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BYLAWS OF PRAIRIE MEADOWS HOMEOWNERS' ASSOCIATION, INC.

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BYLAWS OF PRAIRIE MEADOWS HOMEOWNERS' ASSOCIATION, INC.

ARTICLE 1

PLAN OF LOT OWNERSHIP; DEFINITIONS

1.1 Bylaws Applicability. These Bylaws apply to the Lots and the Common Area in PRAIRIE MEADOWS, a planned community in Klamath County, Oregon, that have been subjected to the Declaration of Conditions, Covenants, and Restrictions for PRAIRIE MEADOWS (the "Declaration"), as well as to the PRAIRIE MEADOWS Homeowners' Association (the "Association") and the entire management structure thereof.

1.2 Lots; Property. The Lots and the Common Area may be collectively referred to in these Bylaws as the "Property" or "Project" and the Lots individually as a "Lot" or collectively as the "Lots."

1.3 Personal Application. All present or future Owners, tenants, Occupants, and their employees, and any other person that might occupy any portion of the Property in any manner, shall be subject to the provisions set forth in these Bylaws. The acquisition, rental, or occupancy of any of the Lots shall constitute acceptance and ratification of these Bylaws and agreement to comply with all the provisions hereof.

1.4 Definitions. Capitalized terms used but not defined herein shall have meanings attributed to them in Article 1 of the Declaration.

1.5 Oregon Planned Community Act. The Property, all Lots and Owners thereof, the Association and all Members thereof, shall be subject to the Oregon Planned Community Act, ORS 94.550 et seq. (the PCA).

ARTICLE 2

ASSOCIATION MEMBERSHIP, VOTING, MAJORITY OF OWNERS, QUORUM, PROXIES

2.1 Membership in the Association. Upon recordation of a conveyance or contract to convey a Lot, the grantee or purchaser named in such conveyance or contract shall automatically be and shall remain a Member of the Association until such time as such person's ownership ceases for any reason. For all purposes of the Declaration and the administration of the Property, Lot ownership shall be determined from the records maintained by the Association. The record shall be established by the Owner filing with the Association a copy of the deed to or land sale contract for such Owner's Lot, to which shall be affixed the certificate of the recording officer of Klamath County, Oregon, showing the date and place of recording of such deed or contract. No person shall be recognized as an Owner unless a copy of the deed or contract has been filed with the Association as provided above showing such Owner to be the current Owner or contract purchaser of a Lot. Notwithstanding the foregoing, Declarant shall be the Owner of all previously unsold Lots, although no deed or land sale contract, with respect to such Lots, has been filed with the Association.

2.2 Voting Rights. The Association shall have two classes of voting Members:

2.2.1 Class A. Class A Members shall be all Owners of Lots other than Declarant, and each Class A Member shall be entitled to one vote for each Lot owned with respect to all matters on which Owners are entitled to vote.

2.2.2 Class B. The Class B Member shall be Declarant, its successors, and its assigns. The Class B Member shall have three votes for each Lot owned; provided, however, that Class B membership shall cease on the Termination Date, as defined in Section 3.3. After termination of Class B membership, each Owner (including Declarant) shall be entitled to one vote for each Lot owned with respect to all matters on which Owners are entitled to vote, and the total number of votes shall equal the total number of Lots annexed to the Property and subjected to these Bylaws. When more than one person or entity owns a Lot, the vote for such Lot may be cast as they shall determine, but

in no event shall fractional voting be allowed. Fractionalized or split votes shall be disregarded, except for purposes of determining a quorum.

2.3 Majority of Owners. As used in these Bylaws, the term majority shall mean those Owners holding over 50% of the voting rights allocated to the Owners in accordance with the Declaration and Section 2.2 above. Majority of Owners present shall mean Owners holding over 50% of the votes present at any legal meeting.

2.4 Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Owners holding 50% or more of the outstanding votes in the Association, as defined in Section 2.2 of this Article, shall constitute a quorum.

2.5 Voting; Proxies. Owners may cast votes in person, by written ballot, or by proxy. Proxies must be filed with the Secretary of the Association ("Secretary") before or during the appointed meeting. A proxy shall expire one year after the date it was signed unless a shorter period is specified in the proxy. The proxies may require the holder to cast a vote for or against any special proposal set out in the notice calling the meeting. Unless withdrawn, a proxy given to another person to vote at a specific meeting shall also be valid at an adjourned meeting called under the provisions of Section 3.8. The Association must retain proxies and ballots for one year from the date of the determination of the vote.

2.6 Authority to Vote. All Owners, including those who have leased their Lot to a third party, shall be entitled to vote. An Owner's right to vote may not be revoked. A purchaser under a land sale contract entitled to immediate possession of the Lot shall be deemed the Owner thereof, unless otherwise provided in such contract.

2.7 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 by such person in such capacity, whether or not the same shall have been transferred to such person's name, provided that such person has satisfied the Secretary that such person 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 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 such protest, no one co-owner shall be entitled to vote without the approval of all co-owners. In the event of disagreement among the co-owners, the vote of such Lot shall be disregarded for all purposes, except for determining whether a quorum is present.

2.8 Informal Actions. Any action required to be taken at a meeting of the Members, or any other action which may be taken at a meeting of the Members, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all Members entitled to vote with respect to the subject matter of the action.

ARTICLE 3

ADMINISTRATION

3.1 Association Responsibilities. The Owners shall constitute the Members of the Association. Except as otherwise provided in the Declaration or these Bylaws, decisions and resolutions of the Association shall require approval by a majority of the Owners present at any legal meeting. A legal meeting is one duly called pursuant to these Bylaws at which a quorum is present, in person or by proxy at a formal gathering or, if a vote is taken by written ballots, when ballots are returned representing more than 50% of the vote, unless a larger vote is required to approve a ballot item, in which case the quorum requirements shall be the number of votes required to approve the proposal.

