

BYLAWS OF THE ASSOCIATION OF
THE LOT OWNERS OF SEXTON MOUNTAIN MEADOWS

ARTICLE I.

Plan of Project Ownership

1.1 Identity and Organization. These are the Bylaws of the SEXTON MOUNTAIN MEADOWS PLANNED COMMUNITY ASSOCIATION, a nonprofit corporation organized under the laws of the State of Oregon, the Articles of Incorporation of which were filed in the offices of the Oregon Corporation Commissioner on the 20th day of April, 1989 (the "Association"). The Association has been organized for the purpose of administering the operation and management of the Sexton Mountain Meadows Planned Community (the "Project"). The Project was established and developed by Sexton Mountain Development Corporation, an Oregon corporation, 17355 S. W. Boones Ferry Road, Post Office Box 1392, Lake Oswego, Oregon, 97035 (the "Developer"). The Project is located upon real property located in the City of Beaverton, Washington County, Oregon, more particularly described within the November 7, 1988 Declaration of Protective Covenants and Conditions for Sexton Mountain Meadows that was recorded November 15, 1988 as Recorder's Fee Number 88-51074 of the records of Washington County, Oregon (the "Declaration"). Each Owner, including the Developer, shall be a member of the Association provided that if a Lot has been sold on a recorded installment land sales contract, the contract vendee shall exercise the rights of the Owner for purposes of the Association, except as provided otherwise in the contract and except as hereinafter limited.

1.2 Purposes. The Association is hereby formed to serve as the means through which the Lot Owners may take action with regard to the administration, management and operation of the Project.

1.3 Applicability of Bylaws. The Association, all lot owners, and all persons using the Project's property shall be subject to these Bylaws and to all rules and regulations promulgated hereunder.

1.4 Composition of the Association. The members of the Association shall be all the owners of lots in the Project. The Association shall have two (2) classes of membership: Class "A" and Class "B," as more fully set forth below in Section 3.2 of Article III. and in the Declaration.

1.5 Definitions. The definitions contained in the Declaration shall have the same meaning in these Bylaws unless otherwise specified herein.

ARTICLE II.

Meetings of the Association

2.1 Place of Meetings. The Association shall hold meetings at a place within Washington County, Oregon, suitable to and convenient to the owners as may be designated from time to time by the Board of Directors of the Association.

2.2 Annual Meetings. The first annual meeting of the Association shall be held within one (1) year after the date of incorporation of the Association. Each subsequent annual meeting shall be held on the same day of the same month of each year thereafter unless the Board of Directors of the Association designates another meeting date. The purpose of the annual meeting of the Association shall be to elect directors and the transaction of such other business as may properly come before the meeting.

2.3 Special Meetings. Special meetings of the Association may be called at any time by written notice from the President or a majority of the Board of Directors and must be called by the President upon receipt of a written request for such a meeting from at least thirty percent (30%) of the Lot Owners provided such request states the purpose for the meeting. The written notice calling the special meeting shall state the purpose of the meeting and that no other business may be conducted at such meeting.

2.4 Notice of Meetings. Notice of all meetings of the Association shall be given by the President or Secretary of the Association and state the time, place and purpose for the meeting which is being called. All notices shall be in writing and mailed to each Lot Owner and to any First Mortgagee requesting such notice at the address of such Lot Owner or First Mortgagee appearing in the records of the Association or such other address as such Owner or First Mortgagee shall have designated by written notice to the President or Secretary of the Association at least ten (10) days prior to the giving of the notice of the meeting. The written notice of meeting shall be given at least ten (10) days, but not more than fifty (50) days, prior to the date set for the meeting. The giving of a notice in the manner provided by these Bylaws shall be considered notice properly served. Proof of the giving of such notice, whether by mail or by per-

sonal delivery, shall be given by the affidavit of the person giving the notice. When a meeting is adjourned for less than thirty (30) days, no notice of the resumption or reconvening of such adjourned meeting need be given other than by announcement at the meeting at which such adjournment takes place.

