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**BYLAWS
OF
TERWILLIGER SOUTH NO. 2 HOMEOWNERS ASSOCIATION**

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BYLAWS
OF
TERWILLIGER SOUTH NO. 2 HOMEOWNERS ASSOCIATION

ARTICLE 1
PLAN OF LOT OWNERSHIP; DEFINITIONS

1.1 Bylaws Applicability. These Bylaws apply to the Lots and the Common Area in Terwilliger South No. 2, a planned community in Multnomah County, Oregon, that have been subjected to the Amended, Restated and Superceding Declaration of Covenants, Conditions and Restriction for Terwilliger South No. 2, Multnomah County, State of Oregon, recorded on April 2, 1998 as Fee No. 98053627 in the Multnomah County, Oregon, deed records (the "Declaration"), as well as to the Terwilliger South No. 2 Homeowners Association (the "Association") and the entire management structure thereof.

1.2 Lots; Property. The Lots and the Common Area may be collectively referred to in these Bylaws as the "Property" or "Project" and the Lots individually as a "Lot" or collectively as the "Lots."

1.3 Personal Application. All present or future Owners, tenants, Occupants, and their employees, and any other person that might occupy any portion of the Property in any manner, shall be subject to the provisions set forth in these Bylaws. The acquisition, rental, or occupancy of any of the Lots shall constitute acceptance and ratification of these Bylaws and agreement to comply with all the provisions hereof.

1.4 Definitions. Capitalized terms used but not defined herein shall have meanings attributed to them in Article III of the Declaration.

1.5 Oregon Planned Community Act. The Property, all Lots and Owners thereof, the Association and all Members thereof, shall be subject to the Oregon Planned Community Act, ORS 94.550 et seq. (the "PCA").

ARTICLE 2
ASSOCIATION MEMBERSHIP, VOTING,
MAJORITY OF OWNERS, QUORUM, PROXIES

2.1 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 and shall remain a Member of the Association until such time as such person's ownership ceases for any reason. For all purposes of the Declaration and the administration of the Property, Lot ownership shall be determined from the records maintained by the Association. The record shall be established by the Owner filing with the Association a copy of the deed to or land sale

contract for such Owner's Lot, to which shall be affixed the certificate of the recording officer of the County of Multnomah, Oregon, showing the date and place of recording of such deed or contract. No person shall be recognized as an Owner unless a copy of the deed or contract has been filed with the Association as provided above showing such Owner to be the current Owner or contract purchaser of a Lot.

2.2 Voting Rights. The voting right shall be as set forth in Article X of the Declaration.

2.3 Majority of Owners. As used in these Bylaws, the term "majority" shall mean those Owners holding over fifty percent (50%) of the voting rights allocated to the Owners in accordance with the Declaration. "Majority of Owners present" shall mean Owners holding over fifty percent (50%) of the votes present at any legal meeting.

2.4 Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Owners holding fifty percent (50%) or more of the outstanding votes in the Association shall constitute a quorum.

2.5 Voting; Proxies. Owners may cast votes in person, by written ballot, or by proxy. Proxies must be filed with the Secretary of the Association ("Secretary") before or during the appointed meeting. A proxy shall expire one (1) year after the date it was signed unless a shorter period is specified in the proxy. The proxies may require the holder to cast a vote for or against any special proposal set out in the notice calling the meeting. Unless withdrawn, a proxy given to another person to vote at a specific meeting shall also be valid at an adjourned meeting called under the provisions of Section 3.6. Proxies and ballots must be retained by the Association for one (1) year from the date of the determination of the vote.

2.6 Authority to Vote. All Owners, including those who have leased their Lot to a third party, shall be entitled to vote. An Owner's right to vote may not be revoked. A purchaser under a land sale contract entitled to immediate possession of the Lot shall be deemed the Owner thereof, unless otherwise provided in such contract.

2.7 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 such person in such capacity, whether or not the same shall have been transferred to such person's name, provided that such person has satisfied the Secretary that such person is the executor, administrator, guardian or trustee holding such Lot in such capacity. Whenever any Lot is owned by two (2) 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 for all purposes, except for determining whether a quorum is present.

ARTICLE 3

ADMINISTRATION

3.1 Association Responsibilities. The Owners shall constitute the Members of the Association. Except as otherwise provided in the Declaration or these Bylaws, decisions and resolutions of the Association shall require approval by a majority of the Owners present at any legal meeting. A legal meeting is one duly called pursuant to these Bylaws at which a quorum is present, in person or by proxy at a formal gathering or, if a vote is taken by written ballots, when ballots are returned representing more than fifty percent (50%) of the vote, unless a larger vote is required to approve a ballot item, in which case the quorum requirements shall be the number of votes required to approve the proposal.

3.2 Place of Meetings. Formal meetings of the Association shall be held at suitable places convenient to the Owners as may be designated by the Board of Directors of the Association (the "Board"). If a vote is taken by written ballot, the Board shall count the returned written ballots within forty-eight (48) hours of the ballot return deadline. Each Owner 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 fifteen (15) days after the ballot return deadline.

