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BYLAWS
OF
QUAIL POINT ESTATES HOMEOWNERS' ASSOCIATION
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BYLAWS
OF
QUAIL POINT ESTATES HOMEOWNERS' ASSOCIATION

The acquisition, occupancy or rental of any of the Lots of the Project or the mere act of occupancy of any said Lots will constitute acceptance and ratification of these Bylaws and agreement to comply with all the provisions hereof.

ARTICLE 1 PLANNED COMMUNITY PLAN OF LOT OWNERSHIP; DEFINITIONS

1.1 Lot Ownership. Lots 1 through 42 and the adjacent common area of Quail Point Estates in the County of Klamath, State of Oregon (the "Property" or "Project"), is submitted to the provisions of Oregon Revised Statutes, Sections 94.550, et seq., the Oregon Planned Community Act.

1.2 Bylaws Applicability. The provisions of these Bylaws are applicable to the Property, the Quail Point Estates Homeowners' Association ("Association") and the entire management structure thereof.

1.3 Personal Application. All present or future Owners, tenants, occupants, future tenants or their employees, or any other person that might use the facilities of the Project in any manner, are subject to the regulations set forth in these Bylaws.

1.4 Definitions. The terms herein shall have the same meaning as set forth in Article 1 of the Declaration of Covenants, Conditions, and Restrictions.

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 a member of the Association, and shall remain a member of said 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.

2.2 Voting Rights. Members shall be all Owners of Lots and each member shall be entitled to one (1) vote for each Lot owned with respect to all matters upon which Owners are entitled to vote.

When more than one (1) person or entity owns a Lot, the vote for such Lot may be cast as they shall determine, but in no event will fractional voting be allowed. Fractionalized or split votes shall be disregarded, except for purposes of determining a quorum. The total number of votes shall be equal to the total number of Lots in the Property and subjected to these Bylaws.

2.3 Majority of Owners. As used in these Bylaws, the term "Majority" shall mean those Owners holding over fifty percent (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 fifty percent (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 twenty percent (20%) or more of the outstanding votes in the Association, as defined in Section 2.2, shall constitute a quorum. Owners present at any legal meeting. A legal meeting is one duly called pursuant to these Bylaws where 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 at least twenty percent (20%) of the vote.

2.5 Place of Meetings. Formal meetings of the Association shall be held at a suitable place convenient to the Owners as may be designated by the Board of Directors. Any vote taken by written ballot shall be determined by the Board of Directors within forty-eight (48) hours of the deadline for return of ballots. Each Owner shall be notified by electronic mail, website posting, mail or other delivery of written notice of the results of the ballot meeting or that a quorum of ballots was not returned, within ten (10) days after the ballots have been counted.

2.6 Proxy. Each Owner may cast such Owner's vote in person, by written ballot, or pursuant to a proxy executed by such Owner. An Owner may not revoke a proxy given pursuant to this Section 2.6 except by actual notice or revocation to the person presiding over a meeting of the Association. A proxy shall not be valid if it is undated or purports to be revocable without notice. A proxy shall terminate one year after its date, unless the proxy specifies a shorter term.

2.7 Annual Meetings. The date for this meeting, at the discretion of the Board of Directors, may be changed from time to time, but must be held annually under the rules and regulations as set out in the Bylaws. At such meetings, new members of the Board of Directors shall be elected by the Owners in accordance with the requirements of Section 3.8 of these Bylaws, to replace those directors whose terms have expired. The Owners may also transact such other business of the Association as may properly come before them.

2.8 Special Meetings. It shall be the duty of the President to call a special meeting of the Owners as directed by resolution of the Board of Directors or upon a petition signed by twenty-five percent (25%) or more of the Owners having been presented to the Secretary or managing agent. All meetings called because of petition of Owners shall be held at a formal gathering and not by ballot, and shall be held within sixty (60) days after 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 shall be transacted at a special meeting except as stated in the notice unless by consent of all the Owners of the Lots or as otherwise set out in these Bylaws.

2.9 Notice of Meetings. It shall be the duty of the Secretary or Managing Agent to mail a notice of each annual, special or meeting by ballot, stating the purpose thereof and the time and place where it is to be held, to each Owner of record at least ten (10) but not more than fifty (50) days prior to such meeting or the date when ballots for a ballot meeting are required to be returned. The mailing shall be to the Owner's address last given the Secretary or Managing Agent in writing by the Owner. 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 or Managing Agent has been notified in writing by such parties. If no address has been given the Secretary or Managing Agent in writing, then mailing to the Project Lot address shall be sufficient. The mailing of a notice in the manner provided in this Section shall be considered notice legally served.

