

BYLAWS
OF THE
MILLRIDGE HOMEOWNERS ASSOCIATION

ARTICLE I
Plan of Ownership

1.1 Name and Location. These are the Bylaws of Millridge Homeowners Association (herein "Association"). Millridge Townhouses (herein "Planned Community"), is located in Washington County, Oregon, and has been submitted to the provisions of the Oregon Planned Community Act (ORS 94.550 et seq.) by a/Amended and Restated Declaration filed simultaneously herewith.

1.2 Purposes. The Association is formed under the provisions of the Oregon Planned Community Act to serve as the means through which the Owners may take action with regard to administration, management, and operation of the Planned Community.

1.3 Applicability of Bylaws. The Association, all Owners, and all persons using the Planned Community property shall be subject to these Bylaws and to all rules and regulations which may be promulgated hereunder.

1.4 Composition of the Association. The Association shall be composed of all the Owners of the Planned Community, and the Association, itself, to the extent any of these own any Lots of the Planned Community.

1.5 Definitions. The definitions contained in or adopted by the Amended and Restated Declaration shall be applicable to these Bylaws. In addition, all definitions as found in ORS 94.550 shall be applicable unless stated otherwise herein.

ARTICLE II
Voting

2.1 Voting. Each Lot shall be allocated one vote in the affairs of the Association. The Board of Directors shall be entitled to vote on behalf of any Lot which has been acquired by or on behalf of the Association; provided, however, that the Board of Directors shall not be entitled to vote such Lots in any election of directors.

2.2 Determination of Membership in the Association. Upon recordation of a conveyance or contract to convey a Lot, the grantee or purchaser named in such conveyance or contract shall

automatically be a member of the Association and shall remain a member of said Association until such time as such person's ownership ceases for any reason. Lot ownership shall be determined, for all purposes of the Amended and Restated Declaration for Millridge Townhouses (herein "Amended and Restated Declaration") and these Bylaws, and the administration of the property, from the record of Lot ownership maintained by the Association. The record shall be established by the Owner filing with the Association a copy of the deed or land sale contract for his Lot, to which shall be affixed the certificate of the recording officer of Washington County, Oregon, showing the date and place of recording of such deed or contract. Notwithstanding the foregoing, the Association shall be the Owner of all previously unsold Lots although no deed or land sale contract, with respect to such Lots, has been filed with the Association.

2.3 Proxies. A vote may be cast in person or by proxy. A proxy given by an Owner to any person who represents such Owner at meetings of the Association shall be in writing and signed by such Owner and shall be filed with the Secretary. 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 by its Owner. An Owner may pledge or assign his 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.

2.4 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 owned or held by him in such capacity, whether or not the same shall have been transferred to his name; provided, that he shall satisfy the Secretary that he is the executor, administrator, guardian, or trustee holding such Lot in such capacity. Whenever any Lot is owned by two or more persons jointly, according to the records of the Association, the vote of such Lot may be exercised by any one 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 shall be disregarded completely in determining the proportion of votes given with respect to such matter.

2.5 Landlords and Contract Vendors. Unless otherwise expressly stated in the rental agreement or lease, all voting rights allocated to a Lot 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 shall be exercised by the vendee of any land sale contract on the Lot.

2.6 Quorum of Owners. At any meeting of the Association, members holding twenty percent (20%) of the voting rights present in person or by proxy, shall constitute a quorum. The subsequent joinder of an Owner, in the action taken at a meeting by signing and concurring in the minutes thereof, shall constitute the presence of such person for the purpose of determining a quorum. When a quorum is once present to organize a meeting it cannot be broken by the subsequent withdrawal of an Owner or Owners. If any meeting of members cannot be organized because of a lack of quorum, the members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present.

2.7 Majority Vote. The vote of the holders of more than fifty percent (50%) of the voting rights present, in person, or by proxy, at a meeting at which a quorum is constituted shall be binding upon all Owners for all purposes except where a higher percentage vote is required by law, by the Amended and Restated Declaration, or by these Bylaws.

ARTICLE III Meetings of the Association

3.1 Place of Meeting. The Association shall hold meetings at such suitable place convenient to the Owners as may be designated by the Board of Directors from time to time.

3.2 Annual Meetings. The annual meetings of the Association shall be held immediately proceeding the June board meeting at such hour as the President may designate. The annual meetings shall be for the purpose of electing directors and for the transaction of such other business as may properly come before the meeting.

3.3 Special Meetings. Special meetings of the Association may be called by the President or Secretary or by a majority of the Board of Directors and must be called by such officers upon receipt of a written request from at least ten percent (10%) of the Owners stating the purpose of the meeting. Business transacted at a special meeting shall be confined to the purposes stated in the notice.

