

BY-LAWS OF

HILLSIDE PARK ADDITION PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE I. NAME, MEMBERSHIP, APPLICABILITY, AND DEFINITIONS

Section 1. NAME. The name of the Association shall be HILLSIDE PARK ADDITION PROPERTY OWNERS ASSOCIATION, INC. (hereinafter sometimes referred to as the Association).

Section 2. MEMBERSHIP. The Association shall have two (2) classes of membership, Class A and B, as more fully set forth in that Declaration of Covenants, Conditions, and Restrictions for HILLSIDE PARK ADDITION (said Declaration, as amended, renewed, or extended from time to time, is hereinafter sometimes referred to as the Declaration), the terms of which pertaining to membership are specifically incorporated herein by reference.

Section 3. DEFINITIONS. The words used in these By-laws shall have the same meaning as set forth in said Declaration, unless the context shall prohibit.

ARTICLE II. ASSOCIATION: MEETINGS, QUORUM, VOTING, PROXIES

Section 1. PLACE OF MEETINGS. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the members as may be designated by the Board of Directors either in HILLSIDE PARK ADDITION or as convenient thereto as possible and practical.

Section 2. ANNUAL MEETINGS. The first meeting of the members, whether a regular or special meeting, shall be held within one (1) year from the date of incorporation of the Association and not later than six (6) months after the closing of the sale of the first Residential Unit. The next annual meeting shall be set by the Board so as to occur no later than thirty (30) days before the close of the Association's fiscal year. Subsequent regular annual meetings of the members shall be held within thirty (30) days of the same day of the same month of each year thereafter at an hour set by the Board. The annual meeting of the members shall be held at a date and time as set by the Board of Directors. 12/1

Section 3. SPECIAL MEETINGS. The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting of the Association if so directed by resolution of a majority of a quorum of the Board of Directors or upon a petition signed by at least five percent (5%) of the total votes of the Association. The notice of any special meeting

shall state the date, 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.

Section 4. NOTICE OF MEETINGS. It shall be the duty of the Secretary to mail or to cause to be delivered to the owner of record of each Residential Unit a notice of each annual or special meeting of the Association stating the purpose of the special meeting, as well as the time and place where it is to be held; if an owner wishes notice to be given at an address other than his or her Residential Unit, he or she shall have designated by notice in writing to the Secretary such other address. The mailing or delivering of a notice of meeting in the manner provided in this Section shall be considered service of notice. Notices shall be served not less than ten (10) nor more than thirty (30) days before a meeting.

Section 5. WAIVER OF NOTICE. Waiver of notice of meeting of the members shall be deemed the equivalent of proper notice. Any member may, in writing, waive notice of any meeting of the members, either before or after such meeting. Attendance at a meeting by a member, whether in person or by proxy, shall be deemed waiver by such member of notice of the time, date, and place thereof, unless such member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted thereat unless objection to the calling or convening of the meeting, of which proper notice was not given, is raised before the business is put to a vote.

Section 6. ADJOURNMENT OF MEETINGS. If any meetings of the Association cannot be held because a quorum is not present, a majority of the members who are present at such meeting, either in person or by proxy, may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the time the original meeting was called. At such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting, or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to members in the manner prescribed for regular meetings.

The members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum, provided that any action taken shall be approved by at least a majority of the members required to constitute a quorum.

Section 7. VOTING. The voting rights of the members shall be as set forth in the Declaration, and such voting rights provisions are specifically incorporated herein.

Section 8. PROXIES. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his or her Residential Unit or upon receipt of notice by the Secretary of the Board of the death or judicially declared incompetence of a member or upon the expiration of eleven (11) months from the date of the proxy. A form of proxy or written ballot may provide an opportunity to specify approval or disapproval with respect to any proposal.

Section 9. MAJORITY OF OWNERS. As used in these By-laws, the term majority shall mean those votes, owners, or other group as the context may indicate totaling more than fifty percent (50%) of the total number.