2.10 Adjourned Meetings. 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 forty-eight (48) hours nor more than ten (10) days from the time the original meeting was called. The adjournment provisions of this Section do not apply to meetings by ballot.

2.11 Order of Business. The order of business at all 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

ARTICLE 3

BOARD OF DIRECTORS

3.1 Number and Qualification. The affairs of the Association shall be governed by a Board of Directors composed of five (5) persons, all of whom must be an Owner or the co-owner of a Lot. An officer or employee of a corporation, or the trustee of a trust, or personal representative of an estate, or an employee of the trust or estate may serve on the Board of Directors, if the corporation, trust or estate owns a Lot.

3.2 Powers and Duties. The Board of Directors 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 exercised and done by the Owners.

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

3.3.1 Care, upkeep and supervision of the Common Property.

3.3.2 Establishment and maintenance of replacement reserve accounts and other reserves which are required to be maintained by the Oregon Planned Community Act, the Declaration or these Bylaws and such other reserve accounts as are permitted by these Bylaws.

3.3.3 Designation and collection of annual assessments from the Owners, in accordance with these Bylaws, the Declaration and the Oregon Planned Community Act.

3.3.4 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.

3.3.5 Obtaining and maintaining insurance policies and payment of premiums therefore out of the common expense funds in respect to both the Common Property and Living Units as more specifically provided in Article 7 of these Bylaws.

3.3.6 Designation and dismissal of the personnel necessary for the maintenance and operation of the Project.

3.3.7 Causing the preparation and distribution of annual financial statements of the Association to each of the Owners as more specifically provided in section 3.6.

3.3.8 Adoption and amendment of administrative rules and regulations governing the details of operation and use of the Common Property. Provided, however any such rules

or regulations shall always be subject to rescission or amendment by the Association upon majority vote of Owners present at any properly called meeting.

3.3.9 Causing the Association to comply with the Oregon Planned Community Act relating to maintenance of documents and maintenance and distribution of financial statements. Also to maintain copies suitable for duplication of the following: Declaration, Bylaws, Association rules and regulations and any amendments thereto, the most recent annual financial statement and the current operating budget of the Association.

3.4 Limited Authority. bThe Board of Directors shall be prohibited from taking any of the following actions, except with the vote or written assent of a majority of the voting power of the owners.

3.4.1 Entering into a contract with a third party wherein the third person will furnish goods or services for the common area or the Association for a term longer than one year with the following exceptions:

(a) Management contract, the terms of which follow the guidelines of the Federal Housing Administration or Veterans Administration.

(b) A contract with a public utility company if the rates charged for the materials or services are regulated by the 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) Prepaid casualty and/or liability insurance policies of not to exceed three years duration provided that the policy permits short rate cancellation by the insured.

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

3.5 Income Tax Returns; Determination of Fiscal Year.

3.5.1 The fiscal year of the Association shall be the calendar year unless otherwise determined by the Board of Directors.

3.5.2 The Board of Directors, 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.

3.6 Budgets and Financial Statements.

3.6.1 The following financial and related information shall be regularly prepared and distributed by the Board of Directors to all members of the Association:

(a) A pro forma operating budget for the immediately ensuing fiscal year consisting of at least the following information shall be distributed not less than 45 days to the beginning of the fiscal year.

(1) Estimated revenue and expense.

(2) A current balance sheet.

3.6.2 The Board of Directors shall do the following not less frequently than semi-annually:

(a) Cause a current reconciliation of the Association's operating accounts to be made and review the same.

(b) Review the most current account statements prepared by the financial institution where the Association has its operating and reserve accounts.

(c) Review an income and expense statement for the Association's operating and reserve accounts.

(d) The failure of the Board of Directors to timely prepare and/or to present a budget to the Owners shall not be cause for any Owner to fail or refuse to pay assessments. Assessments shall continue, based upon the last adopted or accepted budget, until a new budget is created and announced. Retroactive increases and/or special assessments may be made by the Board of Directors to make up for any deficiency.

3.7 Management Agent. The Board of Directors may employ a management agent, to be compensated in an amount established by the Board, to perform such other duties and services as the Board shall authorize, including but not limited to duties listed in Section 3.3 and Article 9.