3.4 Notice of Meetings. Notice of all meetings of the Association stating the time and place and the objects for which the meeting is being called, shall be given by the President or Secretary. All notices shall be in writing and delivered to each Owner at his address as it appears on the books of the Association

and to any first Mortgagee requesting such notice not less than fifteen (15) days nor more than fifty (50) days prior to the date of the meeting. Notice of the meetings may be waived by any Owner before or after meetings. When a meeting is adjourned for less than thirty (30) days, no notice of the adjourned meeting need be given other than by announcement at the meeting at which such adjournment takes place.

3.5 Order of Business. The order of business at annual meetings of the Association shall be:

- (a) Calling of the roll and certifying of proxies;
- (b) Proof of notice of meeting or waiver of notice;
- (c) Reading of minutes of preceding meeting;
- (d) Reports of officers;
- (e) Reports of committees, if any;
- (f) Election of directors;
- (g) Unfinished business;
- (h) New business; and
- (i) Adjournment.

ARTICLE IV Board of Directors

4.1 Number and Qualification. The affairs of the Association shall be governed by a Board of Directors composed of five (5) persons all of whom must be an Owner or the co-Owner of a Lot. Provided, however, Owners of the same Lot may not serve as directors simultaneously.

4.2 Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law or by these Bylaws directed to be exercised and done by the Owners.

4.3 Other Duties. In addition to duties imposed by these Bylaws or by resolutions of the Association, the Board of Directors shall have authority to carry out and be responsible for the following matters:

(a) Care, upkeep, and supervision of the Planned Community and the Common Area and assigning, supervising assignments or approving any assignment of the use of any Common Area, as may be required by the Amended and Restated Declaration.

(b) Designation and collection of monthly assessments from the Owners in accordance with these Bylaws, the Amended and Restated Declaration, and the Oregon Planned Community Act.

(c) Payment of all Common Expenses of the Association, and institution and maintenance of a voucher system for payment, which shall require a sufficient number of signatories thereon as may be reasonably necessary to prevent any misuse of the Association's funds.

(d) Designation and dismissal of the personnel necessary for the maintenance and operation of the Planned Community and the Common Area.

(e) Subject to the limitations of the Oregon Planned Community Act, leasing, subleasing, or hypothecation in any manner of the Common Area of the Planned Community which have or may have any income producing potential.

(f) Promulgation and enforcement of rules of conduct for Owners, employees, and invitees which shall be consistent with the restrictions set out in Article VII, Section 7.3 of these Bylaws.

4.4 Management Agent. The Board of Directors may employ a management agent, to be compensated in an amount established by the Board of Directors, to perform such duties and services as the Board of Directors shall authorize including, but not limited to, the duties listed in Section 4.3 of this Article.

4.5 Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the Annual Meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and one or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine but not less than the number of vacancies that are to be filled.

4.6 Election and Term of Office. The successor for a director shall be elected to serve for a term of three years. Directors shall hold office until their respective successors have been elected by the Owners. Election shall be by plurality.

4.7 Vacancies. Vacancies on the Board of Directors, caused by any reason other than the removal of director by a vote of the Association, shall be filled for the balance of the term of each directorship by vote of a majority of the remaining directors even though they may constitute less than a quorum; and 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.

4.8 Removal of Directors. At any legal annual or special meeting, other than a meeting by ballot, any one or more of the directors may be removed, with or without cause, by a majority of the Owners present and a successor may be then and there elected to fill the vacancy thus created. Any director whose removal has been proposed by the Owners may be given an opportunity to be heard at the meeting. Any director who has three or more consecutive unexcused absences from any regular meeting of the Board of Directors may be replaced by an appointment of the Board of Directors.

4.9 Regular and Special Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the directors. Special meetings of the Board of Directors may be called by the President and must be called by the Secretary at the written request of at least two (2) directors. Notice of any special meeting shall be given to each director, personally or by mail, telephone, or telegraph at least three (3) days prior to the day named for such meeting and shall state the time, place, and purpose of such meeting. All meetings of the Board of Directors shall be open to Owners. Such meetings may be conducted by telephonic communication, except that if a majority of the Lots are principal residences of the occupants, then: (a) for other than emergency meetings notice of each Board of Directors meeting 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 Owners of such meeting; and (b) only emergency meetings of the Board of Directors may be conducted by telephonic communication.

4.10 Board of Directors Quorum. At all meetings of the Board of Directors a majority of the existing 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 of Directors. If, at any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting any business which might have been transacted at the meeting as originally called may be transacted without further notice.

