

BROKEN TOP COMMUNITY ASSOCIATION

POLICY RESOLUTION NUMBER 15 – 5 -4

LEASING RESOLUTION

WHEREAS, Article XII, Section 12.2, Board Powers, of the Declaration of Protective Covenants, Conditions and Restrictions for Broken Top Community Association (BTCA), subject to the terms of this Article XII and to its duty of care and undivided loyalty to the Association and its Members, the Board shall implement and manage the Use Guidelines and Restrictions through rules which adopt, modify, cancel, limit, create exceptions to, or expand the Use Guidelines and Restrictions; provided, no rule adopted by the Board shall be inconsistent with the terms of this Declaration.

AND WHEREAS, Article XII, Section 12.6 Use Guidelines and Restrictions, (b) Restricted Activities, subject to paragraph xi, of the Declaration of Protective Covenants, Conditions and Restrictions for BTCA, expressly authorizes the Board of Directors of the Association to establish and promulgate rules regulating leasing.

AND WHEREAS, Article III Board of Directors, Section C. Powers and Duties, paragraph 3.16. Powers, of the Bylaws of BTCA, the Board shall have all powers and duties necessary for the administration of the Association's affairs, and paragraph 3.17 Duties, the duties of the Board shall include, without limitation, sub-paragraph (f) making and amending rules and regulations.

AND WHEREAS, it is the intent of the Board of Directors to have rules that provide for good neighbor policy, promote harmony within the community and to minimize inconsistencies, misunderstandings and misinterpretations inherent in verbal instructions, rules and regulations, the Board of Directors has established written Board Policies.

AND WHEREAS, it is the intent of the Board of Directors to have rules that shall apply to all leasing activities, whether documented by "rental agreement," "lease" or any other document reflecting the terms of an agreement of occupancy in exchange for consideration.

AND WHEREAS, to ensure the livability of all members of the Association to enjoy the full privileges of residing in our neighborhood, to increase the number of Units that are Owner-occupied resulting in a more stable and enjoyable living environment, to reinforce the ability of potential homeowners to secure mortgage financing by encouraging a high percentage of Owner-occupied units and to reduce the negative effect leasing may have upon Unit values.

NOW, THEREFORE, BE IT RESOLVED THAT the following Leasing Rules and Regulations shall apply (See Exhibit A) and shall remain in effect until such time as amended or removed.

This Policy Resolution is adopted the 4th day of May, 2015 by the Board of Directors of the Association.

ATTEST:

5/6/15
Date

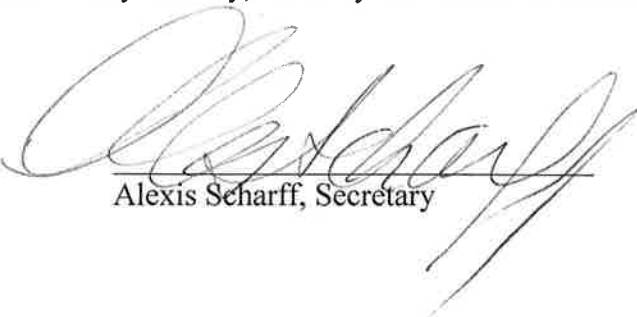

Alexis Scharff, Secretary

EXHIBIT A

Broken Top Community Association Leasing Rules and Regulations “Leasing Regulations”

The governing documents permit the Board to create rules and regulate leasing. Rules restricting the volume of leasing in our association are desirable to protect the community-wide standards and mortgage financing options.

It is the policy of BTCA to restrict the number of leased units for the following reasons:

- To ensure that all members of the Association enjoy the full privileges of residing in our neighborhood.
- To increase the number of Units that are Owner-occupied resulting in a more stable and enjoyable living environment.
- To reinforce the ability of potential homeowners to secure mortgage financing by encouraging a high percentage of Owner-occupied units.
- To reduce the negative effect leasing may have upon Unit values.