2.5 Waiver of Notice. Waiver of notice of any meeting shall be deemed the equivalent of proper notice. Any Lot Owner or First Mortgagee may waive notice of any meeting either before or after the meeting. Attendance at a meeting, whether in person or by proxy, shall be deemed waiver of notice unless a specific objection as to lack of proper notice shall be made when the meeting is first called to order.

2.6 Order of Business. The order of business at annual meetings of the Association shall be as follows:

- A. Calling of the roll and certifying of proxies;
- B. Proof of notice of meeting or waiver of notice;
- C. Reading of minutes of preceding meeting;
- D. Reports of officers;
- E. Reports of committees, if any;
- F. Election of directors;
- G. Unfinished business;
- H. New business; and,
- I. Adjournment.

ARTICLE III.

Voting

3.1 Voting. Each Lot shall be allocated a vote in the affairs of the Association. The Association by and through the Board of Directors shall be entitled to vote on behalf of any Lot which has been acquired by or on behalf of the Association; provided, however, the Board of Directors shall not be entitled to vote such Lots in any election of directors. There shall be a single voting representative for each Lot. The voting representative shall be designated by the Owner or Owners of each Lot by written notice to the Board of Directors. The designation shall

be revocable at any time by actual written notice to the Board of Directors from the Owner or Owners of the Lot, or by actual written notice to the Board of Directors of the termination, death or judicially declared incompetence of any Owner of a Lot. This power of designation and revocation may be exercised by the trustee, receiver, guardian or conservator of an Owner and the administrator or executor of an Owner's estate. The Developer shall be entitled to vote as the Owner of any Lots retained by the Developer. Any person, on becoming an Owner of a Lot, shall furnish to the Board of Directors a certified copy of the recorded instrument by which that person became an Owner, which instrument shall remain in the files of the Association. An Owner shall not be deemed to be in good standing nor shall an Owner be entitled to vote at any annual meeting or at a special meeting of Owners unless this requirement is first met.

3.2 Voting Rights. The Association shall have two (2) classes of voting membership as follows:

3.2.1 Class A Members: Class "A" Members shall be all Lot Owners, except for the Developer, and all Class "A" members shall be entitled to one (1) vote for each Lot owned; and,

3.2.2 Class B Member: The Class "B" Member shall be the Developer who shall be entitled to three (3) votes for every Lot owned. The Class "B" membership shall cease and be converted to Class "A" membership on the happening of either of the following events, whichever shall first occur:

i. When the total votes outstanding in the Class "A" membership equals the total votes outstanding in the Class "B" membership; or,

ii. on December 31, 1996.

3.3 Proxies. A vote may be cast in person or by proxy. A proxy given by the voting representative of a Lot Owner to any person shall be in writing, signed by such Lot Owner, shall run to a person or persons of legal age, shall be witnessed and acknowledged and shall be filed with the Secretary. No proxy shall be valid for a period longer than eleven (11) months after the date thereof and every proxy shall automatically cease upon sale of the Lot by its Owner. A Lot Owner may pledge or assign the Lot Owner's voting rights to a Mortgagee. In such case, the Mortgagee or its designated representative shall be entitled to receive all notices to which the Lot Owner is entitled hereunder

and to exercise the Lot Owner's voting rights from and after the time the Mortgagee shall give written notice of such pledge or assignment to the Board of Directors. Any first Mortgagee may designate a representative to attend all or any meetings of the Association.

3.4 Voting by Mail. The Board of Directors may decide that voting of the Lot Owners shall be by mail with respect to any particular action or election of the Board of Directors in accordance with the following procedure:

3.4.1 In the case of an election of members of the Board of Directors by mail, the existing members of the Board of Directors shall advise the Secretary in writing of the proposed Board members sufficient to constitute a full Board of Directors and of a date at least fifty (50) days after such advice is given by which all votes are to be received. The Secretary shall, within five (5) days after such advice is given, give written notice of the number of Board members to be elected and of the names of the nominees to all Lot Owners. The notice shall state that any such Lot Owner may nominate an additional candidate or candidates, not to exceed the number of Board members to be elected, by giving written notice of such nomination to the Secretary on or before a specified date which shall be fifteen (15) days from the date the notice is given by the Secretary. Within five (5) days after such specified date, the Secretary shall give written notice to all Lot Owners, stating the number of members of the Board of Directors to be elected, stating the names of all persons nominated by the Board of Directors and by the Lot Owners on or before said specified date, stating that each Lot Owner may cast a vote by mail and stating the date established by the Board of Directors by which such votes must be received by the Secretary at the address of the principal office of the Association, which shall be specified in the notice. Votes received after that date shall not be effective. All persons elected as members of the Board of Directors pursuant to such an election by mail by receipt of the number of votes required by applicable law shall take office effective as of the date specified in the notice for receipt of such votes.