4.11 Compensation of Directors. No director shall be compensated in any manner, except for out-of-pocket expenses, unless such compensation is approved by a vote of the Owners.

4.12 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 Amended and Restated 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 duties.

4.13 Fidelity Bond. The Board of Directors shall require any person or entity, including, but not limited to, employees of any professional manager who handles or is responsible for Association funds, to furnish such fidelity bond as the Board of Directors deem adequate.

4.14 Insurance. The Board of Directors shall obtain the insurance required in Article VIII of these Bylaws. In addition the Board of Directors, in its discretion, may obtain such other insurance as it deems necessary to protect the interests of the Association or Owners. The Board of Directors shall conduct an annual insurance review which, if appropriate, shall include an appraisal of all improvements contained in the Planned Community.

ARTICLE V Officers

5.1 Designation. The principal officers of the Association shall be a President and Vice President, who shall at all times be members of the Board of Directors, a Secretary, and a Treasurer, all of whom shall be elected by the directors. The directors may appoint an assistant Treasurer, an assistant Secretary, and any such other officers as in their judgment may be necessary.

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

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

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* 5.4 President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of president of an association, including but not limited to, the power to appoint committees from among the Owners from time to time, as he may in his discretion decide is appropriate, to assist in the conduct of the affairs of the Association. The President shall be entitled to vote at Board of Directors meetings only in case of a tie vote at any such meeting and his vote shall be final.

5.5 Vice President. The Vice President shall act in place and stead of the President in the event of his or her absence, inability, or refusal to act and shall exercise and discharge such other duties as may be required by the Board of Directors.

5.6 Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board of Directors and the minutes of all meetings of the Association; he shall serve notice of meetings of the Board of Directors and of the Association; he shall keep appropriate current records showing the members of the Association, together with their addresses; he shall have charge of such books and papers as the Board of Directors may direct; and he shall, in general, perform all the duties incident to the office of Secretary.

5.7 Treasurer. The Treasurer shall have responsibility for the Association's funds and securities not otherwise held by the managing agent, and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as may, from time to time, be designated by the Board of Directors. He shall also cause an annual audit of the books of the Association to be made by a public accountant at the completion of each fiscal year and shall prepare an annual budget and a statement of income and

expenditures as determined by the Board of Directors to be presented to the Association at its annual meeting and deliver a copy to each Owner.

5.8 Directors as Officers. Any director may be an officer of the Association.

ARTICLE VI Budget, Expenses and Assessments

6.1 Budget. Within thirty (30) days prior to the beginning of each fiscal year of the Association the Board of Directors shall prepare a budget for the Association; estimate the Common Expenses expected to be incurred, less any previous overassessment; and assess the Common Expenses to each Owner in the proportion set forth in the Amended and Restated Declaration.

6.2 Determination of Common Expenses. Common Expenses shall include:

- (a) Expenses of administration;
- (b) Expenses of maintenance, repair, or replacement of the Common Area;
- (c) Cost of insurance or bonds obtained in accordance with these Bylaws;
- (d) A general operating reserve;
- (e) Reserve for replacements and deferred maintenance as set forth in Section 6.4;
- (f) Any deficit in Common Expenses for any prior period;
- (g) Utilities for the Common Area and other utilities with a common meter or commonly billed, such as trash collection, water, sewer, and cable television; and
- (h) Any other items properly chargeable as an expense of the Association.

6.3 Assessment of Owners. All Owners shall be obliged to pay Common Expenses assessed to them by the Board of Directors on behalf of the Association pursuant to these Bylaws and the Amended and Restated Declaration. Assessments may not be waived due to limited or nonuse of the Common Area. The Association shall be assessed as the Owner of any Lot it holds title to, but such assessment shall be prorated to the date of sale of the Lot. The Board of Directors, on behalf of the Association, shall assess the Common Expenses against the Owners, from time to time and at

least annually, and shall take prompt action to collect from an Owner any Common Expense due which remains unpaid by him for more than thirty (30) days from the due date for its payment.

6.4 Reserves. A portion of the Common Expense collected from each Owner shall be placed in an account separate from the general operating account of the Association in accordance with ORS 94.595. This separate account is to be used as a reserve account for major maintenance and replacement of the Common Area all or part of which would normally require replacement in more than three (3) or less than thirty (30) years from the time the budget is determined by the Board of Directors.

The reserve account shall be used only for the purposes outlined in this section; provided, however, that the Board of Directors may borrow funds from the reserve account to meet high seasonal demands on the regular operating funds or to meet other temporary expenses which will later be paid from special assessments or maintenance fees. The reserve account may be invested by the Board of Directors subject to normal prudent investment standards.