Section 10. QUORUM. Except as otherwise provided in these By-laws or in the Declaration, the presence in person or by proxy of one-third (1/3) of the members shall constitute a quorum at all meetings of the Association. Any provision in the Declaration concerning quorums is specifically incorporated herein.

Section 11. CONDUCT OF MEETINGS. The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring thereat.

Section 12. ACTION WITHOUT A MEETING. Any action which may be taken by the vote of members at a regular or special meeting, except the election of Board members, may be taken without a meeting as and to the extent permitted by Oregon law.

ARTICLE III. BOARD OF DIRECTORS: NUMBER, POWERS, MEETINGS

A. COMPOSITION AND SELECTION:

Section 1. GOVERNING BODY; COMPOSITION. The affairs of the Association shall be governed by a Board of Directors. Except as provided in Section 2 of this Article, the Directors shall be members or spouses of such members; provided, however, no person and his or her spouse may serve on the Board at the same time.

Section 2. DIRECTORS DURING DECLARANT CONTROL. The Directors shall be selected by the Declarant acting in its sole discretion and shall serve at the pleasure of the Declarant so

long as the Class B membership exists, as set forth in the Declaration, unless the Declarant shall earlier surrender this right to select Directors. The Directors selected by the Declarant need not be owners or residents in HILLSIDE PARK ADDITION. After the period of Declarant appointment, all Directors must be members of the Association.

Section 3. NUMBER OF DIRECTORS. The number of Directors in the Association shall be not less than three (3) nor more than nine (9), as the Board of Directors may from time to time determine by resolution. The initial Board shall consist of five (5) members.

Section 4. NOMINATION OF DIRECTORS. Except with respect to Directors selected by the Declarant, nominations for election to the Board of Directors shall be made by a Nominating committee. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors not less than thirty (30) days prior to each annual meeting of the members to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each such annual meeting. The Nominating committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine but in no event less than the number of vacancies or terms to be filled. Nominations shall be permitted from the floor. All candidates shall have a reasonable opportunity to communicate their qualifications to the members and to solicit votes.

Section 5. ELECTION AND TERM OF OFFICE. Notwithstanding any other provision contained herein:

(a) Within thirty (30) days of the time Class A members other than the Declarant are equal to or greater than thirty (30), the Association shall call a special meeting to be held at which members other than the Declarant shall elect one of the Directors. The Director so elected shall not be subject to removal by the Declarant acting alone and shall be elected for the shortest term available.

(b) At the first annual meeting of the membership after the termination of the Class B membership, and at each annual meeting of the membership thereafter, Directors shall be elected. Cumulative voting shall not be permitted.

The initial terms of the Directors shall be fixed at the time of their election as they among themselves shall determine. So long as there are five (5) Directors, the terms of two (2) Directors shall be fixed at two (2) years, and the terms of three (3) Directors shall be fixed at three (3) years. So long

as there are eight (8) or more Directors, there shall be concurrent terms of no less than three (3) members. At the expiration of the initial term of office of each respective member of the Board of Directors, a successor shall be elected to serve for a term of three (3) years. The members of the Board of Directors shall hold office until their respective successors shall have been elected by the Association.

Section 6. REMOVAL OF DIRECTORS. Upon the termination of the Class B membership, at any regular or special meeting of the Association duly called, any one or more of the members of the Board of Directors may be removed, with or without cause, by a majority vote of the Owners of Lots, and a successor may then and there be elected to fill the vacancy thus created. A director whose removal has been proposed by the Owners of Lots shall be given at least ten (10) days' notice of the calling of the meeting and the purpose thereof and shall be given an opportunity to be heard at the meeting. Additionally, any Director who has three (3) consecutive unexcused absences from Board meetings or who is delinquent in the payment of an assessment for more than twenty (20) days may be removed by a majority vote of the Directors at a meeting, a quorum being present. A director who was elected solely by the votes of members other than the Declarant may be removed from office prior to the expiration of his or her term by the votes of a majority of members other than the Declarant.

In the event of death or resignation of a Director, his or her successor shall be selected by a majority of the remaining members of the Board and shall serve for the unexpired term of the predecessor.

