

**AMENDED AND RESTATED BYLAWS
OF
KING CITY HIGHLANDS
HOMEOWNERS ASSOCIATION, INC.**

This Amended and Restated Bylaws of the King City Highlands Homeowners Association, Inc. dated December 4, 1998, by King City Highlands Homeowners Association, Inc. for itself, its successors, grantees and assigns, in order to amend and restate that certain Bylaws of King City Highlands Homeowners Association, Inc. dated August 16, 1988 and recorded August 23, 1988 as document number 88-37320, Deed Records of Washington County, Oregon, hereinafter the "Bylaws."

****** THIS IS A TRANSCRIPTION ******

This transcription is believed to be an accurate rendition of the December 4, 1998 "AMENDED AND RESTATED BYLAWS OF KING CITY HIGHLANDS HOMEOWNERS ASSOCIATION, INC., A PLANNED COMMUNITY" recorded in the deed records of Washington County, Oregon under fee number 98136835.1.

A Table of Contents, not a part of the original Bylaws, has also been included in this document.

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ARTICLE I

DEFINITIONS

The definitions in Article I of the Declaration of Covenants, Conditions, and Restrictions of King City Highlands 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 an 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 shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except upon the transfer of title to said Lot or living unit and then only to the transferee of title to such Lot or living unit. Any attempt to make a prohibited transfer shall be void.

Section 2. Voting Rights. As defined in the Declaration of Covenants, Conditions, and Restrictions, Article IX Section 2

ARTICLE III

MEETING OF MEMBERSHIP

Section 1. Quorum. The presence of members, in person or by proxy, entitled to cast twenty percent (20%) of the votes of the 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 there at 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 the actions which require the vote or approval of a specified percentage of members, the majority vote of members 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 any annual meetings provided below, the Board may call meetings of the members of the Association, may call meetings, formally or informally, for such purposes as deemed necessary or appropriate.

Section 5. Annual Meeting. The date of annual meetings may be changed from time to time, but must be held annually. At such meetings successors to those members of the Board whose terms have expired shall be elected by the Association 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 6. Ballot Meetings. Any meeting of the Association, 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 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 7. 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, 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 or as otherwise set out in these bylaws.

Section 8. Notice of Meetings. It shall be the duty of the Secretary to notify the members of the Association stating the purpose thereof and the time and place where each meeting is to be held, 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. Mailings 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 to 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 9. 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. No proxy shall be valid after the meeting for which it was solicited, unless otherwise expressly stated in the proxy, and every proxy shall automatically cease upon sale of the lot or living unit by its Owner. An Owner may pledge or assign his/her voting rights to a mortgagee. In such a case, the mortgagee or its designated representative shall be entitled to receive all notices to which the Owner is entitled hereunder and to exercise the Owner's voting rights from and after the time that 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.

Section 10. 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.

Section 11. Fiduciaries and Joint Owners. An executor, administrator, guardian, or trustee may vote in person or by proxy, at any meeting of the Association with respect to any Lot or Living Unit owned or held by him in such capacity, whether or not the same shall have been transferred to his/her name, provided, that they shall satisfy the secretary that he/she is the executor, administrator, guardian, or trustee holding such Lot or Living Unit in such capacity. Whenever any Lot or Living Unit is owned by two or more persons jointly, according to the records of the Association, the vote of such Lot or Living Unit may be exercised by anyone of the Owners then present, in the absence of protest by a co-owner. In the event of such protest no one co-owner shall be entitled to vote without the approval of all co-owners. In the event of disagreement among the co-owners the vote of such Lot or Living Unit shall be disregarded completely in determining the proportion of votes given with respect to such matter.

Section 12. Landlords and Contract Vendors. Unless otherwise expressly stated in the rental agreement or lease, all voting rights allocated to a Lot or Living Unit shall be exercised by the landlord if the rental agreement or lease has an original term of ten (10) years or less, or by the tenant if the rental agreement or lease has an original term of more than ten (10) years. Unless otherwise stated in the contract, all voting rights allocated to a Lot or Living Unit shall be exercised by the vendee of any land sale contract on the Lot or Living Unit.

