

BYLAWS

of

McNARY ESTATES HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

DEFINITIONS

The definitions in Article I of the Declaration of Covenants, Conditions and Restrictions of McNary Estates shall apply to these Bylaws.

ARTICLE II

MEMBERSHIP AND VOTING RIGHTS

Section 1. Members. Every person or entity who is a record owner of a fee interest or undivided fee interest in any Lot or Living Unit or a purchaser in possession under a land sale contract shall be a mandatory member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership in the Association shall be appurtenant to, and may not be separated from, ownership of any Lot or Living Unit. Transfer of ownership of a Lot or Living Unit automatically transfers membership in the Association.

Section 2. Voting Rights. The Association shall have two classes of voting members:

a. Class A. Class A members shall be all owners designated in Section I hereof with the exception of Declarant; Class A members shall be entitled to one vote for each Lot or Living Unit owned; provided, however, that at such time as one or more Living Units have been constructed on a Lot, the vote for the Lot shall cease to exist. When more than one person holds an interest in a Lot or Living Unit, all such persons shall be members and shall exercise their vote for said Lot or Living Unit as they determine; provided, in no event shall more than one vote be cast with respect to any Lot or Living Unit.

b. Class B. The Class B members shall be the Declarant. The Class B member shall be entitled to three (3) votes for each Lot or Living Unit owned; provided, however, that at such time as one or more Living Units have been constructed on a Lot, the votes for the Lot shall cease to exist. All Class B memberships shall cease and be automatically converted to Class A memberships on the occurrence of the earlier of the following:

(i) The total number of votes represented by Class A memberships becoming equal to or greater than the total number of votes represented by Class B memberships after all portions of the real property described in Exhibit A of the Declaration capable of residential development have been platted and submitted to McNary Estates; or

(ii) December 31, 1997.

### ARTICLE III

#### MEETING OF MEMBERS

Section 1. Quorum. The presence of members, in person or by proxy, entitled to cast twenty percent (20%) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or be represented.

Section 2. Majority Vote. Except for actions which require the vote or approval of a specified percentage of members, the majority vote of members present in person or by proxy at a meeting at which a quorum is constituted shall be binding.

Section 3. Place of Meetings. Meetings of the Association shall be held at such suitable place convenient to the members as may be designated by the Board from time to time.

Section 4. Informational Meetings. Prior to the transitional meeting, turnover meeting, or any annual meetings provided below, the Declarant may call meetings of the members of the Association, formally or informally, for such purposes as Declarant deems necessary or appropriate.

Section 5. Transitional Meeting. Within sixty (60) days of the earlier of: (a) the extinguishment of Class B membership; or (b) five (5) years from the date the first Lot or Living Unit is conveyed to a person or entity other than Declarant, the Declarant shall call a meeting of the members of the Association for the purpose of electing a transitional board as provided in Article IV, Section 2, of these Bylaws. Notice of such meeting shall be given to each Owner at least seven (7) but not more than fifty (50) days before such meeting and shall state the purpose and the time and place where it is to be held. The Declarant may, at its option, call the transitional meeting prior to the time specified herein; if Declarant has not called the meeting within the time specified herein, the meeting may be called and notice given by any Owner or any first mortgagee of a Lot or Living Unit.

Section 6. Annual Meeting. The first annual meeting of the Association shall be held approximately one (1) year following the transitional meeting and shall be set by action of the Board. The date of successive annual meetings may be changed from time to time, but must be

held annually. At such meetings those members of the Board whose terms have expired shall be elected by the members in accordance with the provisions of Article IV, Section 2, of these Bylaws. The members may also transact such other business of the Association as may properly come before them.

Section 7. Turnover Meeting. Within sixty (60) days of the earlier of: (a) December 31, 1997; or (b) the occurrence of the events described In Article VIII, Section 1 of the Declaration, the Declarant shall call a meeting of the members of the Association for the purpose of transferring control of the Association to all members, including Declarant. Notice of such meeting shall be given to each Owner at least seven (7) but not more than fifty (50) days prior to the meeting and shall state the purpose and the time and place where it is to be held. At such turnover meeting, the directors appointed by Declarant shall resign and successor directors will be elected to replace them as provided in Article IV, Section 2 of these Bylaws. The Declarant may, At its option, call the turnover meeting prior to the time specified herein; if Declarant has not called the meeting within the time specified herein, the meeting may be called and notice given by any owner or any first mortgagee of a Lot or Living Unit.

Section 8. Ballot Meetings. Any meeting of the Association (other-than the transitional meeting, the turnover meeting, or special meetings called by petition of Owners) may be by proxy ballot, as the Board may elect, rather than a formal gathering. Ballots for such meetings must be properly executed and returned in sufficient quantity to constitute a quorum and pass the proposals specifically propounded on the ballot. The vote of ballot meetings shall be determined by the Board within 48 hours of the deadline of return of ballots. Each member shall be notified by mail or other delivery of written notice of the results of the ballot meeting or that a quorum of ballots was not returned, within ten (10) days after the ballots have been counted.