Section 7. VACANCIES. Vacancies in the Board of Directors caused by any reason, excluding the removal of a Director by vote of the Association, shall be filled by a vote of the majority of the remaining Directors, even though less than a quorum, at any meeting of the Board. Each person so elected shall serve the unexpired portion of the vacated term.

Section 8. VOTING PROCEDURE FOR DIRECTORS. The first election of the Board shall be conducted at the first meeting of the Association. At such election, the members or their proxies may cast, with respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Voting for Directors shall be by secret written ballot. After the happening of events as contained in Section 5(a) of this Article, and so long as a majority of the votes of the Association resides in the Declarant or so long as there are two (2) outstanding classes of membership in the Association, not less than twenty percent (20%) of the incumbents on the Board

shall have been elected solely by the votes of the owners other than the Declarant.

Section 9. ORGANIZATION MEETINGS. The first meeting of the members of the Board of Directors following each annual meeting of the membership shall be held within ten (10) days thereafter at such time and place as shall be fixed by the Board.

Section 10. 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, but at least four (4) such meetings shall be held during each fiscal year with at least one (1) per quarter. Notice of the time and place of the meeting shall be posted at a prominent place within the common Area and shall be communicated to Directors not less than four (4) days prior to the meeting; provided, however, notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting.

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Section 11. SPECIAL MEETINGS. Special meetings of the Board of Directors shall be held when called by written notice signed by the President, Vice President, or Secretary of the Association, or by any two (2) Directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each Director by one of the following methods: (a) by personal delivery; (b) written notice by first class mail, postage prepaid; (c) by telephone communication, either directly to the Director or to a person at the Director's office who would reasonably be expected to communicate such notice promptly to the Director; or (d) by telegram, charges prepaid. All such notices shall be given or sent to the Director's address or telephone number as shown on the records of the Association. Notices sent by first class mail shall be deposited into a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least seventy-two (72) hours before the time set for the meeting. Notices shall be posted at a prominent place within the Common Area not less than seventy-two (72) hours prior to the scheduled time of the meeting.

Section 12. WAIVER OF NOTICE. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (a) a quorum is present, and (b) either before or after the meeting each of the Directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to

any Director who attends the meeting without protesting before or at its commencement after the lack of adequate notice. (3)

Section 13. QUORUM OF BOARD OF DIRECTORS. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the votes of a majority of the Directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for that meeting. At such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

Section 14. COMPENSATION. No Director shall receive any compensation from the Association for acting as such unless approved by a majority vote of the total vote of the Association at a regular or special meeting of the Association.

Section 15. CONDUCT OF MEETINGS. The President shall preside over all meetings of the Board of Directors, and the Secretary shall keep a minute book of the Board of Directors, recording therein all resolutions adopted by the Board of Directors and a record of all transactions and proceedings occurring at such meetings.

Section 16. OPEN MEETINGS. All meetings of the Board shall be open to all members, but members other than Directors may not participate in any discussion or deliberation unless expressly so authorized by a majority of a quorum of the Board.

Section 17. EXECUTIVE SESSION. The Board may, with approval of a majority of a quorum, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 18. ACTION WITHOUT A FORMAL MEETING. Any action to be taken at a meeting of the Directors or any action that may be taken at a meeting of the Directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all the Directors. An explanation of the action taken shall be posted at a prominent place or places within the Common Area within three (3) days after the written consents of all the Board members have been obtained.

Section 19. POWERS. The Board of Directors shall be responsible for the affairs of the Association and shall have all

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the powers and duties necessary for the administration of the Association's affairs and, as provided by law, may do all acts and things as are not by the Declaration, Articles, or these By-laws directed to be done and exercised exclusively by the members.

The Board of Directors shall delegate to one of its members the authority to act on behalf of the Board of Directors on all matters relating to the duties of the Managing Agent or Manager, if any, which might arise between meetings of the Board of Directors.