3.8 Election and Term of Officer. The term of office for all five (5) Directors shall be two (2) calendar years. Elections shall take place at each Annual Meeting in the following pattern to insure leadership continuity: 1) in even years of the Annual Meeting, three (3) directors are elected for the following two (2) years; 2) in odd years of the Annual Meeting, two (2) directors are elected for the following two (2) years. The Association may increase or decrease the number of Directors and length of terms upon amendment of the Article 3.

3.9 Vacancies. Vacancies on the Board of Directors 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; and each person so elected shall be a Director until a successor is elected upon expiration of the term for which such person was elected by the other Directors to serve.

3.10 Removal of Directors. At any legal annual or special meeting, other than a meeting by ballot, 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, 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 the meeting. Any Director or Directors who fail(s) to attend three (3) successive meetings of the Board of Directors which have been properly called, or who has failed to attend more than one third (1/3) of the Board of Directors meetings during a twelve (12) month period which have been properly called, may be removed by a majority of the remaining Directors.

3.11 Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors. Notice of regular meetings of the Board of Directors may be called by the President on three (3) days' notice to each Director, given personally or by electronic mail, mail, or telephone, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

3.12 Special Meetings. Special meetings of the Board of Directors may be called by the President or Secretary or on the written request of at least three (3) Directors. Special meetings of the Board of Directors may be called on three (3) days' notice to each Director, given personally or by electronic mail, mail, or telephone, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

3.13 Board of Directors' Quorum. At all meetings of the Board of Directors, 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 of Directors. If at any meeting of the Board of Directors there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

3.14 Board of Directors Meetings Open to All Association Members. All meetings of the Board of Directors except executive session meetings, shall be open to any and all members of the Association. Provided, however, no Association member shall have a right to participate in the Board of Directors meetings unless such member is also a member of the Board of Directors. The President shall have authority to exclude any Association member who disrupts the proceedings at a meeting of the Board of Directors.

3.15 Notice to Association Members of Board of Directors Meetings. For other than emergency meetings, notice of Board of Directors meetings shall be posted electronically or at a place on the Common Property at least three (3) days prior to the meeting or notice shall otherwise be provided to each member of the Association reasonably calculated to inform each member of such meetings. The posting of such notices shall be at a reasonable location which has been generally publicized to the Owners.

3.16 Telephonic/electronic Meetings. In the event of an emergency, telephonic/electronic meetings may be held by the Board of Directors. Such telephonic/electronic meetings shall be

carried on by means of a "conference call" in which each Director may speak with any of the other Directors. The Directors shall keep contact information on file with the President to be used for telephonic/electronic meetings. No notice to either Directors or Association members shall be required for a telephonic/electronic meeting of the Board of Directors to be held for any emergency action. Provided, however, no such telephonic/electronic meeting shall occur unless at least seventy-five percent (75%) of the Board of Directors participate in the same and after an attempt has been made to contact the Board of Directors for such purpose.

3.17 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.

ARTICLE 4

OFFICERS

4.1 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.

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

4.3 Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his or her successor elected at any regular or special meeting of the Board of Directors.

4.4 President. The President shall be the chief executive officer of the Association. The President shall preside at all meetings of the Association and of the Board of Directors. 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 he or she may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Association.

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

4.6 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. He or she 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 of Directors.

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

ARTICLE 5

OBLIGATIONS OF THE OWNERS

5.1 Assessments. All Owners are obligated to pay assessments imposed by the Association to meet all the Association's general common expenses. Assessments shall be payable on a periodic basis, not more frequently than monthly, as determined by the Board of Directors.

5.2 Investment of Reserve Account Funds. Any reserve account shall be kept in an account 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. Provided, however, nothing 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 their respective Lots may increase in proportion to each Lot's right to receive repair, maintenance and replacement there from.