3.3 Annual Meetings. The Board, by a Board action, shall cause an annual meeting of the Association to be held each calendar year. The Board, at its discretion, from time to time, may change the meeting date, provided that the meeting is held annually. At such meetings, the Owners shall elect new members of the Board in accordance with the requirements of Section 4.5 of these Bylaws to replace those Directors whose terms have expired. The Owners also may transact such other business of the Association as may properly come before them. Annual meetings of the Association may not be conducted by written ballot.

3.4 Special Meetings. The President shall call a special meeting of the Owners if so directed by a resolution of the Board or a petition, presented to the Secretary and signed by thirty percent (30%) or more of the Owners. All meetings called because of petition of Owners shall be held at a formal gathering, and not by written ballot, within sixty (60) days after the Secretary's receipt of the petition. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business other than that stated in such notice shall be transacted at a special meeting unless by consent of all the Owners of the Lots or as otherwise set out in these Bylaws.

3.5 Notice of Meetings. The Secretary shall mail a notice of each annual and special meeting, stating the purpose thereof and the time and place where such meeting is to be held, to each Owner of record at least ten (10) but not more than fifty (50) days before such meeting or the date on which ballots for a ballot meeting are required to be returned. The Board of Directors may propose that the Owners take an action by written ballot without a meeting, pursuant to the provisions of the PCA and the Oregon Nonprofit Corporation Act. Such notices shall be mailed to the Owner's address last given to the Secretary in writing by the Owner or such Owner's vendee. If Lot ownership is split or the Lot has been sold on a contract, 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 Lot shall be

sufficient. The mailing of a notice in the manner provided in this Section 3.5 shall be considered notice served.

3.6 Adjourned Meetings. As permitted by ORS 65.214, if any gathering of Owners is not a legal meeting because a quorum has not attended, the Owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours nor more than ten (10) days from the time of the original meeting. The adjournment provisions of this Section 3.6 do not apply to actions proposed to be taken by written ballot.

3.7 Ballot Meetings. Unless prohibited or limited by the Articles of Incorporation of the Association, any action that may be taken at any annual or special meeting of the owners may be taken without a meeting if the Association delivers a written ballot to every owner entitled to vote on the matter as provided in ORS 94.647. Such ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action. A proposed action shall be deemed to be approved by written ballot when the number of votes cast by ballot equals or exceeds any quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. The Board must provide owners with at least ten (10) days' notice as required by ORS 94.647(2)(c) before written ballots are mailed or otherwise delivered. If, at least three (3) days before written ballots are scheduled to be mailed or otherwise distributed, at least ten percent (10%) of the owners petition the Board requesting secrecy procedures, a written ballot must be accompanied by a secrecy envelope, a return identification envelope to be signed by the owner and instructions for making and returning the ballot. Written ballots that are returned in secrecy envelopes may not be examined or counted before the deadline for returning ballots has passed.

3.8 Order of Business. The order of business at all annual meetings shall be as follows:

- Roll call.
- Proof of notice of meeting or waiver of notice.
- Reading of minutes of the preceding meeting.
- Reports of officers.
- Reports of committees.
- Election of inspectors of election.
- Election of Directors.
- Unfinished business.
- New business.
- Adjournment.

ARTICLE 4

BOARD OF DIRECTORS

4.1 Number and Qualification. The Board shall be composed of three (3) persons, all of whom must be an Owner or a co-owner of a Lot; provided, however, that if a Lot is owned

more than one (1) owner, only one (1) owner of that Lot may serve on the Board of Directors at any one time. An officer or employee of a corporation, the trustee of a trust, the personal representative of an estate, or an employee of a trust or estate may serve on the Board if the corporation, trust or estate owns a Lot.

4.2 Powers and Duties. The Board 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 done by the Owners.

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

4.3.1 Upkeep. Care, upkeep and supervision of the Common Area and other areas for which the Association has maintenance responsibility.

4.3.2 Reserves. Establishment and maintenance of replacement Reserve Accounts which the Board deems prudent for replacement of the Common Area or other areas for which the Association has maintenance responsibility.

4.3.3 Assessment Collection. Designation and collection of assessments from the Owners, in accordance with these Bylaws and the Declaration.

4.3.4 Budget; Voucher System. Establishment of a budget and payment of all common expenses of the Association and institution and maintenance of a voucher system for such payment, which shall require a sufficient number of signatories thereon as may be reasonably necessary to prevent any misuse of Association funds, in accordance with these Bylaws and the Declaration.

4.3.5 Insurance. Procurement and maintenance of insurance policies and payment of premiums therefor out of the common expense funds, as more specifically provided in the Declaration and Article 8 of these Bylaws.