In addition to the duties imposed by these By-laws or by any resolution of the Association that may be hereafter adopted, the Board of Directors shall have the power to and be responsible for the following, in way of explanation, but not limitation:

(a) Preparation and adoption of an annual budget in which there shall be established the contribution of each owner to the common expenses;

(b) Making assessments to defray the common expenses, establishing the means and methods of collection such assessments, and establishing the period of the installment payments of the annual assessment; (unless otherwise determined by the Board of Directors, the annual assessment against the proportionate share of the common expenses shall be payable in equal monthly installments, each such installment to be due and payable in advance on the first day of each month for said month).

(c) Providing for the operation, care, upkeep, and maintenance of all the Area of Common Responsibility;

(d) Designating, hiring, and dismissing the personnel necessary for the maintenance, operation, repair, and replacement of the Association, its property, and the Area of Common Responsibility and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and material to be used by such personnel in the performance of their duties;

(e) Collecting the assessments, depositing the proceeds thereof in a bank depository which it shall approve, and using the proceeds to administer the Association;

(f) Making and amending rules and regulations;

(g) Opening of bank accounts on behalf of the Association and designating the signatories required;

(h) Making or contracting for the making of repairs,

additions, and improvements to or alterations of the Common Area in accordance with the other provisions of the Declaration and these By-laws after damage or destruction by fire or other casualty;

(i) Enforcing by legal means the provisions of the Declaration, these By-laws, and the rules and regulations adopted by it and bringing any proceedings which may be instituted on behalf of or against the owners concerning the Association;

(j) Obtaining and carrying insurance against casualties and liabilities, as provided in the Declaration if any, and paying the premium cost thereof;

(k) Paying the cost of all services rendered to the Association or its members and not chargeable to owners;

(l) Keeping books with detailed accounts of the receipts and expenditures affecting the Association and its administration, specifying the maintenance and repair expenses and any other expenses incurred. The said books and vouchers accrediting the entries thereupon shall be available for examination by the owners and mortgagees, their duly authorized agents, accountants, or attorneys, during general business hours on working days at the time and in a manner that shall be set and announced by the Board of Directors for the general knowledge of the owners. All books and records shall be kept in accordance with generally accepted accounting practices.

(m) Make available to any prospective purchaser of a Residential Unit, any Owner of a Residential Unit, any first Mortgagee, and the Holders, Insurers, and Guarantors of a first Mortgage on any Residential Unit current copies of the Declaration, the Articles of Incorporation, the By-laws, rules governing the Residential Unit, and all other books, records, and financial statements of the Association; and

(n) permit utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of the Project.

Section 20. MANAGEMENT AGENT.

(a) The Board of Directors may employ for the Association a professional management agent or agents at a compensation established by the Board of Directors to perform such duties and services as the Board of Directors shall authorize. The Board of Directors may delegate to the managing agent or manager, subject to the Board's supervision, all the powers granted to the Board of Directors by these By-laws, other than the powers set forth in subparagraphs (a), (b), (f), (g), and (i) of Section 19 of this Article. The Declarant, or an

affiliate of the Declarant, may be employed as managing agent or manager.

(b) No management contract may have a term in excess of three (3) years and must permit termination by either party without cause and without termination fee on ninety (90) days or less written notice.

Section 21. ACCOUNTS AND REPORTS. The following management standards of performance will be followed unless the Board by resolution specifically determines otherwise:

(a) Accrual accounting, as defined by generally accepted accounting principles, shall be employed;

(b) Accounting and controls should conform with established American Institute of Certified Public Accountants (AICPA) guidelines and principles; (a segregation of accounting duties should be maintained, and disbursements by check shall require two (2) signatures. Cash disbursements shall be limited to amount of Twenty-Five Dollars (\$25) and under.);

(c) Cash accounts of the Association shall not be commingled with any other accounts;

(d) No remuneration shall be accepted by the Managing Agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association;

(e) Any financial or other interest which the Managing Agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board of Directors; and

(f) Commencing at the end of the month in which the first Residential Unit is sold and closed, yearly financial reports shall be prepared for the Association containing:

(i) An Income Statement reflecting all income and expense activity for the preceding three (3) months on an accrual basis;

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reports

(ii) An Account Activity Statement reflecting all receipt and disbursement activity for the preceding three (3) months on an accrual basis;

(iii) An Account Status Report reflecting the status of all accounts in an actual versus approved budget format with a Budget Report reflecting any actual or

pending obligations which are in excess of budgeted amounts by an amount exceeding the operating reserves or ten percent (10%) of a major budget category (as distinct from a specific line item in an expanded charge of accounts);

(iv) A Balance Sheet of an accounting date which is the last day of the month closes in time to three (3) months from the date of closing of the first sale of a Residential Unit in the project, and an Operating Statement for the period from the date of the first closing to the said accounting date, which shall be distributed within sixty (60) days after the accounting date;

(v) A Balance Sheet as of the last day of the Association's fiscal year and an Operating Statement for said fiscal year, which shall be distributed within ninety (90) days after the close of a fiscal year; and

(vi) A Delinquency Report listing all owners who have been delinquent during the preceding three (3) month period in paying the monthly installments of assessments and who remain delinquent at the time of the report and describing the status of any action to collect such installments which remain delinquent. A monthly installment of the assessment shall be considered to be delinquent on the fifteenth (15th) day of each month.

Section 22. BORROWING. The Board of Directors shall have the power to borrow money for the purpose of repair or restoration of the Common Area and facilities without the approval of the members of the Association; provided, however, the Board shall obtain membership approval in the same manner provided in the Declaration for special assessments in the event that the proposed borrowing is for the purpose of modifying, improving, or adding ammenities, and the total amount of such borrowing exceeds or would exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

Section 23. RIGHTS OF THE ASSOCIATION. With respect to the Common Areas or other Association responsibilities owned, and in accordance with the Articles of Incorporation by By-laws of the Association, the Association shall have the right to contract with any person for the performance of various duties and functions. Without limiting the foregoing, this right shall entitle the Association to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or neighborhood and other home owners or residents associations, both within and without the Properties. Such

agreement shall require the consent of two-thirds (2/3) of the total votes of all Directors of the Association.

Section 24. HEARING PROCEDURE. The Board shall not impose a fine, suspend voting, or infringe upon any other rights of a member or other occupant for violations of rules unless and until the following procedure is followed:

(a) Demand. Written demand to cease and desist from an alleged violation shall be served upon the alleged violator specifying:

- (i) The alleged violation;
- (ii) The action required to abate the violation;
and
- (iii) A time period, not less than ten (10) days, during which the violation may be abated without further sanction, if such violation is a continuing one, or a statement that any further violation of the same rule may result in the imposition of a sanction after notice and hearing if the violation is not continuing.

(b) Notice. At any time within twelve (12) months of such demand, if the violation continues past the period allowed in the demand for abatement without penalty or if the same rule is subsequently violated, the Board or its delegate shall serve the violator with written notice of a hearing to be held by the Covenants Committee in executive session. The notice shall contain:

- (i) The nature of the alleged violation;
- (ii) The time and place of the hearing, which time shall not be less than ten (10) days from the giving of the notice;
- (iii) An invitation to attend the hearing and produce any statement, evidence, and witness on his or her behalf; and
- (iv) The proposed sanction to be imposed.

(c) Hearing. The hearing shall be held in executive session pursuant to this notice affording the member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, Director, or agent who delivered such notice. The

notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(d) Appeal. Following a hearing before the Covenants Committee, the violator shall have the right to appeal the decision to the Board of Directors. To perfect this right, a written notice of appeal must be received by the Manager, President, or Secretary of the Association within thirty (30) days after the hearing date.

Section 25. DECLARANT'S VETO. From the termination of the Class B membership, the Declarant shall have a veto power over all actions of the Board, as is more fully provided below. This power shall expire when the number of Class A votes other than those Owners formerly owning Class B votes is equal to thirty (30) or the year 2000, whichever occurs first. This veto power shall be exercisable only by Declarant, its successors, and assigns.