3.4.2 In the case of a vote by mail relating to any other matter, the Secretary shall give written notice to all Lot Owners which notice shall include a proposed written resolution setting forth a description of the proposed action and shall state that such persons are entitled to

vote by mail for or against such proposal and stating a date not less than twenty (20) days after the date such notice shall have been given on or before which all votes must be received and stating they must be sent to the specified address of the principal office of the Association. Votes received after such date shall not be effective. Any such proposal shall be adopted if approved by the affirmative vote of not less than a majority of the votes entitled to be cast on such question, unless a greater or lesser voting requirement is established by the Declaration or these Bylaws for the matter in question.

3.4.3 Delivery of a vote in writing to the principal office of the Association shall be equivalent to receipt of a vote by mail at such address for the purpose of this Section.

3.5 Quorum. Except as otherwise provided in these Bylaws, those Lot Owners present, in person or by proxy, at any meeting of the Association as provided by these Bylaws shall constitute a quorum.

3.6 Binding Vote. The vote of more than fifty percent (50%) of the votes held by Lot Owners, present in person or by proxy, at a meeting at which a quorum is constituted shall be binding upon all Lot Owners for all purposes except where a higher percentage is required by law, the Declaration or these Bylaws.

3.7 Pledge of Votes. In the event that the record Lot Owner(s) have pledged their votes regarding special matters to a Mortgagee under a duly recorded Mortgage, only the vote of such Mortgagee will be recognized in regard to the special matter upon which the vote is so pledged, if a copy of the instrument with this pledge has been filed with the Board of Directors. Amendments to this subsection shall be effective only upon the written consent of all the voting Lot Owners and their respective Mortgagees, if any.

ARTICLE IV.

Board of Directors

4.1 Number, Term and Qualification. The affairs of the Association shall be governed by a Board of Directors comprised of three (3) persons. Directors shall be elected to serve a term of one (1) year. A majority of the Directors shall be Lot Owners. Election of Directors shall be by plurality vote of the Lot

Owners. Cumulative voting shall not be allowed. At the expiration of the initial term of office of each Director, a successor shall be elected to serve a term of one (1) year. The Directors shall hold office for the term herein fixed and until the successor each has been elected and qualified. There shall be no limit on the number of successive terms a Director may serve on the Board of Directors, if elected as herein provided.

4.2 Duties and Powers. The Board of Directors, for the benefit of the Project and the Lot Owners, shall enforce the provisions of the Declaration and these Bylaws; shall have all the powers and authorities permitted to the Board of Directors under the Declaration and these Bylaws; and shall acquire and pay for, out of the common expense fund provided for in these Bylaws, all goods and services requisite for the proper functioning of the Project. Such powers, authority and such goods and services include, but are not limited to:

- A. The services of persons or firms as required to properly manage the affairs of the Project to the extent deemed advisable by the Board of Directors, whether such personnel are employed directly by the Association or are furnished by the manager or management firm or agent;
- B. Legal and accounting services necessary or proper in the operation of the Association's affairs, administration of the Project, or enforcement of the Declaration or these Bylaws;
- C. Determination of the amounts required for operation, maintenance and other affairs of the Association and the making of such expenditures;
- D. Collection of common expenses from the Lot Owners;
- E. Maintaining bank accounts on behalf of the Association and designating the signatories required therefor;
- F. Filing all appropriate income tax returns;
- G. Enforcement by legal means of the provisions of the Declaration, these Bylaws and any Rules and Regulations adopted hereunder;
- H. Maintenance and repair of any exterior portion of any Lot, if such maintenance and repair is reasonably necessary in the discretion of the Board of Directors, to main-

tain the standards of the Project as a high-class residential community and if a Lot Owner or Owners have failed or refused to perform said maintenance or make repairs within a reasonable time after written notice of the necessity of said maintenance or repair has been delivered by the Board of Directors to the Lot Owner or Lot Owners provided the Board of Directors shall levy a special assessment against the Lot for the cost of such special maintenance or repair;