ARTICLE IV

BOARD OF DIRECTORS, QUALIFICATIONS, ELECTION, MEETINGS

Section 1. Number and Qualification. The affairs of the Association shall be governed by a Board of at least five directors. All directors elected to the Board 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. The directors shall hold office for two years or until their successors have been elected and held their first meeting. By majority vote of the members present, the directors may be elected by a single ballot with each member voting for as many nominees as there are directorships to fill.

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. 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 shall 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 the retiring Director was elected by the other directors to serve.

Section 5. Removal and Resignation of Directors. At any annual or special meeting, other than a meeting by ballot, anyone or more of the directors, 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. The unexcused absence of a director from three (3) regular meetings of the Board shall be deemed a resignation.

Section 6. Open Meetings. 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 places 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. 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 8. 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 electronically communicated, which notice shall state the time, place and purpose of the meeting.

Section 9. 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 10. 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/her 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 11. 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 12. 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.

Section 13. Liability and Indemnification of Directors, Officers, Manager, or Managing Agent. The directors and officers shall not be liable to the Association for any mistake of judgment, negligence, or otherwise except for their own willful misconduct or bad faith. The Association shall indemnify and hold harmless each director and officer and the manager or managing agent, if any, against all contractual liability to others arising out of contracts made by the Board of Directors, officers, manager, or managing agent on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Declaration or of these Bylaws. Each director and officer and the manager or 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 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 his/her duties.

ARTICLE V

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Authority. The Board shall have the obligation 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.

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

(a) Determine and set the annual budget for the Association;

(b) 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;

(c) 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;

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

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

(f) 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;

(g) 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;

(h) 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;

- (i) 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;
- (j) Cause the lien against any Lot or Living Unit for which assessments are not paid within (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;
- (k) Cause the Common Property owned by the Association to be maintained and pay all local taxes, as applicable;
- (l) Procure, review, and maintain in effect casualty, flood, liability and hazard insurance, property damage insurance with extended coverage endorsements, and a fidelity bond meeting the insurance and fidelity bond requirements;
- (m) Grant easements, leases, licenses and concessions through or over the Common Property; enter into mortgagee 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;
- (n) 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;
- (o) Appoint the Architectural Committee and such other committees as it deems appropriate to carry out its purpose;
- (p) Institute, defend or intervene in litigation or administrative proceedings on behalf of the Association on matters affecting the community;
- (q) Exercise any other powers necessary and proper for the administration and operation of the Association.

Section 3. Abatement and Enjoining of Violations. The violation of any rule or regulation adopted pursuant to the Declaration of these Bylaws or the breach of any Bylaw contained herein or of any provision of the Declaration shall give the Board of Directors, acting on behalf of the Association, the right in addition to any other rights set forth in these Bylaws or in the Declaration:

- (a) To enter the Lot or Living Unit in which or as to which such violation exists and to summarily remedy, abate and/or remove, at the expense of the defaulting unit owner, any structure, thing, or condition that may exist therein contrary to, or which should exist therein consistent with, the intent and meaning of the provisions the Declaration, these Bylaws, and any rule or regulation adopted pursuant thereto, and the Board of Directors shall not hereby be deemed guilty of any manner of trespass; or
- (b) To enjoin, abate or remedy such thing or condition by appropriate legal proceedings;
or
- (c) To levy reasonable fines after giving notice and an opportunity to be heard. Such fines shall be treated in the same manner as common assessments.

Any expense incurred by the Association in remedying the default, damage incurred by the Association, or fines so levied shall be assessed against the offending Lot or Living Unit as a common expense assessment and enforced as provided in Article XI of the Declaration. In addition, any aggrieved owner or owners may bring an action to recover damages or to enjoin, abate, or remedy such thing or condition by appropriate legal proceedings.

ARTICLE VI

OFFICERS

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

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/she shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Resignation and Remoyal. 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 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/she 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 or acting 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, 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 .and 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 the 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/her 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 also 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 the 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/her assessments. This is further defined in Article X of the Declaration of Covenants, Conditions, and Restrictions.

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 members.

Section 2. 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 Washington County.

ARTICLE IX

MISCELLANEOUS

Section 1. Notices. All notices to the Association or to the Board shall be sent in care of the managing agent, or if there is no managing agent, to the registered 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/her 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, regardless of the number of violations or breaches thereof which may occur.

Section 3. Complaints and Grievances. Complaints and grievances must be submitted in writing, and signed, to appropriate committee or Board members.

Section 4. 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. 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 5. Conflicts. 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.