5.3 Special Assessments. The Board of Directors shall have the power to levy special assessments against an owner or all owners in the following manner for the following purposes:

5.3.1 To correct a deficit in the operating budget by vote of a majority of the Board;

5.3.2 To collect amounts due to the Association from an owner for breach of the owner's obligations under the Declaration, these Bylaws, or the Association's rules and regulations, by vote of a majority of the Board;

5.3.3 Upon vote of a majority of the Board of Directors, to make repairs or renovations to the common area or those portions of the buildings for which the Association has maintenance responsibility if sufficient refunds are not available from the operating budget or replacement reserve accounts; or

5.3.4 To make capital acquisitions, additions or improvements, by vote of a majority of the Board of Directors.

5.4 Default. Failure by an Owner to pay any assessment of the Association shall be a default by such Owner of his or her obligations pursuant to these Bylaws and the Oregon Planned Community Act. In addition to the interest which may be charged on delinquent assessments, the

Board of Directors, at its option, may impose a late charge penalty in respect to any assessment not paid within ten (10) days from the due date. Such penalty may not exceed the sum of ten percent (10%) per annum of the monthly assessment. The Association shall be entitled to a lien which may be enforced upon compliance with the provisions of the Oregon Planned Community Act. In any foreclosure suit by the Association with respect to such lien, the Association shall be entitled to collect reasonable rent from the defaulting Owner for the use of his or her Lot or shall be entitled to the appointment of a receiver. Any default by the Owner in any provisions of these Bylaws or of the Oregon Planned Community Act shall be deemed to be a default by the Owner of any mortgage to which the Owner is a party or to which the Lot is subject.

5.5 Maintenance and Repair.

5.5.1 Except as otherwise specifically provided in the Declaration and Bylaws, every Owner must perform promptly all maintenance and repair work within his or her own Lot, which if omitted would affect the adjacent property or Common Property, and shall be responsible for the loss of property value, damages, and liabilities that his or her failure to do so may cause.

5.5.2 All repairs of internal installations of each Living Unit, such as water, lights, gas, power, sewage, telephones, air conditioners and sanitary installations, doors, windows, lamps and all other accessories belonging to the Living Unit area shall be at the sole expense of the Owner of such Living Unit.

5.5.3 An Owner shall reimburse the Association for any expenditures incurred in repairing or replacing any Common Property and/or facility damaged through his or her fault, not otherwise covered by insurance policies carried by the Association for the Owner's and Association's benefit.

5.6 Right of Entry; Encroachments; Easements for Maintenance.

5.6.1 In case of an emergency originating in or threatening his or her Lot, an Owner shall grant the right of entry to the management agent or to any other person authorized by the Board of Directors or the Association, whether the Owner is present at the time or not.

5.6.2 An easement is reserved to the Association in and through any Lot and the Common Property providing access at reasonable times and with reasonable notice for purposes of maintenance, repair and replacement of the Common Property. If, in the process of such repair and maintenance by the Association, it is necessary to alter or damage any Lot or Common Property, such alterations or damages will be permitted without compensation, provided the Lot and/or Common Property are promptly restored to substantially their prior condition by the Association.

ARTICLE 6

USE AND OCCUPANCY RESTRICTIONS; RULES OF CONDUCT

6.1 Rules. Owners (including his family, invitees, renters or lessees) must comply with the rules of conduct and restrictions set forth in the Declaration of Covenants, Conditions, and Restrictions for Quail Point Estates, these Bylaws or others promulgated by the Board of Directors. Failure to comply shall be cause for which the Board of Directors may deny or restrict such Owner's right to use any common facility with respect to which such Owner otherwise had a right of use. In addition, the Board of Directors is responsible for administration of a system, including fines and liens, for compliance with the Declaration of CCRs. This duty can be relegated to the Management Agent.

6.2 Improper, Offensive or Unlawful Use. No improper, offensive or unlawful use will be made of the Property nor any part of it; all valid laws, zoning ordinances and regulations of governmental bodies having jurisdiction will be observed. The responsibility of meeting the requirements of governmental bodies for maintenance, modification or repair of the Property will be carried out and paid for in the same manner as the responsibility for the maintenance and repair of the Property concerned.

6.3 Use of Recreation and Common Facilities. All recreational areas and other Common Property are provided for the use of the Owners and their guests. Rules and regulations may be adopted by the Board of Directors, setting out the hours the various facilities will be available for use, and the conditions attendant thereto. Compliance with such rules as determined by the Board of Directors is essential to the harmonious operation of the facilities.

6.4 Additional Rules. Rules and regulations concerning other use of the Property may be made and amended from time to time by the Board of Directors. Copies of such rules and regulations will be furnished to all Owners and residents of the Project, upon request.

ARTICLE 7

INSURANCE

7.1 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 7.

7.2 Types of Insurance Policies. 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:

7.2.1 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 shall not be prejudiced as respects his, her, or their action against another named insured.