Assessments paid into the reserve account shall be the property of the Association and are not refundable to sellers of Lots. Sellers of Lots may treat their outstanding share of the reserve account as a separate item in any agreement for the sale of their Lots.

6.5 Special Assessments - Capital Improvements. In the case of any duly authorized capital improvement (see Amended and Restated Declaration, Section 7.4) to the Common Area, the Board of Directors may, by resolution, establish separate assessments for the same which may be treated as capital contributions by the Owners and the proceeds of which shall be used only for the specific capital improvements described in the resolution. Special assessments shall be collectable as a regular Common Expense and are applicable to all lien provisions herein.

6.6 Default in Payment of Common Expenses. In the event of default by any Owner in paying to the Association the assessed Common Expenses, such Owner shall be liable for late payment charge at the rate equal to the prime rate plus five percent (5%), but not to exceed the maximum lawful rate per annum on such Common Expenses from the due date thereof. In addition, the defaulting Owner shall pay any other reasonable late charge established by the Board of Directors, from time to time, together with all expenses incurred by the Association in collecting such unpaid expenses including attorneys' fees (whether or not suit is instituted, and at trial or any appeal therefrom). The Board of Directors shall have the right and duty to recover for Association such Common Expenses together with such charges, interest, and expenses of the proceeding, including attorneys' fees, by an action brought against

such Owner or by foreclosure of the lien upon the Lot granted by the Oregon Planned Community Act. The Board of Directors shall notify the holder of any first mortgage upon a Lot of any default not cured within thirty (30) days of the date of default.

6.7 Foreclosure of Liens for Unpaid Common Expenses. In any suit brought by the Association to foreclose a lien on a Lot because of unpaid assessments, the Owner shall be required to pay a reasonable rental for the use of the Lot during the pendency of the suit; and the plaintiff in such foreclosure suit shall be entitled to the appointment of a receiver to collect such rental. The Board of Directors, acting on behalf of the Association, shall have the power to purchase such Lot at the foreclosure sale and to acquire, hold, lease, mortgage, vote the votes appurtenant to, convey, or otherwise deal with the Lot. A suit or action to recover a money judgment for unpaid Common Expenses shall be maintainable without foreclosing the liens securing the same.

6.8 Statement of Common Expenses. The Board of Directors shall advise each Owner in writing of the amount of Common Expenses payable by him and furnish copies of each budget, on which such Common Expenses are based to all Owners and, if requested, to their Mortgagees. The Board of Directors shall promptly provide any Owner who makes a request in writing with a written statement of his unpaid Common Expenses.

6.9 Priority of Lien; First Mortgages. Any lien of the Association against a Lot for Common Expenses shall be subordinate to tax and assessment liens and any first mortgage of record. Where the purchaser or Mortgagee of a Lot obtains title to the Lot as a result of foreclosure of a first mortgage or by deed in lieu of foreclosure, such purchaser or Mortgagee, his successors and assign, shall not be liable for any of the Common Expenses chargeable to the Lot which became due prior to the acquisition of title by the purchaser or Mortgagee.

ARTICLE VII

Maintenance and Use of the Planned Community Property

7.1 Maintenance and Repair. Except as otherwise provided herein for damage or destruction caused by casualty:

(a) Lots. All maintenance of and repairs to the interior of any structure existing on a Lot shall be made by the Owner of such Lot; who shall keep the same in good order, condition, and repair. Owners are expressly prohibited from painting or changing the exterior of any building, garage, fence or wall. In addition, each Owner shall be responsible for the maintenance, repair, or replacement of windows and doors and any plumbing, heating, or air conditioning fixtures, telephones, water

heaters, fans, lighting fixtures and lamps, fireplaces, refrigerators, dishwashers, ranges, or other appliances and accessories that may be in or connected with his Lot.

(b) Common Area. All maintenance, repairs, painting and replacements to the Common Area shall be made by the Association and shall be charged to all the Owners as Common Expense.

7.2 Additions, Alterations, or Improvements.

(a) Subject to the provisions of the Amended and Restated Declaration, an Owner may make any improvements or alterations to his Lot that does not impair the structural integrity or mechanical systems of the Planned Community.

(b) After acquiring an adjoining Lot, or an adjoining part of an adjoining Lot, an Owner may submit a written request to the Board of Directors for permission to remove or alter any intervening partition or to create apertures therein even if the partition, in whole or in part, is Common Area. The Board of Directors shall approve the change unless it determines within forty-five (45) days that the proposed change will impair the structural integrity or mechanical systems of the Planned Community. The Board of Directors may require the Owner, at his own expense, to submit an opinion of a registered architect or registered professional engineer that the proposed change will not impair the structural integrity or mechanical systems of the Planned Community. Removal of partitions or creation of apertures under this paragraph is not an alteration of boundaries. Expenses incurred in amending the Amended and Restated Declaration, plat, and floor plans in conjunction with an alteration as set forth herein shall be borne by the affected Owners.