To achieve these objectives the following Leasing Rules and Regulations apply:

1. Maximum Percentage of Leasing. The number of Units that may be leased at any given time may not exceed ten percent (10% = 62 Units) of the total number of Units in BTCA (of the current 644 Units in Broken Top, 20 of them are not included in calculating this maximum because leasing is presently allowed by the restrictive covenants for the Courtyard Units; as a result, the maximum percentage is based on 624 Units, for a current maximum of 62 Units)(“**Maximum Percentage of Leasing**” or “**MPL**”).

Each Neighborhood may impose on the Units in that Neighborhood a Maximum Percentage of Leasing different than the MPL contained in this Leasing Resolution (“**Neighborhood MPL**”). In order to do so, the Neighborhood must approve the Neighborhood MPL as a restrictive covenant through the Neighborhood Association (if any) or an amendment to the Supplemental Declaration for that Neighborhood (which requires approval by at least 75% of the Neighborhood Owners). Other than the Neighborhood MPL, leasing restrictions in these Leasing Regulations may not be altered or changed by a Neighborhood Association or amendment to a Neighborhood’s Supplemental Declaration. In the event a Neighborhood has not adopted a Neighborhood MPL, the number of Units in each Neighborhood that may be leased at any given time may not exceed ten percent (10%) of the total number of Units in that Neighborhood.

When the 10% MPL has been met or exceeded within the Broken Top community generally or when a Neighborhood MPL has been met or exceeded (which is 10% unless a different Neighborhood MPL is adopted), the Owner requesting leasing approval will be placed on a waitlist, as further described below.

Except for “Leaseback” exceptions described in Section 3 below, any other “Exception” granted under Section 3 factors into the MPL or Neighborhood MPL.

2. Application for Leasing Occupancy. Any Owner who desires to lease his Unit(s) shall submit an Application for Leasing a Unit to the Association (“Application for Leasing”). Approval by the Association is subject to the general MPL and applicable Neighborhood MPL. Applications shall be processed on a first-come, first-served basis except in the event of an application received by an Owner owning multiple Units, in which case, single Unit Owners will be given priority over an Owner of multiple Units regardless of date submitted.

The Association will maintain a written record of Units currently leased to document the ratio of Owner-occupied Units as compared to leased Units and to monitor the status of the MPL. Applications for Leasing submitted to the Association will be responded to in writing within ten (10) calendar days from receipt of the Application for Leasing.

When the Maximum Percentage of Leasing (general or Neighborhood) has been met or exceeded, the Association will maintain a written waitlist of Owners interested in leasing their Units (to be processed in order of placement on the waitlist, except as provided above for single Unit Owners having priority over an Owner of multiple Units). When a leasing opportunity arises because the MPL is no longer exceeded, the Association will notify the next Owner on the waitlist, in writing, that he may initiate the process to lease his Unit. The Owner has sixty (60) calendar days to secure the leasing and to submit the Application for Leasing and complete information to the Association. Failure to do so shall forfeit the Owner’s leasing waitlist status and a future request to lease the same Unit may result in the Owner being placed at the end of the then existing waitlist, if any.

Any Owner permitted by the Association to engage in leasing of his Unit shall be entitled to do so until Owner reoccupies the Unit or the Unit is sold or otherwise transferred to a new, unrelated Owner. If ownership of the Unit changes and at that time the MPL (general or Neighborhood) is exceeded, the new Owner will be placed on the waitlist.

3. Exceptions.

Existing Leasing Grandfathered. All Owners leasing their Units at the time this policy becomes effective can continue to lease it until: (a) the existing lease is terminated and no new leasing agreement is executed and approved by the Association; (b) the Owner reoccupies the Units; or (c) the Unit is sold to a new, unrelated Owner (“Grandfather Period”). To qualify for this Grandfather Period privilege, an Owner leasing their Unit must submit a copy of the leasing agreement and an Application for Leasing to the Association within thirty (30) days of the date that this policy becomes effective. To continue leasing privileges after the expiration of the Grandfather Period, if the Owner desires to lease to a different tenant, the Unit Owner must submit an Application for Leasing to the Association and the Unit Owner must obtain Association approval of that leasing agreement.