3.2 Place of Meetings. Formal meetings of the Association shall be held at suitable places convenient to the Owners as may be designated by the Board of Directors of the Association (the "Board"). If a vote is taken by written ballot, the Board shall count the returned written ballots within 48 hours of the ballot return deadline. Each Owner shall be notified by mail or other delivery of written notice of the results of the ballot meeting or that a quorum of ballots was not returned within 15 days after the ballot return deadline.

3.3 Turnover Meeting. Declarant shall call a meeting (which shall be the initial meeting) for the purpose of turning over administrative control of the Association from Declarant to the Members within 90 days after of the earliest of the following dates (the "Termination Date"):

3.3.1 Based on Lot Sales. The date on which 75% of the Lots in PRAIRIE MEADOWS have been sold and conveyed to Owners other than Declarant; and

3.3.2 Earliest Date. The date on which Declarant delivers written notice to the Association of termination of Class B membership. Declarant shall give notice of the Turnover Meeting to each Owner as provided in these Bylaws. If Declarant does not call such meeting as required under this Section 3, the transitional advisory committee or any Owner may do so. At the Turnover Meeting, Declarant shall relinquish control of the administration of the Association and the Owners shall assume such control and shall elect the Board in

accordance with the provisions of Article 4 of these Bylaws. Additionally, Declarant shall deliver to the Association all business and financial records, together with all Association bank accounts, funds and other assets as required by ORS 94.616. The Turnover Meeting may not be conducted by written ballot.

3.4 Transitional Advisory Committee. Declarant shall form a transitional advisory committee (the "Committee") to provide for the transition of administrative control of the Association from Declarant to the Class A Members. Within 60 days after Declarant has conveyed 50% or more of Lots then existing in the Project to Owners other than a successor Declarant, Declarant shall call a meeting of Owners for the purpose of selecting the Committee, which shall consist of three Members. The Class A Members shall, by majority vote, elect two Members, and Declarant shall elect one Member. The Committee's function shall be facilitating the transfer of control of the administration of the Association from Declarant to the Owners. The Committee shall have access to the information, documents, and records that Declarant must turn over to the Owners under the PCA and this Article 3. Declarant shall give notice of the meeting required under this Section 3.4 to each Owner at least seven, but not more than 50, days before the meeting. The notice shall state the purpose of the meeting and the time and place where it is to be held. If Declarant does not call such meeting within the time specified, an Owner may call such meeting. If the Owners, other than Declarant, do not select Members for the Committee under this Section 3.4, Declarant shall have no further responsibility to form the Committee. The Committee shall cease to function once the Turnover Meeting has been held.

3.5 Annual Meetings. The Board, by a Board action, shall cause the first annual meeting of the Association to be held during the calendar year following the calendar year in which the Turnover Meeting is held. The Board, at its discretion, from time to time, may change the meeting date, provided that the meeting is held annually. At such meetings, the Owners shall elect new members of the Board in accordance with the requirements of Section 4.7 of these Bylaws to replace those Directors whose terms have expired. The Owners also may transact such other business of the Association as may properly come before them. Annual meetings of the Association may not be conducted by written ballot.

3.6 Special Meetings. The President shall call a special meeting of the Owners if so directed by a resolution of the Board or a petition, presented to the Secretary and signed by 30% or more of the Owners. All meetings called because of petition of Owners shall be held at a formal gathering, and not by written ballot, within 60 days after the Secretary's receipt of the petition. The notice of any special meeting shall state the time and place of such meeting and the

purpose thereof. No business other than that stated in such notice shall be transacted at a special meeting unless by consent of all the Owners of the Lots or as otherwise set out in these Bylaws.

3.7 Notice of Meetings. The Secretary shall mail a notice of each annual and special meeting, stating the purpose thereof and the time and place where such meeting is to be held, to each Owner of record at least 10 but not more than 50 days before such meeting or the date on which ballots for a ballot meeting are required to be returned. The Board of Directors may propose that the Owners take an action by written ballot without a meeting, pursuant to the provisions of the PCA and the Oregon Nonprofit Corporation Act. Such notices shall be mailed to the Owner's address last given to the Secretary in writing by the Owner or such Owner's vendee. If Lot ownership is split or the Lot has been sold on a contract, notice shall be sent to a single address, of which the Secretary has been notified in writing by such parties. If no address has been given to the Secretary in writing, then mailing to the Project Lot shall be sufficient. The mailing of a notice in the manner provided in this Section 3.7 shall be considered notice served.

3.8 Adjourned Meetings. As permitted by ORS 65.214, if any gathering of Owners is not a legal meeting because a quorum has not attended, the Owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than 48 hours nor more than 10 days from the time of the original meeting. The adjournment provisions of this Section 3.8 do not apply to actions proposed to be taken by written ballot.

3.9 Ballot Meetings. Unless prohibited or limited by the Articles of Incorporation of the Association, any action that may be taken at any annual or special meeting of the Owners may be taken without a meeting if the Association delivers a written ballot to every Owner entitled to vote on the matter as provided in ORS 94.647. Such ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action. A proposed action shall be deemed to be approved by written ballot when the number of votes cast by ballot equals or exceeds any quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. The Board must provide Owners with at least 10 days' notice as required by ORS 94.647(2) (b) before written ballots are mailed or otherwise delivered. If, at least three days before written ballots are scheduled to be mailed or otherwise distributed, at least 10% of the Owners petition the Board 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 making and returning the ballot.

Written ballots that are returned in secrecy envelopes may not be examined or counted before the deadline for returning ballots has passed.

3.10 Order of Business. The order of business at all annual meetings shall be as follows:

- (a) Roll call,
- (b) Proof of notice of meeting or waiver of notice,
- (c) Reading of minutes of the preceding meeting,
- (d) Reports of officers,
- (e) Reports of committees,
- (f) Election of Directors,
- (g) Unfinished business,
- (h) New business,
- (i) Adjournment.