Section 9. Special Meetings. It shall be the duty of the President to call a special meeting of the members of the Association as directed by the Board or, after the transitional meeting has been held, upon a petition signed by members holding at least thirty percent (30%) of the vote having been presented to the Secretary. All meetings called because of petition of members shall be held at a formal gathering and not by ballot. 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 all members consent or as otherwise set out in these Bylaws.

Section 10. Notice of Meetings. It shall be the duty of the Secretary to mail notice of each meeting of the members of the Association stating the purpose thereof and the time and place where it is to be held, to each member, at least seven (7) days but not more than fifty (50) days prior to such meeting or prior to 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 in writing by the Owner. If ownership of a Lot or Living Unit is split, notice shall be sent to a single address of which the Secretary has been notified in writing by such parties. If no address has been given the Secretary in writing, then mailing to the address of the Lot or Living Unit shall be sufficient. The mailing or actual delivery of a notice in the manner provided in this Section shall be considered notice served. Notice of meeting may be waived by any Owner before or after the meeting.

Section 11. Proxies. At all meetings of members, members may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable.

Section 12. Order of Business. The order of business at meetings of the members of the Association shall be as follows:

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

#### ARTICLE IV

##### BOARD OF DIRECTORS, QUALIFICATIONS, ELECTION, MEETINGS

Section 1. Number and Qualification. The affairs of the Association shall be governed by a Board initially composed of three (3) persons appointed by the Declarant. At the transitional meeting, the number of directors shall increase to five (5), three (3) of which will be appointed by the Declarant and two (2) of which will be elected by the members as provided in Section 2. All directors elected by the members must be the Owner of a Lot or Living Unit. For purposes of this Section, the officers of any corporate owner and the partners of any partnership shall be considered co-owners of any Lot or Living Unit owned by such corporation or partnership.

Section 2. Election and Term of Office. At the transitional meeting, the members of the Association shall elect two (2) directors as herein provided. The term of office of one such director shall be fixed at two (2) years and the term of office of the other such director shall be fixed at one (1) year. At the expiration of the initial term of office of each elected director, his successor shall be elected to serve a term of two (2) years.

At the turnover meeting, the three (3) directors appointed by Declarant shall resign and

three (3) successors shall be elected by the members of the Association as herein provided. The term of office of two (2) such directors shall be fixed at two (2) years, and the term of office of one (1) such director shall be fixed at one (1) year. At the expiration of the initial term of office of each such director, his successor shall be elected to serve a term of two (2) years.

The directors shall hold office until their successors have been elected and hold their first meeting. By majority vote of the members, the directors may be elected by a single ballot with each member voting for as many nominees as there are directorships to fill; the directors receiving the largest number of votes shall serve the longer terms, and the director receiving the fewest number of votes shall serve the one (1) year term.

Section 3. Method of Nomination. Candidates for election shall file a petition of candidacy, signed by not less than three (3) members, with the existing Board at least three (3) weeks before the applicable meeting. The Board shall provide all members with a ballot containing the names of all bona fide candidates at the meeting. Additionally, the Board may appoint an Elections Committee pursuant to Article V, Section 2, to place names of members in nomination. The ballot containing the names of bona fide candidates will include the members nominated by the Elections Committee.

Section 4. Vacancies. Vacancies on the Board caused by any reason other than the removal of a director by a vote of the members of the Association shall be filled by vote of a majority of the remaining directors, even though they may constitute less than a quorum, or by a sole remaining director. 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. Vacancies in the directorships appointed by the Declarant shall be filled by the Declarant.

Section 5. Removal and Resignation of Directors. At any annual or special meeting, other than a meeting by ballot, any one or more of the directors, other than the directors appointed by Declarant, may be removed with or without cause by a majority vote of the members, and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the members may be given an opportunity to be heard at the meeting. After the transitional meeting, the unexcused absence of a director from three (3) regular meetings of the Board shall be deemed a resignation.

Section 6. Open Meetings. After the transitional meeting, all meetings of the Board shall be open to members of the Association. However, members may not participate in the Board meetings without the permission of the Board. For other than emergency meetings, notice of the time and place of the meetings open to the members shall be posted at a place or place on the Property at least three (3) days prior to the meeting, or notice shall be provided by a method otherwise reasonably calculated to inform the members of such meetings.

Section 7. Organizational Meeting. After the transitional meeting, the first meeting of any newly elected Board shall be held within ten (10) days of election at such place as shall be fixed by the directors at the meeting at which such directors were elected, and no notice shall be necessary to the newly elected directors in order to legally hold such meeting, providing a majority of the

directors are present.