I. Sponsor or participate in neighborhood social or recreational activities;

J. Policies of insurance or bonds providing coverage for liability for personal injury and property damage, and fidelity of Association officers and other employees;

K. Landscaping, garden work, maintenance, repair and replacement of the Common Areas as the Board of Directors shall determine necessary and proper;

L. Purchasing Lots at foreclosure sales (judicial or nonjudicial) or other judicial or execution sales, in the name of the Association or its designee, corporate or otherwise, on behalf of all Lot Owners upon the consent and approval of the Lot Owners owning not less than seventy-five percent (75%) of the votes in the Association;

M. Selling, leasing, mortgaging, voting the votes appurtenant to (other than for election of Directors), or otherwise dealing with Lots of the Project acquired by the Association or its designee on behalf of all the Lot Owners;

N. Making additions and improvements to or alterations of the Common Areas, providing, however, that no such project may be undertaken by the Board of Directors if the total cost will exceed the amount of Two Thousand Dollars (\$2,000), unless the Lot Owners have enacted a resolution authorizing the project by a vote of the Lot Owners owning at least seventy-five percent (75%) of the votes in the Association. This limitation shall not be applicable to repairs, maintenance or replacement undertaken pursuant to Paragraph J above; and,

O. The Board of Directors may, from the common expense funds of the Association, acquire and hold in the name of the Association, for the benefit of the Lot Owners, tangible and intangible real and personal property and interests the-

rein and may dispose of the same by sale or otherwise, provided, however, the Board of Directors shall not acquire any such property valued in excess of Two Thousand Dollars (\$2,000) except upon the affirmative vote of the Lot Owners holding seventy-five percent (75%) of the votes in the Association.

4.3 Activities for Profit Prohibited. Nothing contained herein shall be construed to give the Board of Directors authority to conduct an active and ongoing business for profit on behalf of all the Lot Owners or any of them.

4.4 Organizational Meeting. Within fourteen (14) days following the annual meeting of the Association or following any meeting at which an election of Directors has been held, the Board of Directors shall hold an organizational meeting at such place and time as shall have been fixed by the Board of Directors at the meeting at which the election was held.

4.5 Regular and Special Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time and by a majority of the members of the Board of Directors, but at least two (2) such meetings shall be held during each calendar year and one (1) such meeting shall be held immediately after the annual meeting of the Association. Notice of regular meetings of the Board of Directors shall be given to each member of the Board of Directors, personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting. Special meetings of the Board of Directors may be called by the President on three (3) days' notice to each member of the Board of Directors, given personally or by mail, telephone or telegraph, which notice shall state the time, place, as hereinabove provided, and purpose of the special meeting. Special meetings of the Board of Directors shall be called by the President or the Secretary in a like manner and on like notice upon the written request of at least two (2) members of the Board of Directors. All meetings of the Board of Directors shall be open to all Lot Owners.

4.6 Waiver of Notice. Before, at or after any meeting of the Board of Directors, any member of the Board of Directors may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member of the Board of Directors at any meeting shall be a waiver of notice by the member of the time and place thereof. If all members of the Board of Directors are present at any meeting of the Board of Directors, no notice to the members of the Board of

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Directors shall be required and any business may be transacted at such meeting.

4.7 Quorum. At all meetings of the Board of Directors, a majority thereof shall constitute a quorum for the transaction of business, and the acts of a majority of the members of the Board of Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there is less than a quorum present, a 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.