“Leaseback” Exception. This Resolution hereby acknowledges that circumstances may exist when an owner within the Broken Top community sells or desires to sell Property with an agreement for the Seller to occupy the Property for a limited period after the sale, with or without remuneration to the buyer (“Leaseback”). Any such Leaseback is not subject to this Resolution provided the following criteria are met: (a) said Leaseback period does not exceed 120 days from the date of closing of the sale transaction, (b) within 10 days of closing, seller or buyer provides the Association with notice of the sale and proof of the Leaseback agreement, and (c) the Leaseback terms do not allow assignment, sub-leasing or transfer to a third party, without the Association’s prior written consent. If the sales transaction does not fall within the terms of this exception, the occupancy agreement must be approved as a hardship as provided below.

Hardship Exception. Within any given twelve month period, any Owner may request one “hardship

exception” to these Leasing Regulations for consideration by the Association. The “hardship exception” must be based upon documented change in health, work, family or financial condition justifying the need for the hardship exception, even when the Maximum Percentage of Leasing (general or Neighborhood) has been met or exceeded. The “hardship exception” must be approved by the Association.

4. Minimum Leasing/Lease Period. No leasing agreement shall be less than twelve months, except (a) with the prior written consent of the Association or (b) as initially authorized by Declarant in Exhibit "A" or a Supplemental Declaration for Units located within specified Neighborhoods.

5. Leasing/Lease Policy. The Association has no authority to either enforce governing documents or rules or to levy fines directly on tenants or occupants. It is therefore the responsibility of the leasing Owner to comply with the following:

i. Include in the leasing documents the provisions and agreements that any breach by the tenant of the Association’s governing documents or rules is a breach of the Owner’s leasing agreement terms and requires the Owner to evict the tenant if requested by the Association.

ii. Owners are required to take corrective action against their tenant, up to and including eviction, in case of a violation.

iii. Owners are required to provide (at Owner’s cost) their tenants with copies of the association governing documents and rules prior to leasing and shall include in the leasing agreement that the tenant has received copies of, read and understood the Association governing documents and rules, and will comply with them as reflected by the signature of the agreement.

iv. Short term/vacation Units (Courtyards only) must display a copy of the BTCA/Neighborhood Rules and Regulations in the Unit at all times, and must provide to the tenant the Unit Owner and/or Managing Agent contact information for the Property Manager, if there is one.

6. Limit on Number of Tenants. All tenants who will be occupying the leased Unit must be named on the Application for Leasing submitted to the Association. The leasing agreement must adhere to the definitions and restrictions in the Association Declaration and Bylaws then in effect.

7. Other Restrictions.

The Owner must contract for all community wide services including but not limited to lawn and landscaping care, garbage and trash services. The Owner cannot make the leasing agreement tenant responsible for these services.

All City of Bend and Deschutes County requirements (such as permits, licenses, taxes, or other matters specified by the government entities) must be complied with by the Owner and/or Property Manager.

8. Violation and Enforcement. If an Owner fails to submit the required Application for Leasing, engages in a leasing agreement after the Association has denied an Application, or is otherwise in violation of these Leasing Regulations, the Association may assess a fine of \$250.00 per day, against the Owner until the leasing agreement is terminated.

9. Legal Action. Pursuant to the Declaration, the provisions of these Leasing Regulations may also be enforced in a court of law by any leasing Unit Owner or the Association. If litigation is undertaken, the

prevailing party shall be entitled to recover attorney fees and costs incurred, whether or not litigation has been commenced. The Association may recoup attorney fees and costs through an assessment levied against the Unit Owner and/or a lien, if necessary.

10. Right of Appeal. Any appeal by a leasing Owner against whom fines or assessments have been imposed by the Association under the terms of these Leasing Regulations must be received in writing by the Board of Directors within ten (10) days of the written notice of imposition of any fines or assessments against the Owner or their Unit. The sole basis for such appeal may only be based on a failure of the Association to comply with its responsibilities as are required by these Leasing Regulations and must be specially defined by the appellant. Once an appeal is received, the Board will schedule a hearing within fourteen (14) days to review the matter with the Unit Owner. No further legal action will take place pending the outcome of the appeal. The Board's decision on the appeal is final. If the appeal is rejected, the fine or assessment becomes effective three (3) days following written notification to the Unit Owner.