(c) An Owner shall make no repair or alteration or perform any other work on his Lot which would jeopardize the soundness or safety of the property, reduce its value, impair any easement or hereditament, or increase the Common Expenses of the Association unless the consent of all other Owners affected is first obtained.

(d) An Owner may not change the appearance of the Common Area or any elements maintained by the Association, without permission of the Architectural Control Committee.

7.3 Restrictions and Requirements Respecting Use of the Planned Community Property. The following restrictions and requirements are in addition to all other restrictions and requirements contained in the Amended and Restated Declaration and these Bylaws:

(a) No commercial activities of any kind shall be carried on in any Lot or in any other portion of the Planned Community without the consent of the Board of Directors of the Association or manager except activities relating to the rental or sale of Lots. This provision, however, shall not be construed so as to prevent or prohibit an Owner from maintaining his professional personal library; keeping his personal business or professional records or accounts; handling his personal business or professional telephone calls; or conferring with business or professional associates, clients, or customers, within his Lot.

(b) Nothing shall be done or kept on any Lot or in the Common Area which will increase the cost of insurance on the Common Area. No Owner shall permit anything to be done or kept on his Lot or in the Common Area which will result in cancellation of insurance on any Lot or any part of the Common Area.

(c) No animals, livestock, or poultry of any kind may be raised, bred, or kept in any Lot except dogs, cats, or other household pets provided that they are not kept, bred, or maintained for any commercial purpose. The owner of any dog must keep said dog on a leash or keep it confined within the Lot and no dog shall be allowed to run free in the Common Area. Each Owner shall be responsible for clean-up of anything deposited by their pet on the Common Area. Such clean-up shall occur immediately after such deposit is made.

(d) No part of the properties may be used or maintained as a dumping ground for rubbish, trash, garbage, or any other waste. No garbage, trash, or other waste may be kept or maintained on any part of the property except in a sanitary container located to the rear of each Lot and/or out of sight of the roadway. All such waste and garbage must be promptly and periodically removed.

(e) No noxious, offensive, or unsightly conditions are permitted upon any portion of the property; nor may anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood.

(f) No car parts, appliances, immobilized, or immobile vehicles shall be placed or stored upon any Common Area of the properties. Any such property so described will be removed after seventy-two (72) hours at the Owner's expense.

(g) No clothes lines, clothes racks, or other apparatus on which clothes, rags, or similar items are exposed for the purpose of drying or airing shall be located on any Lot or Common Area except in the rear yard area of the Lot.

(h) No resident of a Lot shall post any advertisement or poster of any kind in or upon the properties except as authorized by the Association.

(i) Residents shall exercise extreme care about making noises or the use of musical instruments, radios, televisions, or amplifiers that may disturb other residents.

(j) No garments, rugs, rags, laundry, or other clothing or materials shall be allowed to hang from the windows or from any of the facades of the properties or in open car shelters.

(k) No person will dust rugs or clean rugs from the windows or by beating them upon the exterior part of the properties.

(l) Parking of boats, trailers, motorcycles, trucks, truck campers, and like equipment on the properties, except within an Owner's garage or within the confines of the R.V. parking area as administered by the Board, is prohibited.

(m) The parking spaces designated as a part of the Common Area in the Amended and Restated Declaration are intended for use of automobiles of Owners and guests. The directors may make such rules necessary to govern the use of any Common Area parking areas by which all Owners and other users shall be bound.

(n) At no time shall parking be allowed within the Planned Community except within garages and clearly marked parking spaces as shown on the plat.

(o) Vehicular traffic on the parking areas, driveways and roads on the Planned Community property shall be limited to fifteen (15) miles per hour as a safety precaution. This speed limit shall apply to bicycles, motor scooters, motorcycles, automobiles, and trucks.

(p) All trees, hedges, shrubs, flowers and trees growing on a Lot shall be maintained and cultivated so that plant insects, pests and diseases shall not be a menace or detrimental to the trees, hedges, shrubs, flowers, lawns or other vegetation within the Planned Community. All snags are to be removed from the premises.

(q) All facilities for T.V. Service, electrical supply facilities, water supply and sewage disposal shall be installed underground by the Association. The Association shall stub utilities to each Lot. Owners shall be solely responsible for utility hook-up and for all other services not defined as utilities for which the Association is responsible.

(r) No fence, gate or similar structure may be constructed or placed on any Lot without the prior, written approval of the Architectural Control Committee.