4.8 Removal of Members of the Board of Directors. At any regular meeting or any special meeting called for that purpose, any one or more of the members of the Board of Directors may be removed with or without cause, by a majority of all of the Lot Owners and a successor may then and there be selected to fill the vacancy thus created. Any member of the Board of Directors whose removal has been so proposed by the Lot Owners shall be given an opportunity to be heard at the meeting. Notwithstanding the foregoing, until the Developer's management authority ends, only the Developer shall have the right to remove any member of the Board of Directors and select a successor to fill the vacancy.

4.9 Resignation. Any member of the Board of Directors may resign at any time by sending a written notice of such resignation to the office of the Association, addressed to the Secretary. Unless otherwise specified therein, such resignation shall take effect upon receipt thereof by the Secretary.

4.10 Vacancies. Vacancies on the Board of Directors caused by any reason other than the removal of a member of the Board of Directors by a vote of the Association shall be filled by vote of the majority of the remaining members of the Board of Directors, even though they constitute less than a quorum; and each person so elected shall be a member of the Board of Directors until a successor is elected at the next annual meeting of the Association.

4.11 Board Fees. Each member of the Board of Directors shall receive such sum as the Lot Owners may, from time to time, determine, plus reasonable out-of-pocket expenses, for attendance at any regular or special meeting of the Board of Directors.

4.12 Liability and Indemnification of Directors, Officers, Manger and Managing Agent. The members of the Board of Directors and the officers of the Association shall not be liable to the Association or the Lot Owners for any mistake of judgment, negligence, or otherwise except for their own willful misconduct or bad faith. The Association shall indemnify and hold each Director, Officer, Manager and Managing Agent harmless for acts or omissions performed on behalf of the Association performed on behalf of the Association unless the conduct of such acts or omissions was made in bad faith or contrary to the Declaration or these Bylaws. Every Director and Officer and the Manager or the Managing Agent, if any, shall be indemnified by the Association against all expenses and liabilities, including attorneys' fees, reasonably incurred or imposed upon them in connection with any proceeding to which they may be a party, or in which they may become involved, by reason of being or having been a Director, Officer, Manager or Managing Agent and shall be indemnified upon any reasonable settlement thereof; provided, however, there shall be no indemnity if the Director, Officer, Manager or Managing Agent is adjudged guilty of willful nonfeasance, misfeasance or malfeasance in the performance of duties.

4.13 Fidelity Bonds. The Board of Directors may require that any or all officers and employees of the Association handling or responsible for Association funds or volunteers responsible for handling funds which belong to or are administered by the Association shall furnish adequate fidelity bonds. The premiums for such bonds shall be paid by the Association.

ARTICLE V. Officers

5.1 Designation. The principal officers of the Association shall be the President, the Secretary and the Treasurer, all of whom must be elected by the Board of Directors. The Board of Directors may appoint a Vice President, an Assistant Secretary, an Assistant Treasurer and any such other officers as the Directors deem desirable or necessary. Any person may concurrently hold two (2) offices except the same person may not concurrently hold the offices of President and Secretary. Any Director of the Association may be an officer of the Association.

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

until their successors are elected and qualified. If any office shall become vacant, the Board of Directors shall elect a successor to fill the unexpired term at any regular meeting of the Board of Directors or at any special meeting of the Board of Directors called for such purpose.

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

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

5.5 Secretary. The Secretary shall keep and maintain the minutes of all proceedings of the Board of Directors and the minutes of all meetings of the Association. The Secretary shall attend to the giving and serving of all notices to the Lot Owners and the Directors and all other notices required by law. The Secretary shall keep and maintain all the records of the Association, except those records to be kept and maintained by the Treasurer, and shall perform all other duties incident to the office of Secretary of an association and as may be required by the Board of Directors. In addition and in the absence of the President or in the event of the President's death, inability or refusal to act, the Secretary shall perform the duties of the President unless the Board of Directors shall have appointed another President, and when so acting, shall have all the powers of and be subject to all the restrictions imposed upon the President.

5.6 Treasurer. The Treasurer shall have the responsibility for all the Association's funds and securities and shall be responsible for keeping full and accurate financial records and books of account sufficient for proper accounting purposes showing all receipts and disbursement necessary for the preparation of all required financial data. The Treasurer shall be responsible for the deposit of all funds and other valuable effects in such depositories as may from time to time be designated by the