7.3 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 8

AMENDMENT

Except as otherwise provided in this Article, and the restrictions set forth elsewhere herein, these Bylaws and/or Declaration may be amended at any time by an instrument approved by seventy-five percent (75%) [ORS 94.590] 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 the Bylaws may effect an amendment of the Declaration or the Articles of Incorporation without compliance with the provisions of such documents and the Oregon Nonprofit Corporation Act.

ARTICLE 9

RECORDS AND AUDITS

9.1 General Records. The Board of Directors and the managing agent or manager, if any, shall preserve and maintain minutes of the meetings of the Association, the Board and any committees as required by ORS 94.670. The Board of Directors shall maintain a list of Owners entitled to vote at meetings of the Association. The minutes of the Association, the Board and 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.

9.2 **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 Owners, the dates and amounts in which the assessment comes due, the amounts paid upon the account and the balance due on the assessments.

9.3 **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 exist (e.g., a repair must be made immediately to prevent further damage), any voucher for non-budgeted items shall require the signature of the President; provided, however, 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.

9.4 **Reports and Audits.** The Board of Directors shall prepare or cause to be prepared an annual report of the receipts and expenditures of the Association and a balance sheet and income and expense statement setting forth the financial condition of the Association as of the end of each year. The report shall be prepared according to generally accepted accounting procedures and shall be distributed to the Board of Directors within ninety (90) days after the end of each fiscal year. At any time any Owner or mortgagee may, at his or her own expense, cause an audit or inspection to be made of the books and records of the Association.

ARTICLE 10

COMPLIANCE

These Bylaws are intended to comply with the provisions of the Oregon Planned Community Act, which are incorporated herein and to supplement the provision in the Project Declaration. In case any of the provisions hereof conflict with the provisions of said statutes, the statutory provisions shall apply. In case of any conflict between the provisions hereof and the Declaration, the provisions in the Declaration shall apply.

ARTICLE 11

LIABILITY AND INDEMNIFICATION OF DIRECTORS

11.1 Limitation of Liability. The civil liability of the qualified director for the performance or the non-performance of the director's duty shall be limited to gross negligence or intentional misconduct.

11.2 Indemnification. The Association may indemnify an individual made a party to a proceeding because the individual is or was a director, against liability incurred in the proceeding, in accordance with the provisions of ORS 65.387 to 65.414, as those sections are presently constituted or are subsequently amended or recodified.

ARTICLE 12

ASSESSMENT COLLECTION COSTS; SUITS AND ACTIONS

Owners shall be obliged to pay reasonable fees and costs including, but not limited to, attorney fees incurred in connection with efforts to collect any delinquent unpaid assessments. In addition to the monthly assessment for operating expenses and the funding of reserves, such assessments may include fees, late charges, fines and interest imposed pursuant to ORS Chapter 94. In the event suit or action is commenced by the Directors for the collection of any amounts due pursuant to these Bylaws or for the enforcement of any provisions of the Declaration, Bylaws or of the Oregon Planned Community Act, the Owner or Owners, jointly and severally, will in addition to all other obligations, pay the costs of such suit or action, including reasonable attorney fees to be fixed by the trial court and, in the event of an appeal, the cost of the appeal, together with reasonable attorney fees in the appellate court to be fixed by such court.

ARTICLE 13

MISCELLANEOUS

13.1 Notices. All notices to the Association or to the Board of Directors shall be sent care of the managing agent, or if there is no managing agent, to the principal office of the Association or to such other address as the Board of Directors may hereafter designate from time to time. All notices to any Owner shall be sent to such address as may have been designated by him or her from time to time, in writing, to the Board of Directors, or if no address has been designated, then to the Owner's Lot.

13.2 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 which may occur.

13.3 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. 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.

ARTICLE 14

ADOPTION

It is hereby certified that these Bylaws have been adopted by Quail Point Estates Homeowners Association Inc., an Oregon non-profit corporation, and will be recorded in the Deed Records of Klamath County, together with the Declaration of Covenants, Conditions and Restrictions for said planned community.

Dated: 11-25-13

By: Robert Neuman

President, Quail Point Estates Homeowners Association

This instrument was acknowledged before me on this day of 11.25.2013.

Denise Eayrs

NOTARY PUBLIC FOR OREGON

My Commission Expires: 7.28.2015