The veto shall be as follows: No action authorized by the Board of Directors shall become effective, nor shall any action, policy, or program be implemented, until and unless:

(a) Declarant shall have been given written notice of all meetings by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary of the Association, as it may change from time to time, which notice complies with Article III, Section 9 and 10, of the by-laws as to regular and special meetings of the Directors, and which notice shall, except in the case of the regular meetings held pursuant to the By-laws, set forth in reasonable particularity the agenda to be followed at said meeting; and

(b) Declarant shall be given the opportunity at any such meeting, if Declarant so desires, to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program to be implemented by the Board. Declarant and its representatives or agents shall make its concerns, thoughts, and suggestions known to the members of the Association and/or Board. At such meeting, Declarant shall have and is hereby granted a veto power over any such action, policy, or program authorized by the Board of Directors and to be taken by said Board, the Association, or any individual member of the Association if Board approval is necessary for said member's action. Said veto may be exercised by Declarant, its representatives, or agents at the meeting held pursuant to the terms and provisions hereof. Any veto power shall not extend to the requiring of any action or counteraction on behalf of the Board or Association.

This Section 25 may not be amended without the express written consent of the Declarant until Declarant no longer owns any land described in Exhibits "A" or "B" to the Declaration or until December 31, 1998, whichever first occurs.

Section 26. PROHIBITED ACTS. The Board of Directors shall not take any of the following actions except with the written consent of a majority of the total votes of the Association, other than those of the Declarant:

(a) Incurring aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year;

(b) Selling during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budget gross expenses of the Association for that fiscal year;

(c) Paying compensation to members of the Board or to the officers of the Association for services performed in the conduct of the Association's business; provided, however, the Board may cause a Member or officer to be reimbursed for expenses incurred in carrying on the business of the Association;

(d) Levy special assessments which in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year;

(e) Fill a vacancy on the Board created by the removal of a Director; or

(f) Enter into a contract with a third person wherein the third person will furnish goods or services for the common Area or the Association for a term longer than one (1) year with the following exceptions:

(i) A management contract, the terms of which have been approved by the Federal Housing Administration or Veterans' Administration;

(ii) 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, the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate;

(iii) Prepaid casualty and/or liability insurance policies of not to exceed three (3) years duration,

provided that the policy permits short rate cancellation by the insured; and

(iv) Lease agreements for laundry room fixtures and equipment of a duration not to exceed five (5) years, provided that the lessor is not an entity in which Declarant or its successors have a direct or indirect interest of ten percent (10%) or more.

ARTICLE IV. OFFICERS

Section 1. OFFICERS. The officers of the Association shall be a President, Vice President, Secretary and Treasurer. The Board of Directors may elect such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed from time to time by the Board of Directors. Any two or more offices may be held by the same person, excepting the offices of President and Secretary. The President and Treasurer shall be elected from among the members of the Board of Directors.

Section 2. ELECTION, TERM OF OFFICE AND VACANCIES. The officers of the Association shall be elected annually by the Board of Directors at the first meeting of the Board of Directors following each annual meeting of the members, as herein set forth in Article III. A vacancy in any office arising because of death, resignation, removal, or otherwise may be filled by the Board of Directors for the unexpired portion of the term. 1st meeting

Section 3. REMOVAL. Any officer may be removed by the Board of Directors whenever in its judgment the best interests of the Association will be served thereby.

Section 4. POWERS AND DUTIES. The officers of the Association shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may from time to time be specifically conferred or imposed by the Board of Directors. The President shall be the chief executive officer of the Association. The Treasurer shall have primary responsibility for the preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

Section 5. RESIGNATION. Any officer may resign at any time by giving written notice to the board of Directors, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the

acceptance of such resignation shall not be necessary to make it effective.

Section 6. AGREEMENTS, CONTRACTS, DEEDS, LEASES, CHECKS. All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two (2) officers or by such other person or persons as may be designated by resolution of the Board of Directors.