ARTICLE 4

BOARD OF DIRECTORS

4.1 Number and Qualification. The number of Board members may vary between a minimum of three and a maximum of seven, the exact number of which may be fixed from time to time by the resolution of the Board. Initially, the Board shall be composed of three persons, all of whom must be an Owner or a co-owner of a Lot; provided, however, that if a Lot is owned by more than one Owner, only one Owner of that Lot may serve on the Board of Directors at any one time. An officer or employee of a corporation, the trustee of a trust, the personal representative of an estate, or an employee of a trust or estate may serve on the Board if the corporation, trust, or estate owns a Lot.

4.2 Powers and Duties. The Board shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law or by these Bylaws directed to be done by the Owners.

4.3 Other Duties. In addition to duties imposed by these Bylaws or by resolutions of the Association, the Board shall have authority to carry out and be responsible for the following matters:

4.3.1 Upkeep of Common Area and Commonly Maintained Property. Care, upkeep, and supervision of the Common Area and the Commonly Maintained Property.

4.3.2 Reserves. Establishment and maintenance of replacement Reserve Accounts that the Board deems prudent for replacement of Common Area improvements or facilities and the Commonly Maintained Property.

4.3.3 Assessment Collection. Designation and collection of

assessments from the Owners, in accordance with these Bylaws and the Declaration.

4.3.4 Budget; Voucher System. Establishment of a budget and payment of all common expenses of the Association and institution and maintenance of a voucher system for such payment, which shall require a sufficient number of signatories thereon as may be reasonably necessary to prevent any misuse of Association funds, in accordance with these Bylaws and the Declaration.

4.3.5 Insurance. Procurement and maintenance of insurance policies and payment of premiums therefore out of the common expense funds in respect to the Common Area, as more specifically provided in Article 8 of these Bylaws.

4.3.6 Personnel. Designation, compensation, and dismissal of the personnel necessary for the maintenance and operation of the Project.

4.3.7 Financial Statements. Causing the preparation and distribution of annual financial statements of the Association to each of the Owners, as more specifically provided in the Declaration.

4.3.8 Rules. Adoption and amendment of administrative Rules and Regulations governing the details of operation and use of the Common Area and administration of the Association, including a fine schedule for violations of these Bylaws, the Declaration, or any rules or regulations promulgated thereunder. Provided, however, that any such Rules and Regulations shall always be subject to rescission or amendment by the Association on a majority vote of Owners present at any properly called meeting.

4.3.9 Copies of Documents; Bank Accounts. Causing the Association to comply with ORS 94.670 relating to maintenance within the state of Oregon of documents delivered to the Association by Declarant, depositing all assessments in a separate bank account in the name of the Association, payment of all expenses of the Association from the Association's bank account, and maintenance and distribution of financial statements and to maintain copies suitable for duplication of the following: the Declaration, the Articles of Incorporation, the Bylaws, the Association Rules and Regulations and any amendments thereto, the most recent annual financial statement, and the current operating budget of the Association. Further, the Board of Directors shall cause to be maintained and kept current the information required to enable the Association to comply with ORS 94.670.

4.3.10 Tax Returns. Causing the Association to file the necessary tax returns of the Association.

4.3.11 Mailing Address. Establishment and maintenance of a current mailing address for the Association.

4.3.12 Professional Services. Employment of legal, accounting, and other personnel or consultants for reasonable compensation to perform such services as may be required for the proper administration of the Association, and preparing and filing the required income tax returns or forms.

4.3.13 Committees. Appointment of one or more standing committees, each of which shall consist of two or more Board members or homeowners. The Board shall, by resolution, define the extent of the authority of such committees. These committees, subject to the limitations of the Board's resolution and ORS Chapter 94, shall have and exercise the authority of the Board in the management of the Association for which it is appointed. The Board or the President may also appoint other committees consisting of homeowners, who do not have the authority of the Board in the management of the Association. Members of these committees shall act on behalf of the Board or the President. The Board may designate two (2) or more Board members to a Budget Committee to prepare a budget in accordance with ORS 94.645. The Budget Committee shall also be responsible to review and approve all payment vouchers. Such committee shall also be required to prepare and distribute the annual financial statement required under ORS 94.670. In preparing the annual financial statement the Budget Committee and the Treasurer shall work with the certified public accountant designated for the Association.

4.3.14 Contracts. Authorization of any officer, agent, or employee to execute and deliver any instrument, in the name of and on behalf of the Association and such authority may be general or confined to specific instances.

4.3.15 Loans. Obtaining loans on behalf of the Association and evidences of indebtedness issued in its name, but only when authorized by a resolution of the Board. Such authority may be general or confined to specific instances.

4.4 Limited Authority. The Board shall not take any of the following actions, except with the vote or written assent of a majority of the voting power of the Owners other than Declarant:

4.4.1 Third-Party Contracts. Enter into a contract with a third party wherein the third person will furnish goods or services for the Common Area, the Commonly Maintained Property, or the Association for a term longer than one year with the following exceptions:

(a) Management contract, the provisions of which have been approved

by the Federal Housing Administration, U.S. Housing and Urban Development, or Department of Veterans Affairs.

(b) A contract with a public utility company in Klamath County, or a service contract if the rates charged for the materials or services are regulated by the Oregon Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate.

(c) A prepaid casualty and/or liability insurance policy the term of which does not exceed three years, provided that the policy permits short-rate cancellation by the insured.

4.4.2 Capital Expenditures. Incur aggregate expenditures for capital improvements (as opposed to maintenance, repair and replacement costs) to the Common Area, the Commonly Maintained Property, during any fiscal year in excess of 5% of the budgeted gross expenses of the Association for that fiscal year.

