current copies of the Declaration, Supplemental Declaration, Articles of Incorporation, Bylaws, Rules and Regulations, amendments or supplements to such documents and the books, records, financial statements and current operating budget of the Neighborhood Association. The Neighborhood Association shall maintain a copy, suitable for purposes of duplication, of each of the following: (a) the Declaration, Supplemental Declaration, these Bylaws, the Rules and Regulations, recorded plats within Highlands Ridge and any amendments or supplements to them, (b) the most recent financial statement of the Neighborhood Association, (c) the current operating budget of the Neighborhood Association, and (d) the architectural standards and guidelines, if any. The Neighborhood Association, within ten (10) business days after receipt of a written request by an Owner, shall furnish copies of such documents to the requesting Owner. Upon written request, the Neighborhood Association shall make such documents, information and records available to such persons for duplication during reasonable hours. The Board of Directors, by resolution, may adopt reasonable rules governing the frequency, time, location, notice and manner of examination and duplication of Neighborhood Association records and the imposition of a reasonable fee for furnishing copies of such documents, information or records. The fee may include reasonable personnel costs for furnishing the documents, information or records.

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

**6.6. Execution of Documents.** The Board of Directors may, except as otherwise provided in the Declaration, Supplemental 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 Neighborhood 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 Neighborhood Association by any contract or engagement, to pledge its credit, or to render it liable for any purpose or for any amount.

**6.7. Reports and Audits.** An annual financial statement consisting of a balance sheet and an income and expense statement for the preceding year shall be rendered by the Board of Directors to all Owners and to all Mortgagees who have requested the same within ninety (90) days after the end of each fiscal year. If the Annual Assessments exceed \$75,000.00 for the year, then the Board of Directors shall cause such financial statements to be reviewed within one hundred eighty (180) days after the end of the fiscal year by an independent certified public accountant licensed in Oregon in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants, or if the Annual Assessments are \$75,000.00 or less, shall cause such review within one hundred eighty (180) days after receipt of a petition requesting such review signed by at least a majority of Owners. The Board of Directors need not cause such a review to be performed if so directed by an affirmative vote of at least sixty percent (60%) of the Owners, not including votes of Declarant with respect to Units owned by Declarant. From time to time, the Board of Directors, at the expense of the Neighborhood Association, may obtain an audit of the books and records pertaining to the Neighborhood Association and furnish copies thereof to the Owners. At any time, an Owner or Mortgagee may, at their own expense, cause an audit or inspection to be made of the books and records of the Neighborhood Association.

## **ARTICLE 7.**

### **Insurance**

**7.1. Types of Insurance.** For the benefit of the Neighborhood Association and the Owners, the Board of Directors shall obtain and maintain at all times, and shall pay for out of the Operations Fund, the following insurance:

(a) Property Damage Insurance.

- (1) The Neighborhood Association shall maintain a policy or policies of insurance covering the Neighborhood Common Areas from loss or damage from fire and other casualties, with standard extended coverage and "all risk" endorsements, and such other coverages as the Neighborhood Association may deem desirable.
- (2) The amount of the coverage shall be for not less than one hundred percent (100%) of the current replacement cost of the Neighborhood Common Areas and any improvements on the Neighborhood Common Areas (exclusive of land, foundation, excavation and other items normally excluded from coverage), subject to a reasonable deductible as determined by the Board of Directors not to exceed the greater of:

- (a) The maximum deductible acceptable to the Federal National Mortgage Neighborhood Association or
- (b) \$10,000.00.

(3) The policy or policies shall include all 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 Neighborhood Association, together with all fixtures, improvements and alterations comprising a part of each structure.

(b) Liability Insurance.

- (1) The Neighborhood Association shall maintain commercial general liability insurance coverage insuring Neighborhood Declarant, the Neighborhood Association, the Board of Directors, and the managing agent, against liability to the public or to Owners and their invitees or tenants, incident to the operation, maintenance, ownership or use of the Neighborhood Common Areas, including legal liability arising out of lawsuits related to employment contracts of the Neighborhood Association. There may be excluded from such policy or policies coverage of an Owner (other than as an Owner in the Neighborhood 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 Highlands Ridge as to which such Owner has the exclusive use or occupancy.
- (2) Limits of liability under such insurance shall not be less than One Million Dollars (\$1,000,000.00) on a combined single-limit basis.
- (3) Such policy or policies shall be issued on a commercial general liability basis and shall provide a cross liability endorsement wherein 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.

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

(d) Fidelity Insurance.