(s) Pool areas are provided for the use of the residents and their guests only.

(t) All walks and driveways are for the use of Association members on an equal basis. It shall be the responsibility of each member to allow maximum ease of pedestrian and vehicular ingress and egress over walks and driveways by prohibiting automobile parking in front of garages or in the alleyways and allowing no obstruction or barrier on, across or adjacent to sidewalks.

(u) Failure by an Owner, his or her family, invitees, or lessees to comply with the restrictions set forth herein or other promulgated by the Board of Directors shall be cause for which the Board of Directors may deny or restrict such Owner's right to use any Common Area with respect to which such Owner otherwise had a right to use.

7.4 Association Rules and Regulations. In addition, the Board of Directors, from time to time, may recommend the amendment, adoption, modification, or revocation of rules and regulations governing the conduct of persons and the operation and use of the Lots and Common Area as it may deem necessary or appropriate in order to assure the peaceful and orderly use and enjoyment of the Planned Community property. Such recommendation shall become effective upon vote of not less than fifty percent (50%) of the Owners, present in person or by proxy, at any meeting; the notice of which shall have stated that such adoption, modification, or revocation of rules and regulations will be under consideration. A copy of the rules and regulations, upon adoption and a copy of each amendment, modification, or revocation thereof shall be delivered by the Secretary promptly to each Owner and shall be binding upon all Owners and occupants of all Lots from the date of delivery.

7.5 Abatement and Enjoining of Violations. The violation of any rule or regulation adopted pursuant to these Bylaws or the breach of any Bylaw contained herein or of any provision of the Amended and Restated 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:

(a) To enter the Lot in which or as to which such violation exists and to summarily abate and remove, at the expense of the defaulting Owner, any structure, thing, or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board of Directors shall not thereby 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 Owners, or fines so levied shall be assessed against the offending Lot as a Common Expense and enforced as provided in Article VI. In addition, any aggrieved Owner may bring an action to recover damages or to enjoin, abate, or remedy such thing or condition by appropriate legal proceedings.

ARTICLE VIII Insurance

8.1 Insurance. For the benefit of the Association and Lots, the Board of Directors shall obtain and maintain at all times and shall pay for out of Common Expense funds the following insurance:

(a) Property insurance covering loss or damage from occurrences including, but not limited to, fire, vandalism, and malicious mischief with extended coverage endorsement; and such other coverages such as flooding, which the Association may deem desirable, for not less than the full insurable replacement value of the Lots and Common Area. Such policy or policies shall name the Association and the Owners as insureds as their interest may appear and shall provide for a separate loss payable endorsement in favor of the Mortgagee or Mortgagees of each Lot, if any.

(b) A policy or policies insuring the Association, the Board of Directors, Owners, and managing agent against liability to the public or to the Owners and of Common Area and their invitees or tenants incident to the Lot ownership or use of the property. There may be excluded from such policy or policies coverage of an Owner (other than as a member of the Association or the Board of Directors) for liability arising out of acts or omission of such Owner and liability incident to the ownership and/or use of the part of the property as to which such Owner has the exclusive use or occupancy. Limits of liability under such insurance shall not be less than One Million Dollars (\$1,000,000) on a combined single limit basis. Such policy or policies shall be issued on a comprehensive liability basis and shall provide cross liability endorsement wherein the rights of named insured under the policy or policies shall not be prejudiced as respects his, her, or their action against another named insured; and

(c) Worker's compensation insurance to the extent necessary to comply with any applicable laws.

Each Owner shall be responsible for obtaining, at his own expense, insurance covering his property not insured under paragraph (a) above and against his liability not covered under paragraph (b) above, unless the Association agrees otherwise.

8.2 Policies. Insurance obtained by the Association shall be governed by the following provisions:

(a) All policies shall be written with the State of Oregon or a company licensed to do business in the State of Oregon and holding a Commissioner's rating of "A" and a size rating of "AAA" or better by the Best's Insurance Reports, current at the time the insurance is written.

(b) All losses under policies hereafter in force regarding the property shall be settled exclusively with the Board of Directors or its authorized representative. Proceeds of the policies shall be paid to the Association as trustee for the Owners, or upon demand of any Mortgagee, to an insurance trustee acceptable to the Association and Mortgagees of Lots.

(c) All Owners or tenants shall be required to carry a personal effects fire and comprehensive personal liability and premises medical coverage policy.

8.3 Provisions. The Board of Directors shall make every effort to secure insurance policies that will provide for the following:

(a) A waiver of subrogation with respect to fire insurance coverage by the insurer as to any claims against the Board of Directors, manager, Owners and their respective servants, agents, and guests.