4.4.3 Compensating Board Members. Pay compensation to members of the Board or officers of the Association for services performed in the conduct of the Association's business; provided, however, that the Board may cause a member or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

4.5 Management Agent. The Board may employ a management agent, to be compensated in an amount established by the Board, to perform such duties and services as the Board shall authorize, including, but not limited to, the duties listed in Section 4.3 of these Bylaws.

4.6 Interim Board and Officers. Declarant hereby reserves administrative control of the Association until the Turnover Meeting. Declarant, in its sole discretion, may appoint and remove members of the Board and officers of the Association whose terms of service shall end on or before the date of the Turnover Meeting. However, at the Turnover Meeting, at least one Director shall be elected by Owners other than Declarant, even if Declarant otherwise has voting power to elect all three Directors.

4.7 Election and Term of Office. At the Turnover Meeting of the Association, the term of office of two Directors shall be fixed at two years. The term of office of one Director shall be fixed at one year. Should the number of Directors serving on the Board be increased, the same sequential election terms shall apply as nearly as is practicable. Upon expiration of the initial term of office of each respective Director, such Director's successor shall be elected to serve a term of two years. The Directors shall hold office until their successors have been elected and hold their first meeting. At the Turnover Meeting, on agreement by vote of the Owners, the Owners

may elect Directors by using a ballot that permits each Owner to vote once each for up to three nominees. In such event, the two nominees receiving the highest number of votes shall be the two year Directors and the nominee receiving the next highest number of votes shall be the one year Director. No cumulative voting for Directors shall be permitted.

4.8 Vacancies. Vacancies on the Board caused by any reason other than the removal of a Director by a vote of the Association shall be filled for the balance of the term of each directorship by vote of a majority of the remaining Directors, even though they may constitute less than a quorum. Each person so elected shall be a Director until a successor is elected upon expiration of the term for which such person was elected to serve by the other Directors.

4.9 Removal of Directors. At any legal annual or special meeting (not including actions proposed to be taken by written ballot without a meeting), any one or more of the Directors may be removed with or without cause, by a majority vote of the total voting power of the Owners and a successor may be then and there elected to fill the vacancy thus created; provided, however, that the notice of meeting shall specifically indicate that the removal of one or more named Directors is an agenda item for such meeting. Any Director whose removal has been proposed by the Owners shall be given an opportunity to be heard at such meeting.

4.10 Organizational Meeting. The first meeting of a newly elected Board shall be held within 10 days of election at such place as shall be fixed by the Directors at the Association meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order to hold such meeting legally, providing a majority of the newly elected Directors are present.

4.11 Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined, from time to time, by a majority of the Directors. Notice of regular meetings of the Board may be called by the President on at least three days' notice to each Director, given personally or by mail, telephone, e-mail, or facsimile, which notice shall state the time, place (as hereinabove provided), and purpose of the meeting.

4.12 Special Meetings. Special meetings of the Board may be called by the President or Secretary or on the written request of at least two Directors. Special meetings of the Board may be called on at least three days' notice to each Director, given personally or by mail, telephone, e-mail, or facsimile, which notice shall state the time, place (as hereinabove provided), and purpose of the meeting.

4.13 Waiver of Notice to Directors. Before, at, or after any meeting

of the Board, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by such Director of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice to Directors shall be required and any business may be transacted at such meeting.

4.14 Board of Directors' Quorum. At all meetings of the Board, a majority of the existing Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors shall be the acts of the Board. If quorum requirements are not met at any meeting of the Board, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business that might have been transacted at the meeting as originally called may be transacted without further notice.

4.15 Board Meetings Open to All Association Members.

Except for executive sessions, all meetings of the Board shall be open to any and all Members of the Association; provided, however, that no Association Member shall have a right to participate in the Board's meetings unless such Member is also a member of the Board. The President shall have authority to exclude any Association Member who disrupts the proceedings at a meeting of the Board. At the discretion of the Board, the following matters may be considered in executive sessions:

- (a) consultation with legal counsel concerning rights and duties of the Association regarding existing or potential litigation or criminal matters;
- (b) personnel matters, including salary negotiations and employee discipline;
- (c) negotiations of contracts with third parties;
- (d) collection of assessments; and
- (e) for any other purpose permitted by the PCA.

Except in the case of an emergency, the Board shall vote in an open meeting whether to meet in executive session. If the Board votes to meet in executive session, the presiding officer of the Board shall state the general nature of the action to be considered, as precisely as possible, when and under what circumstances the deliberations can be disclosed to Owners. The statement, motion, or decision to meet in executive session must be included in the minutes of the meeting. A contract or an action considered in executive session does not become effective unless the Board, following the executive session,

reconvenes in open meeting and votes on the contract or action, which must be reasonably identified in the open meeting and included in the minutes.

4.16 Notice to Association Members of Board Meetings. For other than emergency meetings, notice of special Board meetings shall be mailed to each Owner at least seven days before the meeting by first-class mail or at least three days' notice by hand-delivery to each Lot Owner's address or by facsimile transmission. The Board shall give Owners notice of regular Board meetings at the beginning of each year by first class mail or other reasonable means setting out the time and place of the regular meetings. For any changed time or place, the notice requirements for special meetings shall apply.

4.17 Emergency Meetings. In the event of an emergency, Board of Directors meetings may be conducted by telephonic communication or by the use of a means of communication that allows all Board members participating to hear each other simultaneously or otherwise to be able to communicate during the meeting. No notice to either Directors or Association members shall be required for such meetings of the Board of Directors to be held for any emergency action. Provided, however, that no such meeting shall occur unless at least 75% of the Board of Directors participate in the same and after an attempt has been made to reach each Director.

4.18 Compensation of Directors. No Director shall be compensated in any manner, except for out-of-pocket expenses, unless such compensation is approved by vote of the Owners.