Section 8 . Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined, from time to time, by a majority of the directors.

Section 9. Special Meetings. Special meetings of the Board may be called by the President or Secretary or on the written request of at least two (2) directors. Special meetings of the Board may be called on three (3) days notice to each director, given personally or by mail, telephone, or telegraph, which notice shall state the time, place and purpose of the meeting.

Section 10. Conference Call Meetings. In emergency situations, meetings of the Board may be conducted by telephonic communication. Such telephonic meetings may 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 telephone numbers on file with the President to be used for telephonic meetings.

Section 11. Waiver of Notice. Before, at, or after any meeting of the Board, any director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the directors are present at any meeting of the Board , no notice to such directors shall be required, and any business may be transacted at such a meeting.

Section 12. Quorum of the Board. At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business, and the acts of the majority of the directors shall be the acts of the Board. If at any Board meeting there be less than a quorum present, the majority of those present may adjourn the meeting from time to time without further notice until a quorum is present.

Section 13. Compensation of Directors. No director shall be compensated in any manner except for out-of-pocket expenses not exceeding \$100 in any three (3) month period, unless such compensation is approved by a majority vote of the members.

## ARTICLE V

### POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Authority. The Board shall have the authority to:

(a) exercise for the Association all powers, duties and authority vested in or delegated to this Association by law, its Articles of Incorporation or the Declaration and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation or the Declaration;

(b) employ a manager, an independent contractor or such other employees or agents as it deems necessary, and to prescribe their duties; provided, however, that if entered into prior to the turnover meeting, no management agreement, service contract or employment contract shall be in excess of three years;

(c) determine and set the annual budget for the Association.

Section 2. Duties and Powers. The Board shall have the duty and power to:

(a) adopt and publish rules and regulations, including fees, if any, governing the use of Common Property and facilities, and the personal conduct of the members and their guests thereon;

(b) suspend the right to use the Common Property with respect to an Owner during any period in which such Owner shall be in default for more than thirty (30) days after notice in the payment of any assessment levied by the Association. Such right may also be suspended for members, after notice and hearing, for a period not to exceed sixty (60) days for infraction of the Declaration or rules and regulations promulgated and adopted by the Board;

(c) cause to be kept a complete record of all its corporate affairs, make such records available for inspection by any member or his agent and present an annual statement thereof to the members, all as more fully described in Article VI of these Bylaws;

(d) supervise all officers, agents and employees of the Association and see that their duties are properly performed;

(e) issue, upon demand by any member, a written statement setting forth whether or not any assessment has been paid and giving evidence thereof, for which a reasonable charge may be made;

(f) designate depositories for Association funds, designate those officers, agents and/or employees who shall have authority to withdraw funds from such accounts on behalf of the Association, and cause such persons to be bonded, as it may deem appropriate;

(g) fix annual assessments at an amount sufficient to meet the obligations imposed by the Declaration, at least thirty (30) days in advance of each annual assessment, and set the date(s) assessments are due;

(h) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of the due date of the assessment or first installment thereof;

(i) cause the lien against any Lot or Living Unit for which assessments are not paid within thirty (30) days after the due date to be filed and foreclosed or cause action at law to be brought against the Owner personally obligated to pay the same;

(j) cause the Common Property owned by the Association to be maintained and pay all local taxes, as applicable;

(k) procure, review, and maintain in effect such casualty, flood, liability and hazard insurance, property damage insurance with extended coverage endorsements, and a fidelity bond meeting the insurance and fidelity bond requirements as required by the Declaration;

(l) grant easements, leases, licenses and concessions through or over the Common Property; enter into mortgage agreements, give security and obtain capital debt financing subject to the provisions of the Declaration; acquire, hold and convey in the name of the Association any right, title or interest in real or personal property subject to the provisions of the Declaration;

(m) impose charges for late payment of assessments and, after giving notice and an opportunity to be heard, levy reasonable fines for violations of the Declaration, Bylaws, or rules and regulations of the Association;

(n) appoint the Architectural Committee and such other committees as it deems appropriate to carry out its purpose;

(o) institute, defend or intervene in litigation or administrative proceedings on behalf of the Association on matters affecting the community;

(p) exercise any other powers necessary and proper for the administration and operation of the Association.

## ARTICLE VI OFFICERS

Section 1. Enumeration of Offices. The officers of this Association shall be a President, who shall at all times be a member of the Board, a Secretary, and a Treasurer, and such other officers as the Board may create from time to time by resolution.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board or successive Board.

Section 3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of 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 5. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 6. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one (1) of any of the other offices.

Section 7. Duties. The duties of the officers are as follows:

(a) President: The President shall preside at all meetings of the Board and of the Association; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all promissory notes, checks and contracts as the Board may approve from time to time.