(b) A provision that the master policy on the Planned Community cannot be cancelled, invalidated, or suspended on account of the conduct of any one or more individual Owners.

(c) A provision that the master policy on the Planned Community cannot be cancelled, invalidated, or suspended on account of the conduct of any officer or employee of the Board of Directors or the manager without prior demand in writing that the Board of Directors or manager cure the defect.

(d) A provision that any "no other insurance" clause in the master policy exclude individual Owners' policies from consideration, and a waiver of the usual proration clause with respect to such policies.

(e) A provision that the insurer issue subpolicies specifying the portion of the master policy earmarked for each Owner's interest and that until the insurer furnishes written

notice and a grace period to the Mortgagee, insured under the loss payable clause thereof, the Mortgagee's coverage is neither jeopardized by the conduct of the Lot mortgagor-Owner, the Association, or other Owners, nor cancelled for nonpayment of premiums.

(f) A rider on the master policy patterned after "Use and Occupancy" insurance which will provide relief from monthly assessments while a Lot is uninhabitable by the payment of the Planned Community expenses thereof and any other fixed costs including, but not limited to, taxes, rent, insurance, and mortgage payments. The proceeds from any casualty policy, whether held by the Association or an Owner, payable with respect to any loss or damage to the Common Area, shall be held in trust for the benefit of all insureds as their interest may appear.

(g) A waiver of the insurer's right to determine whether the damage should be repaired. If reasonably available the policy or policies should contain a stipulated amount clause, or determine cash adjustment clause or similar clause to permit a cash settlement covering specified value in the event of destruction and a decision not to rebuild.

ARTICLE IX Damage and Destruction

9.1 Insurance Proceeds Sufficient to Cover Loss. In case of fire, casualty, or any other damage and destruction the insurance proceeds of the master policy, if sufficient to reconstruct the buildings damaged or destroyed, shall be applied to such reconstruction. Reconstruction of the damaged or destroyed buildings, as used in this paragraph, means restoring the buildings to substantially the same condition in which they existed prior to the fire, casualty, or disaster with each Lot; and the Common Area having the same vertical and horizontal boundaries as before. Such reconstruction shall be accomplished under the direction of manager or the Board of Directors.

9.2 Insurance Proceeds Insufficient to Cover Loss. If the insurance proceeds are insufficient to reconstruct the damaged or destroyed buildings, the damage to or destruction of such buildings shall be promptly repaired and restored by the manager or the Board of Directors using the proceeds of insurance, if any, on such buildings for that purpose; and all the Owners shall be liable for assessment for any deficiency for such reconstruction, such deficiency to take into consideration as the Owner's contribution any individual policy insurance proceeds provided by such Owner. Provided, however, if three-fourths (3/4) or more in value of all the buildings are destroyed or substantially damaged and if the Owner of at least three-fourths (3/4) of the Lots do not, voluntarily within sixty (60) days after such destruction or damage make provision for reconstruction, the manager or the Board

of Directors shall record with the County Recorder a notice setting forth such facts and the recording of such notice.

(a) The Planned Community property shall be deemed to be owned in common by the Owners.

(b) The respective interest of each Owner in the property shall be determined by the provisions Oregon law which are in effect on the date the Amended and Restated Declaration is recorded.

(c) The Planned Community shall be subject to an action for partition at the suit of any Owner. If a decree of partition orders the sale of the Planned Community property, the net proceeds of sale, together with the net proceeds of the policies of insurance on the Planned Community, if any, shall be considered as one fund and shall be divided among all of the Owners in proportion to their respective undivided interest after first paying, out of the respective shares of the Owners to the extent such share is sufficient for the purpose, all liens on the undivided interest in the project owned by each Owner.

9.3 Architectural Changes After Damage or Destruction. Notwithstanding all other provisions hereof, the Owners may, subject to the Oregon Planned Community Act, by an affirmative vote of sufficient Owners to amend these Bylaws, cause an amendment to be made to the Planned Community documents so as to facilitate architectural changes that the Owners affected thereby and the Association deem desirable; if, and only if, the partial or total destruction of the Planned Community or any buildings thereof, by fire, casualty, or any other disaster is so great as to require the substantial reconstruction of the whole of the Planned Community or said buildings. Any such amendment of such Planned Community documents shall be valid only upon (1) the recording thereof with the recording officer of Washington County; and (2) the recording, with that recording officer, of the approval thereof of each Mortgagee and each other lienholder of record having a lien against any part of the project or building affected by such amendment.