4.19 Interested Parties. A Director of the Association shall not be disqualified by the Director's office from contracting with the Association as vendor, purchaser, or otherwise; nor shall any contract or arrangement entered into by or on behalf of the Association in which any Director is in any way interested be avoided on that account, provided that such contract or arrangement shall have been approved or ratified by a majority of the Board without counting in such majority the Director so interested, although such Director may be counted toward a quorum, or shall have been approved or ratified by the affirmative action of a majority of the Members of the Association, and the interest shall have been disclosed or known to the approving or ratifying Directors or Members.

ARTICLE 5

OFFICERS

5.1 Designation. The principal officers of the Association shall be a President, a Secretary, and a Treasurer, all of whom shall be elected by the Directors. The Directors may appoint an assistant treasurer

and an assistant secretary, and any such other officers as in their judgment may be necessary.

5.2 Election of Officers. The officers of the Association may be elected by the Board at the organizational meeting of each new Board or any Board meeting thereafter, and shall hold office at the pleasure of the Board.

5.3 Removal of Officers. Upon an affirmative vote of a majority of the Board, any officer may be removed, either with or without cause, and such officer's successor may be elected at any regular or special meeting of the Board.

5.4 President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Association and of the Board. The President shall have all of the general powers and duties which are usually vested in the office of president of an association, including, but not limited to, the power to appoint committees from among the Owners from time to time as the President may, in the President's discretion, decide is appropriate to assist in the conduct of the affairs of the Association.

5.5 Secretary. The Secretary shall keep the minutes of all meetings of the Board and the minutes of all meetings of the Association and shall have charge of such books and papers as the Board may direct; and shall, in general, perform all the duties incident of the office of secretary.

5.6 Treasurer. The Treasurer shall have responsibility for Association funds and securities not otherwise held by the managing agent and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. The Treasurer shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board and for the disbursal of all funds when proper to do so.

5.7 Directors as Officers. Any Director may be an officer of the Association.

ARTICLE 6

OBLIGATIONS OF THE OWNERS

6.1 Assessments. All Owners are obligated to pay assessments imposed by the Association to meet all the Association's general common expenses, as more particularly set forth in the Declaration. Assessments shall be payable on a periodic basis, not more frequently

than monthly, as determined by the Board. Declarant (before turnover) and the Board (after turnover) may, but shall not be required to, impose interest or a service charge for late installment payments or allow a discount for payment of the annual assessment or any installment in advance.

6.2 Investment of Reserve Account Funds. Assessments paid into Reserve Accounts shall be kept with a safe and responsible depository, shall be accounted for separately, and, if invested, the obligation or security shall be fully guaranteed as to principal by the United States of America or one of its agencies. Assessments paid into the Reserve Accounts are the property of the Association and are not refundable to sellers of Lots. However, nothing contained herein shall prevent sellers of Lots from treating their outstanding allocable share of Reserve Accounts as a separate or reimbursable item in a sales agreement. No Owner shall have any individual rights in any of these reserves, although it is understood that the value of an Owner's Lot may increase in proportion to such Lot's right to receive repair, maintenance, and replacement therefrom.

6.3 Initial Assessment. The amount of the initial assessment due from Lot owners other than Declarant shall be determined by Declarant. The amount of the annual assessment thereafter shall be subject to review and modification by the Board of Directors.

6.3.1 Contribution to Working Capital. At closing of the sale of each Lot, each purchaser shall contribute to the Association a sum equal to one-sixth of the annual assessments, with respect to the Lot being purchased, as a one-time contribution to the working capital of the Association. Within 60 days after the first conveyance by the Declarant of the first Lot in PRAIRIE MEADOWS, Declarant shall make such contribution with respect to all Lots that have not yet been conveyed to a purchaser. If Declarant has made such contribution, no further contribution shall be required to the Association, but each purchaser shall reimburse Declarant at closing for the amount of the contribution made by Declarant with respect to the Lot conveyed to the purchaser. If the amount of the assessments is reduced pursuant to the authority granted to Declarant herein, the initial deposit to the Association budget, equal to one-sixth of the annual assessment, shall be based on the projected amount of such annual assessments after substantial or full occupancy of the Lots rather than on the reduced amount. The working capital contribution shall be allocated to the general operating reserve referenced in Section 10.6.2.1 of the Declaration. The working capital contribution is in addition to regular assessments and shall not be used as a prepayment of assessments by any Owner. Declarant may not use the working capital funds to defray any of its expenses, reserve contributions, or construction costs, or to make up any budget deficits while Declarant is in control of the Association. All working capital contributions

shall be disbursed to the Association at or prior to the turnover meeting and shall be credited to the operating reserve account.

6.3.2 Procedures. If Declarant or any other person pays all of the operating expenses of the Association or subsidizes such expenses, the assessment shall be reduced by such amount, but shall not be reduced to a sum less than the total amount of the replacement reserve items. With respect to Lots not yet conveyed by Declarant, Declarant may accrue the replacement reserve items. At the time of conveyance of the Lot for which the replacement reserve has been accrued, the accrued reserves must be paid to the Association. Declarant or such other person paying all operating expenses or subsidizing such expenses, shall give 10 days' written notice to individual Lot owners before their obligation to pay the full assessment begins. Thereafter, each owner, including Declarant or such other person, shall pay the assessments to the Association. In the event that Declarant has collected initial assessments from Lot purchasers at closing and thereafter elects to pay or subsidize the operating expenses, thereby causing the amount of the assessment to be reduced, the one-time initial contribution collected from Lot purchasers shall be held by Declarant in a separate Association account. On the date on which Lot owners are required to pay full assessments, the aggregate sums held in such separate account shall be deposited to the Association's general account to be used as working capital.

6.3.3 Temporary Reduction of Assessment Amount. If the Association expenses are temporarily less than projected by Declarant because some or most of the Lots are not yet sold or occupied, Declarant shall have the authority to reduce temporarily the amount of the assessment to reflect the lower expenses of the project.

6.4 Income Tax Returns; Determination of Fiscal Year.

6.4.1 Fiscal Year. The fiscal year of the Association shall be the calendar year unless otherwise determined by the Board.