- (1) The Board of Directors shall cause the Neighborhood Association to maintain blanket fidelity insurance for all officers, directors, trustees and employees of the Neighborhood Association and all other persons handling or responsible for funds of, or administered by, the Neighborhood Association as well as for computer fraud or funds transfer fraud. In the event that the Neighborhood Association has retained a management agent, the Board of Directors may require such agent to maintain fidelity insurance for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Neighborhood Association. The cost of such insurance, if any, may be borne by the Neighborhood Association.
- (2) The total amount of fidelity coverage shall be at least equal to the combined amount of all funds maintained in the name of the Neighborhood Association in all accounts held by the Association and any obligations issued by the United States government purchased by the Neighborhood Association pursuant to ORS 94.670.
- (3) Such fidelity insurance shall name the Neighborhood Association as obligee and shall contain waivers by the issuers of the insurance of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees" or similar terms or expressions. The insurance shall provide that it may not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least ten (10) days' prior written notice to the Neighborhood Association.
- (4) Notwithstanding anything herein to the contrary, following the Turnover Meeting, on an annual basis, the Owners representing a majority of the votes present at a meeting of the Owners may authorize the Board of Directors to dispense with fidelity bond coverage, or to obtain fidelity bond coverage in a lesser amount, for the following year.

**7.2. Insurance by Unit Owners.** Each Owner shall be responsible for obtaining and maintaining, at his or her own expense, property damage insurance and personal liability insurance covering the Improvements on the Owner's Unit and liability resulting from use or ownership of the Unit. The property damage insurance must be written on a "Special Risk" form, with coverage in an amount equal to the replacement cost of the Improvements and Owner's personal property, with a deductible amount not to exceed \$5,000. The personal liability insurance will insure against any and all claims and damages arising out of, or in any

way connected with, the ownership, occupancy, and operation of the Unit, with limits of not less than amounts reasonably set by the Board of Directors from time to time, but not more often than every three (3) years. Such insurance must provide coverage for, without limitation, the negligent acts of the Owner, and tenants, guests or other occupants of the Unit for damage to Neighborhood Common Areas, other Units, and any Improvements or personal property of others located therein. To the extent reasonably practicable, the Neighborhood Association shall give at least thirty (30) days' notice to the Owners of any increase in the coverage amounts for any renewal or replacement insurance policies. Any insurance coverage maintained by the Neighborhood Association shall be excess and noncontributing with any insurance obtained under this section by the Owners.

**7.3. Other Insurance Requirements.** Insurance obtained by the Neighborhood Association and/or individual Owners shall be governed by the following requirements:

(a) All policies shall be written with the State of Oregon or a company licensed to do business in the State of Oregon which falls into a B general policyholder's rating or a financial performance index of 6 or better, as designated in Best's Key Rating Guide, or an A or better rating from Demotech, Inc, or of a substantially comparable rating.

(b) Notwithstanding the provisions of Section 7.1 above, there may be named as an insured, on behalf of the Neighborhood Association, the Neighborhood Association's authorized representative, including any trustee with whom the Neighborhood Association may enter into any insurance trust agreement, or any successor to such trustee. Such insurance trustee shall have exclusive authority to negotiate losses under any property or liability insurance policy held by the Neighborhood Association.

(c) All property insurance policies shall contain endorsements providing for the following: recognition of any insurance trust agreement, a waiver of the right of subrogation against the Association, Board of Directors, any Owner or any guest of an Owner as applicable, and that the policy of an Owner is primary in the event insurance held by the Association covers the same loss.

(d) For purposes of this Article 7, insurance policies are unacceptable where (i) under the terms of the insurance carrier's charter, bylaws or policy, contributions or assessments may be made against the Neighborhood Association or Owners, or (ii) by the terms of the carrier's charter, bylaws or policy, loss payments are contingent upon action by the carrier's board of directors, policy holders or members.

**7.4. Optional Provisions.** The Board of Directors shall make every effort to secure insurance policies that will provide for the following:

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

(b) If reasonably available, the insurance policies shall include an agreed amount and inflation guard endorsement, and construction code endorsements (such as a demolition cost endorsement, a contingent liability from operation of building laws endorsement, and an increased cost of construction endorsement); and

(c) Flood insurance, if Highlands Ridge is in a special flood hazard area.

**7.5. FannieMae and GNMA Requirements.** Notwithstanding any other provisions of this Article 7, the Neighborhood Association shall continuously maintain in effect such casualty, flood and liability insurance and fidelity insurance meeting the insurance and fidelity requirements for planned unit development projects established by FannieMae and Government National Mortgage Neighborhood Association, if any, so long as either is a Mortgagee or Owner, except to the extent such coverage is not available or has been waived in writing by FannieMae, or Government National Mortgage Neighborhood Association. FannieMae or FannieMae's servicer, its successors and assigns, shall be named as a mortgagee in the Neighborhood Association's policies, if required by FannieMae.