ARTICLE V. COMMITTEES

Section 1. GENERAL. Committees to perform such tasks and to serve for such periods as may be designated by a resolution adopted by a majority of the Directors present at a meeting at which a quorum is present are hereby authorized. Such committees shall perform such duties and have such powers as may be provided in the resolution. Each committee shall be composed as required by law and shall operate in accordance with the terms of the resolution of the Board of Directors designating the committee or with rules adopted by the Board of Directors.

Section 2. COVENANTS COMMITTEE. The Board of Directors shall appoint a Covenants Committee consisting of at least five (5) and no more than seven (7) members. Acting in accordance with the provisions of the Declaration, these By-laws, and resolutions the Board may adopt, the Covenants committee shall be the hearing tribunal of the Association.

ARTICLE VI. MISCELLANEOUS

Section 1. FISCAL YEAR. The initial fiscal year of the Association shall be set by resolution of the Board of Directors.

Section 2. PARLIAMENTARY RULES. Except as may be modified by Board resolution establishing modified procedures, Robert's Rules of Order (current edition) shall govern the conduct of Association proceedings when not in conflict with Oregon law, the Articles of Incorporation, the Declaration, or these By-laws.

Section 3. CONFLICTS. If there are conflicts or inconsistencies between the provisions of Oregon law, the Articles of Incorporation, the Declaration, and these By-laws, the provisions of Oregon law, the Declaration, the Articles of Incorporation, and the By-laws (in that order) shall prevail.

Section 4. BOOKS AND RECORDS.

(a) INSPECTION BY MEMBERS. The membership register, books of account, and minutes of meeting of the members, the Board, and committees shall be made available for inspection and

copying by any member of the Association or by his or her duly appointed representative at any reasonable time and for a purpose reasonably related to his or her interest as a member at the office of the Association or at such other place within HILLSIDE PARK ADDITION as the Board shall prescribe.

(b) RULES FOR INSPECTION. The Board shall establish reasonable rules with respect to:

(i) Notice to be given to the custodian of the records by the member desiring to make the inspection;

(ii) Hours and days of the week when such an inspection may be made; and

(iii) Payment of the cost of reproducing copies of documents requested by a member.

(c) INSPECTION BY DIRECTORS. Every Director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents at the expense of the Association.

Section 5. NOTICES. Unless otherwise provided in these By-laws, all notices, demands, bills, statements, or other communications under these by-laws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by registered or certified mail, return receipt requested, first class postage prepaid:

(a) If to a member, at the address which the member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Residential Unit of such owner; or

(b) If to the Association, the Board of Directors, or the Managing Agent, at the principal office of the Association or the Managing Agent, if any, or at such other address as shall be designated by the notice in writing to the owners pursuant to this Section.

Section 6. AMENDMENT. Prior to closing the sale of the first Residential Unit, Declarant may amend the By-laws. After sale of the first Residential Unit, these By-laws may be amended only by the affirmative vote (in person or by proxy) or written consent of members representing a majority of the total votes of the Association, which shall include a majority of the votes of members other than the Declarant or, where the two (2) class voting structure is still in effect, shall include a majority of each class of members.

AMEND
BY LAWS
REQUIRES
BY MAJORITY
OF TOTAL
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Section 7. AUDIT. An audit of the accounts of the Association shall be made annually in the manner as the Board of Directors may decide; provided, however, after having received the Board's audit at the annual meeting, the Owners, by a majority vote, may require that the accounts of the Association be audited as a common expense by a public accountant. Upon written request of any institutional holder of a first mortgage, such holder shall be entitled to receive a copy of the annual audited financial statement within ninety (90) days after the end of each fiscal year.

We, the undersigned, being all the Directors of HILLSIDE PARK ADDITION PROPERTY OWNERS ASSOCIATION, INC., do hereby certify:

That we are entitled to exercise all the voting power of said Corporation; and

That we hereby assent to the within and foregoing By-laws and hereby adopt the same as the By-laws of said Corporation.

IN WITNESS WHEREOF, we have hereunto subscribed our names this _____ day of _____, 1989.