6.4.2 Tax Returns. The Board, in its sole discretion, shall determine the manner in which all necessary income tax returns are filed and of selecting any and all persons to prepare such tax returns.

6.5 Statement of Assessments.

6.5.1 The Association shall provide, within 10 business days of receipt of a written request from an Owner, a written statement that provides:

6.5.1.1 The amount of assessments due from the Owner and unpaid at the time the request was received, including:

- (a) regular and special assessments;
- (b) fines and other charges;
- (c) accrued interest; and
- (d) late payment charges.

6.5.1.2 The percentage rate at which interest accrues on assessments that are not paid when due.

6.5.1.3 The percentage rate used to calculate the charges for late payment or the amount of a fixed charge for late payment.

6.5.2 The Association is not required to comply with Section 6.5.1 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.

6.6 Default. Failure by an Owner to pay any assessment of the Association shall be a default by such Owner of such Owner's obligations pursuant to these Bylaws and the Declaration. The Association shall be entitled to the remedies set forth in the Declaration.

6.7 Maintenance and Repair.

6.7.1 Lots. Except as otherwise specifically provided in the Declaration and these Bylaws, every Owner must promptly perform all maintenance and repair work to such Owner's Lot and the exterior of the improvements thereon (which do not constitute Commonly Maintained Property) and keep the same in good repair and sanitary and neat condition.

6.7.2 Common Area and Commonly Maintained Property.

The Association shall repair and maintain the Common Area and the Commonly Maintained Property, subject to the provisions of subsection 6.7.3.

6.7.3 Reimbursement of Association. An Owner shall reimburse the Association for any expenditures incurred in repairing or replacing any portion of the Common Area or of any Commonly Maintained Property that was damaged through such Owner's fault and that is not otherwise covered by insurance policies carried by the Owner or the Association for the Owner's and the Association's benefit. In such circumstances, the insurance obtained by the Owner shall be deemed to be the primary coverage. The Board of Directors shall have the unfettered discretion to refuse to make a claim on the Association's policy even though coverage may pertain. Such discretion is for the purpose of maintaining the Association's insurability and controlling the amount of the premiums for the Association's insurance. Such charge shall be

collectible as a Reimbursement Assessment as provided in the Declaration.

6.8 Right of Entry; Easements for Maintenance.

6.8.1 Emergencies. Present and future Owners, tenants, Occupants, and any other persons that occupy any portion of the Property, by virtue of acquisition, rental, or occupancy of any of the Lots, grant to the management agent or to any other person authorized by the Board or the Association the right to enter on such Lot in the event of an emergency originating in or threatening any Owner's Lot.

6.8.2 Maintenance Easements. Declarant grants an easement to the Association in and through any Lot and the Common Area providing access at reasonable times and with reasonable notice for purposes of maintenance, repair, and replacement of the Common Area and Commonly Maintained Property. If, in performing such repair and maintenance, the Association needs to alter or damage any Lot, Commonly Maintained Property, or Common Area, it may do so without providing compensation, provided that it promptly restores the Lot and/or Common Area to substantially its prior condition.

ARTICLE 7

USE AND OCCUPANCY RESTRICTIONS; RULES OF CONDUCT

In addition to the restrictions and rules of conduct set forth in the Declaration, the following shall apply:

7.1 Use of the Common Area. No Owner shall place or cause to be placed on any portion of the Common Area any trash, structure, equipment, improvement, furniture, package, or object of any kind. Common areas shall be used for no purpose other than what is customary for such areas.

7.2 Appearance of Lots. Owners shall keep their Lots and the improvements thereon in good repair, clean, and with painted, stained, or other finished exteriors compatible with the Architectural Standards, the Declaration, and Rules and Regulations. Provided, however, the Association shall have such obligations with respect to the Commonly Maintained Property.

7.3 Nuisances. No Owner or Occupant shall cause or permit such Owner's representatives, agents, employees, or family members to cause any nuisance or to make any use or engage in any practice on the Property that is a source of annoyance to other Owners and Occupants or that interferes with other Owners' and Occupants' peaceful possession and proper use of the Property. Owners and

Occupants shall exercise extreme care about creating disturbances, making noises or using musical instruments, radios, televisions, and amplifiers that may disturb other Owners and Occupants. Owners and Occupants shall keep all parts of their respective Lots in a clean and sanitary condition, free of any accumulation of rubbish, refuse, or garbage and free of any fire hazard and shall not cause any accumulation of rubbish, refuse, or garbage or any fire hazard on any other part of the Property. Owners and Occupants shall place all of their rubbish, refuse, and garbage inside disposal containers. No Owner shall make or permit any use of such Owner's Lot or of the Common Area that will increase the cost of insurance on the Common Area.

7.4 Improper, Offensive, or Unlawful Use. No Owner or Occupant shall make any improper, offensive, or unlawful use of any part of the Property. Owners and Occupants shall observe all valid laws, zoning ordinances, and regulations of governmental bodies having jurisdiction over the Property. The responsibility for meeting the requirements of governmental bodies for maintenance, modification, or repair of the Property shall be carried out and paid for in the same manner as the responsibility for the maintenance and repair of the Property concerned.

7.5 Additional Rules. In addition to the rules set forth in this Article 7, the Board may promulgate and amend, from time to time, Rules and Regulations concerning other use of the Property and shall furnish copies of such Rules and Regulations to any Owner or Occupant requesting such copies.

7.6 Enforcement. The Association, through its Board of Directors, shall have the power to enforce the covenants and restrictions in these Bylaws and in the Declaration. Owners shall also have the right to bring actions or suits regarding covenants and restrictions, but shall have no right or power to require the Association or Board of Directors to take any enforcement action.