**7.6. Review of Insurance Coverage.** At least annually, the Board of Directors shall review the insurance coverage of the Neighborhood Association to determine whether the amounts and types of insurance the Neighborhood Association has obtained comply with the requirements of this Article 7 and the Oregon Planned Community Act, and provide adequate coverage in light of new risks or exposure, increased construction costs, inflation, practices by other homeowner associations in the area in which Highlands Ridge is located, or any other factor which tends to indicate that either additional insurance policies or increased coverage under existing policies is necessary or desirable to protect the interests of the Neighborhood Association, all as determined by the Board of Directors in its discretion.

**7.7. Planned Community Act Requirements.** Notwithstanding anything herein to the contrary, the insurance maintained by the Neighborhood Association shall comply with the requirements of the Oregon Planned Community Act.

**ARTICLE 8.**  
**General Provisions**

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

**8.2. Notice.** All notices to the Neighborhood Association or to the Board of Directors shall be sent care of the manager of the Neighborhood Association, or if there is no manager, to the principal office of the Neighborhood Association or to such other address as the Board of Directors may designate from time to time. All notices to any Owner shall be sent to such address as may have been designated by such Owner from time to time, in writing, to the Board of Directors, or, if no address has been designated, then to the Owner's Unit. All notices shall be sent by: (i) messenger service (or hand delivery); (ii) overnight courier service; or (iii) regular U.S. Mail. Notwithstanding the foregoing, in the discretion of the Board of Directors, any notice, information or other written material required to be given to an Owner or director under this Declaration or the Bylaws or pursuant to the Oregon Planned Community Act, may be given by electronic mail, facsimile or other form of electronic communication acceptable to the Board of Directors, provided that electronic mail, facsimile or other form of electronic communication may not be used to notify an Owner of: (i) the failure to pay an Assessment; (ii) the foreclosure of an Neighborhood Association lien under ORS 94.709; or (iii) an action the Neighborhood Association may take against the Owner. Additionally, an Owner or director may decline to receive notice by electronic mail, facsimile or other form of electronic communication and may direct the Board of Directors in writing to provide notice in any other manner permitted under these Bylaws or the Oregon Planned Community Act. Notices shall be deemed given on the date the notices are sent in accordance with the procedures outlined herein.

**8.3. Waiver of Notice.** Whenever any notice to any Owner or director is required by law, the 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.

**8.4. Conflicts.** These Bylaws are intended to comply with the Oregon Planned Community Act, the Oregon Nonprofit Corporation Act, the Declaration, the Supplemental Declaration, and the Articles of Incorporation. In case of any irreconcilable conflict, such statutes and documents shall control over these Bylaws.

**ARTICLE 9.**  
**Amendments to Bylaws**

**9.1. How Proposed.** Amendments to these Bylaws shall be proposed by either a majority of the Board of Directors or by Owners holding at least thirty percent (30%) of the voting rights 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.

**9.2. Adoption.**

(a) A resolution adopting a proposed amendment may be proposed by either the Board of Directors or by the Owners and must be approved by the Owners at a meeting called for such purpose, or by written consent of the Owners. Owners not present at the meeting considering such amendment may express their approval in writing or by proxy. Any resolution must be approved by the Owners holding a majority of the voting rights of the Neighborhood Association, voting in person, by proxy or by ballot, at a meeting or ballot meeting of the Neighborhood Association at which a quorum is represented. Amendment or repeal of any provision of these Bylaws that is also contained in the Declaration must be approved by the same voting requirement for amendment of such provision of the Declaration. Further, no amendment may alter or exempt application of any provision of the Declaration.

(b) Notwithstanding the provisions of the preceding paragraph, until the Turnover Meeting has occurred, Neighborhood Declarant shall have the right to amend these Bylaws in order to comply with the requirements of the Federal Housing Administration, the United States Department of Veterans Affairs, the Farmers Home Administration of the United States, the Federal National Mortgage Neighborhood Association, the Government National Mortgage Neighborhood Association, the Federal Home Mortgage Loan Corporation, any department, bureau, board, commission or agency of the United States or the State of Oregon, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon that insures, guarantees or provides financing for a planned community or lots in a planned community. After the Turnover Meeting, any such amendment shall require the approval of a majority of the voting rights of the Neighborhood Association, voting in person, by proxy or by ballot, at a meeting or ballot meeting of the Neighborhood Association at which a quorum is represented.

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

*[signatures on next page]*

IN WITNESS WHEREOF, the undersigned has adopted these Bylaws on behalf of the Highlands Ridge Neighborhood Association as of the date recorded in the Official Records of Deschutes County, Oregon.

NEIGHBORHOOD DECLARANT

Tetherow AB, LLC,  
an Oregon limited liability company

By:   
Chris van der Velde, Manager

STATE OF OREGON            )  
  ) ss.  
COUNTY OF DESCHUTES )

The foregoing instrument was acknowledged before me this 20 day of March, 2020, by Chris van der Velde as Manager of Tetherow AB, LLC.

  
Notary Public for Oregon