(b) Secretary: The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; maintain the records of the Association; serve notices to members, and shall perform such other duties as required by the Board.

(c) Treasurer: The Treasurer shall cause all monies of the Association to be deposited in appropriate accounts and disbursed therefrom as directed by resolution of the Board, shall co-sign any promissory notes or checks; keep proper books of account; cause the Association books to be closed annually at the completion of each full fiscal year; and shall be the chief officer responsible for the preparation of an annual budget and a statement of income and expenditures to be presented to the Board.

## ARTICLE VII

### BOOKS AND RECORDS

Section 1. Reports and Audits; Record Keeping:

(a) The Board or its designee, shall keep detailed, accurate records, in chronological order, of the receipts and expenditures, itemizing the maintenance and repair expenses of the Common Property and any other expenses incurred, and shall keep any other financial records sufficient for proper accounting purposes.

(b) An annual report consisting of a balance sheet and income and expense statement for the preceding year shall be distributed by the Board to all Owners, and to all mortgagees who have requested the same, within ninety (90) days after the end of each fiscal year. From time to time the Board, at the expense of the Association, may obtain an audit of the books and records pertaining to the Association. At any time any Owner or mortgagee may, at his own expense, cause an audit or inspection to be made of the books and records of the Association.

(c) The Board shall maintain at all times the records and documents of the Association including the minutes of meetings. Such records and documents shall be reasonably available for examination by an Owner or mortgagee; upon written request from the Owner or mortgagee such records and documents shall be made available for duplication. The Board shall maintain copies, suitable for duplication, of the Declaration, Bylaws, rules and regulations (and amendments thereto), current operating budget, and the most recent annual report. Upon written request of a prospective purchaser, such copies and documents shall be made available for duplication during reasonable hours. The Board may charge a reasonable fee for furnishing copies to an Owner, mortgagee or prospective purchaser.

Section 2. Statement of Assessments. The Board shall maintain an assessment roll in which there shall be an account for each Lot or Living Unit subject to assessment. Such account shall designate the name and address of the Owner, the amount of each assessment against the Owner, the dates and amounts on which the assessment becomes due, the amounts paid on the account, and the balance due on the assessments. The Board shall promptly provide any Owner who makes a request in writing with a written statement of the balance due on his assessments.

Section 3. Owner's Obligation. Each Owner shall provide the Board with the Owner's mailing address and any change thereto.

## ARTICLE VIII

### AMENDMENT

Section 1. Amendment by Members, The Bylaws may be amended by affirmative vote of not, less than fifty percent (50%) of all Class A members; provided, however that until such time as the events described in Article VIII,' Section 1, of the Declaration have occurred, no amendment shall be effective without the approval of the Declarant.

Section 2. Declarant's Right to Amend. Notwithstanding the provisions of Section 1, the Declarant may amend the Bylaws in order to comply with requirements of the Federal Housing Administration, the Veterans Administration, the Farmers Home Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Mortgage Loan Corporation, any department, bureau, board, commission or agency of the United States or the State of Oregon or any corporation wholly-owned, directly or indirectly, by the United States or the State of Oregon which insures, guarantees or provides financing for a planned community or Lots or Living Units in a planned community; provided, however, that if the need for such an amendment occurs after the turnover meeting described in the Bylaws, such an amendment shall not be effective without the concurrence of a majority vote of all Class A members.

Section 3. Recordation of Amendments. Amendments to these Bylaws shall be executed and certified by any officer of the Association designated for that purpose or, in the absence of designation, by the President of the Association, and, if these Bylaws are recorded, shall be recorded in the deed records of Marion County.

ARTICLE IX

MISCELLANEOUS

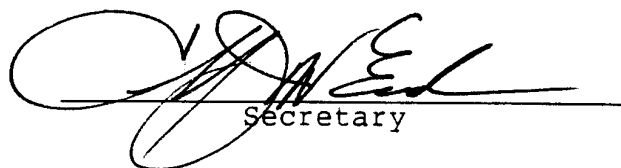
Section 1. Notices. All notices to the Association or to the Board shall be sent care of the managing agent, or if there is no managing agent, to the principal office of the Association or to such other address as the Board may hereafter designate from time to time. All notices to any Owner shall be sent to such address as may have been designated by him from time to time, in writing, to the Board, or if no address has been designated, then to the Owner's Lot or Living Unit.

Section 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.

Section 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. 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 or reference and shall in no way limit any of the provisions of these Bylaws.

Section 4. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws or the Articles of Incorporation, the Declaration shall control.

I, the undersigned, being the Secretary of McNARY ESTATES HOMEOWNERS ASSOCIATION, INC., do hereby certify the foregoing to be the Bylaws of said corporation, as adopted by the Board of Directors on the 3rd day of October 1985.

  
Secretary

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