ARTICLE X Condemnation

The Board of Directors shall have the sole authority to negotiate with any public or private body or person having the power of eminent domain; and to sue or defend in any litigation, involving such bodies or persons with respect to the Common Area of the Planned Community, and shall assist any Owner whose Lot or a part thereof is the subject of any condemnation or eminent domain proceeding; provided, however, nothing in this or any document or agreement relating to the Planned Community shall be construed to give an Owner or any party priority over the rights of the first Mortgagees of any Planned Community Lots in the case of a

distribution to the Owner of any such condemnation awards for losses to or a taking of a Lot and/or the Common Area.

ARTICLE XI
Amendments to the Bylaws

11.1 How Proposed. Amendments to the Bylaws shall be proposed by either a majority of the Board of Directors or by Owners holding ten percent (10%) of the voting rights. The proposed amendment must be reduced to writing and shall be included in the notice of any meeting at which action is to be taken thereon.

11.2 Adoption. Amendments may be approved by the Association at a duly constituted meeting or ballot meeting conducted for such purpose. A vote of a majority of the Owners is required for approval of any amendment except those items appearing in Section 11.3 below.

11.3 Execution and Recording. An amendment shall not be effective until certified by the President and Secretary of the Association and recorded as required by law.

ARTICLE XII
Records and Audits

12.1 General Records. The Board of Directors and managing agent or manager, if any, shall keep detailed records of the actions of the Board of Directors and managing agent or manager; minutes of the meetings of the Board of Directors; and minutes of the meeting of the Association. The Board of Directors shall maintain a Book of Resolutions containing the rules, regulations, and policies adopted by the Association, Board of Directors, and the manager. The Board of Directors shall maintain a list of Owners entitled to vote at meetings of the Association and a list of all Mortgagees of Lots.

12.2 Records of Receipts and Expenditures. The Board of Directors or its designee shall keep detailed, accurate records in chronological order of the receipts and expenditures affecting the Common Area; itemizing the maintenance and repair expenses of the Common Area and any other expenses incurred. Such records and the vouchers authorizing the payments shall be available for examination by the Owners and Mortgagees during normal business hours.

12.3 Assessment Roll. The assessment roll shall be maintained in a set of accounting books in which there shall be an account for each Lot. Such account shall designate the name and address of the Owner or Owners, the amount of each assessment against the Owners, the dates and amounts in which the assessment

comes due, the amounts paid upon the account, and the balance due on the assessments.

12.4 Payment of Vouchers. The Treasurer shall pay all vouchers up to One Thousand Dollars (\$1,000) signed by two persons authorized by the Board.

12.5 Reports and Audits. An annual report of the receipts and expenditures of the Association and a balance sheet showing assets and liabilities shall be rendered by the Board of Directors to all Owners and to all Mortgagees of Lots within ninety (90) days after the end of each fiscal year. From time to time the Board of Directors, at the expense of the Association, may obtain an audit of the books and records pertaining to the Association and furnish copies thereof to the Owners and such Mortgagees. 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.

12.6 Notice of Sale, Mortgage, Rental, or Lease. Immediately upon the sale, mortgage, rental, or lease of any Lot, Owner shall promptly inform the Secretary or manager of the name and address of said vendee, Mortgagee, lessee, or tenant.

12.7 Inspection of Records by Owners. The Association shall maintain all of the documents delivered by Declarant. These and all other records of the Association shall be reasonably available for examination by an Owner and any Mortgagee of a Lot. Upon written request, the Association shall make available for duplication any such records. The Association may charge a reasonable fee for furnishing copies of any documents, information, or records described in this section.

ARTICLE XIII Miscellaneous

13.1 Notices. All notices to the Association or the Board of Directors 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 of Directors 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 of Directors, or if no address has been designated, then to the Owner's Lot.

13.2 Waiver. No restriction, condition, obligation, or provision contained in these Bylaws or rules and regulations adopted pursuant hereto 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.

13.3 Action Without a Meeting. Any action which the Oregon Planned Community Act, the Amended and Restated Declaration, or these Bylaws require or permit the Owners or directors to take at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the Owners or directors entitled to vote on the matter. The consent, which shall have the same effect as a unanimous vote of the Owners or directors, shall be filed in the record of minutes of the Association.

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

13.5 Conflicts. These Bylaws are intended to comply with the Oregon Planned Community Act and the Amended and Restated Declaration. In case of any irreconcilable conflict such statute and document shall control over these Bylaws or any rules and regulations adopted hereunder.

THEREFORE, the Board of Directors hereby adopts these Bylaws on behalf of Millridge Homeowners Association.

DATED this 7 day of November, 1989.

MILLRIDGE HOMEOWNERS ASSOCIATION

Rathleen H. Pritchard
President

Ann Terry Hill
Secretary