7.7 Restriction on Exterior Installations. Except as permitted by law, no owner, resident, or tenant shall install wiring for electrical or telephone installation, machines, or air conditioning units or similar devices on the exterior of the building(s) or cause them to protrude through the walls or the roof of the building(s) except as authorized in writing by the Board of Directors, and, if the modification or installation would require an easement pursuant to the Declaration, then prior approval by the required percentage of Owners. No window guards, awnings, or shades shall be installed without the prior written consent of the Board of Directors.

7.8 Fines. The Board of Directors may, after giving written notice and an opportunity to be heard, levy reasonable fines for violations

of the Declaration, Bylaws, and Rules and Regulations of the Association, provided that fines levied are based on a schedule previously adopted by Board resolution that is mailed to the mailing address of each Unit or mailed to the mailing address designated in writing by the owner(s).

ARTICLE 8

INSURANCE

8.1 General. The Board shall obtain and maintain at all times insurance of the type and kind and in the amounts hereinafter provided and additional insurance for such other risks of a similar or dissimilar nature as are now or as shall be hereafter customarily covered by insurance obtained by other planned communities similar in construction and design. Such additional insurance shall be governed by this Article 8.

8.2 Types of Insurance Policies Maintained by the Association. For the benefit of the Association and the Owners, the Board shall obtain and maintain at all times, and shall pay for out of the common expense funds, the following insurance to the extent that it is available at reasonable cost:

8.2.1 Property Insurance. A policy or policies of property insurance, including, but not limited to, fire, extended coverage, vandalism, and malicious mischief, for the full insurable replacement value of the Common Area to the extent such insurance is available and, if available at a reasonable cost, shall obtain building code and actual replacement cost endorsements and earthquake insurance.

8.2.2 Liability. A policy or policies insuring the Association, its Board, the Owners individually, and the manager against any liability to the public or the Owners and their invitees or tenants, incident to the ownership, supervision, control, or use of the Property. Limits of liability under such insurance shall be not less than \$1 million per occurrence for bodily injuries and property damage liability. Such limit and coverage shall be reviewed at least annually by the Board, which may increase the limit of and/or coverage, in its discretion. Said policy or policies shall be issued on a commercial General Liability form and shall provide cross-liability endorsements wherein the rights of the named insured under the policy or policies shall not be prejudiced as respects his, her, or their action against another named insured.

8.2.3 Workers' Compensation. Workers' compensation insurance to the extent that it is necessary to comply with any applicable laws.

8.3 Fidelity Bond. For the benefit of the Association and Owners, the

Board may obtain a fidelity bond naming such persons as may be designated by the Board as principals and the Association and the Owners as obligees, for the amount determined by the Board. The Board may pay for such bond out of the common expenses of the Association. In addition, the Board shall require that all officers and employees of the Association handling or responsible for Association funds to obtain adequate fidelity bonds and may pay for the premiums thereon.

8.4 Insurance Companies Authorized. All policies obtained under this Article 8 shall be written by a company licensed to do business in Oregon and holding a "Commissioner's Rating" of "A+" and a size rating of "AAA" or better, by Best's Insurance Reports, or as may be otherwise acceptable to all mortgagees and Directors.

8.5 Provisions in Insurance Policies. The Board shall make every reasonable effort to secure insurance policies that will provide for the following:

8.5.1 Waiver of Subrogation. A waiver of subrogation by the insurer as to any claims against the Board, the officers, the manager, the Owners, and their respective servants, agents, guests, and tenants.

8.5.2 Noncancellation for Owner Conduct. A provision that the master policy on the Property cannot be canceled, invalidated, or suspended on account of the conduct of any one or more individual Owners.

8.5.3 Noncancellation Without Opportunity to Cure. A provision that the master policy on the Property cannot be canceled, invalidated, or suspended on account of the conduct of any officer or employee of the Board or the manager without prior demand in writing that the Board or manager cure the defect.

8.5.4 No Other Insurance Clauses. A provision that any "no other insurance" clause in the master policy exclude individual Owners' policies and not otherwise prevent such individual policies from providing coverage for damage to Homes, Lots, or Common Area.

8.6 Home and Lot Insurance Maintained by Each Owner. The Association shall have no responsibility to procure or to assist Owners or Occupants in procuring property loss insurance or liability insurance other than as expressly stated in this Article 8. Owners and Occupants shall procure all other insurance coverage that they deem necessary or prudent for their protection, and shall be obligated to carry property insurance with extended coverage endorsements in the amount of the replacement value of such Owners' homes and with minimum combined limits of \$100,000 per occurrence. Insurance coverage obtained and maintained by the Board of Directors may be brought into contribution with that obtained and maintained by Owners or mortgagees only in the Board of Directors' sole and unfettered

discretion.

8.7 Review of Insurance Policies. At least annually, the Board shall review all insurance carried by the Association, which review shall include a consultation with a representative of the insurance carrier writing the master policy.

ARTICLE 9

AMENDMENT

Except as otherwise provided in this Article, and the restrictions set forth elsewhere herein, these Bylaws may be amended at any time by an instrument approved by at least a majority of the total votes of each class of Members that are eligible to vote. Any amendment must be executed, recorded and certified as provided by law. Provided, however, no amendment of these Bylaws may effect an amendment of the Declaration or the Articles without compliance with the provisions of such documents and the Oregon Nonprofit Corporation Act, and no amendment deleting or affecting any right of Declarant or its successor or assignee, including, without limitation, an amendment to this Article 9, may be adopted without the prior written consent of Declarant or its successor or assignee. Furthermore, the Board may adopt administrative Rules and Regulations supplementing these Bylaws for the purpose of governing the details for the operation and use of the common property in accordance with the Declarations of PRAIRIE MEADOWS.

ARTICLE 10

RECORDS AND AUDITS

10.1 General Records. The Board and the managing agent or manager, if any, shall preserve and maintain minutes of the meetings of the Association, the Board, and any Board committees as required by ORS 94.670. The Board shall maintain a list of Owners entitled to vote at meetings of the Association. The minutes of the Association, the Board, and Board committees, and the Association's financial records shall be reasonably available for review and copying by the Owners. A reasonable charge may be imposed by the Association for providing copies. Proxies and ballots must be retained by the Association for one year from the date of determination of the vote.

10.2 Assessment Roll. The Board and the managing agent or manager, if any, shall maintain the assessment roll in a set of accounting books in which there shall be an account for each Lot. Such account shall designate the name and address of the Owner or Owners, the amount of each assessment against the Owner, the dates on which and the amounts in which the assessment comes due, the amounts paid upon the account

and the balance due on the assessments.

10.3 Payment of Vouchers. The Treasurer or management agent shall pay all expenses authorized by the Board. The Treasurer or management agent shall maintain and follow reasonable procedures to assure the accounts and records are proper, and to assure that all expenditures are proper. Except in cases when an emergency exists (e.g., a repair must be made immediately to prevent further damage), any voucher for nonbudgeted items shall require the signature of the President; provided, however, that any withdrawal from Reserve Accounts shall require the signature of two Board members or one Board member and an officer of the Association who is not a Board member.

ARTICLE 11

COMPLIANCE WITH THE PLANNED COMMUNITY ACT; CONFLICTS

These Bylaws are intended to comply with the provisions of the PCA, the provisions of which apply to PRAIRIE MEADOWS. In case of any conflict among the provisions of the PCA, the Articles, the Declaration, or these Bylaws, the provisions of the PCA shall control over those of the Articles and Declaration, and the provisions of the Declaration shall control over those of the Articles and these Bylaws.

ARTICLE 12

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND AGENTS

The Association shall indemnify any Director, officer, employee, or agent who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding. Indemnification will be made regardless of whether the action is civil, criminal, administrative, or investigative (other than an action by the Association) by reason of the fact that such person is or was a Director, officer, employee, or agent of the Association or is or was serving at the request of the Association as a Director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorney fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by said person in connection with such suit, action, or proceeding. This applies if such person acted in good faith and in a manner that such person reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had no reasonable cause to believe that such person's conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or with a plea of nolo contendere or its equivalent, shall not of itself create a

presumption that a person did not act in good faith and in a manner that such person reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had reasonable cause to believe that such person's conduct was unlawful. Payment under this clause may be made during the pendency of such claim, action, suit, or proceeding as and when incurred, subject only to the right of the Association to reimbursement of such payment from such person, should it be proven at a later time that such person had no right to such payments. All persons who are ultimately held liable for their actions on behalf of the Association as a Director, officer, employee, or agent shall have a right of contribution over and against all other Directors, officers, employees, or agents and Members of the Association who participated with or benefited from the acts that created said liability.

ARTICLE 13

ASSESSMENT COLLECTION COSTS; SUITS AND ACTIONS

An Owner shall be obliged to pay reasonable fees and costs (including, but not limited to, attorney fees) and actual administrative costs incurred in connection with efforts to collect any delinquent unpaid assessments from such Owner, whether or not suit or action is filed. Assessments against Owners may include fees, late charges, fines, and interest imposed by the Board, in addition to amounts owed toward operating expenses and the funding of reserves. If the Association brings against any Owner or Owners a suit or action for the collection of any amounts due pursuant to or for the enforcement of any provisions of the Declaration, the Articles, or these Bylaws, such Owner or Owners, jointly and severally, shall pay, in addition to all other obligations, the costs of such suit or action, including actual administrative expenses incurred by the Association because of the matter or act which is the subject of the suit, reasonable attorneys' fees to be fixed by the trial court and, in the event of an appeal, the cost of the appeal, together with reasonable attorneys' fees in the appellate court to be fixed by such court.

ARTICLE 14

MISCELLANEOUS

14.1 Notices. All notices to the Association or to the Board shall be sent in 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 hereafter 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,

or if no address has been designated, then to such Owner's Lot.

14.2 Waiver. No restriction, condition, obligation, or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof that may have occurred and the number of times that the pertinent restriction, condition, obligation, or provision was not enforced.

14.3 Invalidity; Number; Captions. The invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability, or effect of the balance of these Bylaws; provided, however, that if any of the provisions of these Bylaws would violate the rule against perpetuities or any other limitation on the duration of the provisions herein contained imposed by law, then such provision shall be deemed to remain in effect only for the maximum period permitted by law, or in the event the rule against perpetuities applies, until 21 years after the death of the last survivor of the now living descendants of PRAIRIE MEADOWS. As used herein, the singular shall include the plural, and the plural the singular. The masculine and neuter shall each include the masculine, feminine, and neuter, as the context requires. All captions used herein are intended solely for convenience of reference and shall in no way limit any of the provisions of these Bylaws.

14.4 Waiver of Notice. Whenever any notice is required to be given to any Owner, Member, Committee person or Director of the Association under the provisions of these Bylaws, under the provisions of the Articles of Incorporation, or under the provisions of the PCA and no other procedure regarding waiver of notice is set out, a waiver of the notice in writing, signed by the person or persons entitled to the notice, whether before or after the time stated in the notice, shall be deemed equivalent to the giving of the notice.

ARTICLE 15

ADOPTION

It is hereby certified that these Bylaws have been adopted by Monti's Construction, Inc., an Oregon Corporation, Declarant, of Klamath

Falls, Oregon and shall be recorded in the Deed Records of Klamath County.

DATED: 10th day of January, 2007.
MONTI'S CONSTRUCTION, INC

By: [Signature]
STATE OF OREGON)
County of Klamath)

Personally appeared Martin Monti, who being duly sworn, did say that he /she is the owner of Monti's Construction and that the foregoing instrument was signed in behalf of said Corporation; and acknowledged said instrument to be its voluntary act and deed.



[Signature]
Notary Public for Oregon
My commission expires: 11-6-09