4.3.6 Personnel. Designation and dismissal of the personnel necessary for the maintenance and operation of the Property.

4.3.7 Financial Statements. Causing the preparation and distribution of annual financial statements of the Association to each of the Owners, as more specifically provided in ORS 94.670 and the Declaration.

4.3.8 Rules. Adoption and amendment of administrative Rules and Regulations governing the details of operation and use of the Common Area and Lots and administration of the Association, including a fine schedule for violations of these Bylaws, the Declaration or any rules or regulations promulgated thereunder. Provided, however, that any such Rules and Regulations shall always be subject to rescission or amendment by the Association upon a majority vote of Owners present at any properly called meeting.

4.3.9 Copies of Documents; Bank Accounts. Causing the Association to comply with ORS 94.670 relating to maintenance within the State of Oregon of documents delivered to the Association by the Declarant, depositing all assessments in a separate bank account in the name of the Association, payment of all expenses of the Association from the Association's bank account, and maintenance and distribution of financial statements and to maintain copies suitable for duplication of the following: the Declaration, the Articles of Incorporation, the Bylaws, the Association rules and regulations and any amendments thereto, the most recent annual financial statement, and the current operating budget of the Association. Further, the Board of Directors shall cause to be maintained and kept current the information required to enable the Association to comply with ORS 94.670.

4.3.10 Tax Returns. Causing the Association to file the necessary tax returns of the Association.

4.3.11 Mailing Address. Establishing and maintaining a current mailing address for the Association.

4.3.12 Professional Services. Employment of legal, accounting, and other personnel or consultants for reasonable compensation to perform such services as may be required for the proper administration of the Association, and preparing and filing the required income tax returns or forms.

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

4.5 Election and Term of Office. The Owners shall elect from among themselves a Board of Directors consisting of three (3) persons. The Directors shall have staggered terms such that two (2) of the Directors' terms expire one year and one the following year. Each Director 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.

4.6 Vacancies. Vacancies on the Board caused by any reason other than the removal of a 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. 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.

4.7 Removal of Directors. At any legal annual or special meeting (not including actions proposed to be taken by written ballot without a meeting), any one (1) or more of the Directors may be removed with or without cause, by a majority vote of the total voting power of the Owners and a successor may be then and there elected to fill the vacancy thus created; provided, however, that the notice of meeting shall specifically indicate that the removal of one

(1) or more named Directors is an agenda item for such meeting. Any Director whose removal has been proposed by the Owners shall be given an opportunity to be heard at such meeting.

4.8 Organizational Meeting. The first meeting of a newly elected Board shall be held within ten (10) days of election at such place as shall be fixed by the Directors at the Association meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order to hold such meeting legally, providing a majority of the newly elected Directors are present.

4.9 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. Notice of regular meetings of the Board may be called by the President on at least three (3) days' notice to each Director, given personally or by mail, telephone, e-mail or facsimile, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

4.10 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 at least three (3) days' notice to each Director, given personally or by mail, telephone, e-mail or facsimile, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

4.11 Waiver of Notice to Directors. 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 such Director of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice to Directors shall be required and any business may be transacted at such meeting.

4.12 Board of Directors' Quorum. At all meetings of the Board, 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. If quorum requirements are not met at any meeting of the Board, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business that might have been transacted at the meeting as originally called may be transacted without further notice.

4.13 Board Meetings Open to All Association Members. Except for executive sessions, all meetings of the Board shall be open to any and all Members of the Association; provided, however, that no Association Member shall have a right to participate in the Board's meetings unless such Member is also a member of the Board. The President shall have authority to exclude any Association Member who disrupts the proceedings at a meeting of the Board. At the discretion of the Board, the following matters may be considered in executive sessions:

- (a) Consultation with legal counsel concerning rights and duties of the Association regarding existing or potential litigation or criminal matters;
- (b) Personnel matters, including salary negotiations and employee discipline;

- (c) Negotiations of contracts with third parties;
- (d) Collection of assessments; and
- (e) For any other purpose permitted by the PCA.

Except in the case of an emergency, the Board shall vote in an open meeting whether to meet in executive session. If the Board votes to meet in executive session, the presiding officer of the Board shall state the general nature of the action to be considered, as precisely as possible, when and under what circumstances the deliberations can be disclosed to owners. The statement, motion or decision to meet in executive session must be included in the minutes of the meeting. A contract or an action considered in executive session does not become effective unless the Board, following the executive session, reconvenes in open meeting and votes on the contract or action, which must be reasonably identified in the open meeting and included in the minutes.

4.14 Notice to Association Members of Board Meetings. For other than emergency meetings, notice of special Board meetings shall be mailed to each Owner at least seven (7) days before the meeting by first class mail or at least three (3) days' notice by hand delivery to each Lot Owner's address or by facsimile transmission. The Board shall give Owners notice of regular Board meetings at the beginning of each year by first class mail or other reasonable means setting out the time and place of the regular meetings. For any changed time or place, the notice requirements for special meetings shall apply.

4.15 Emergency Meetings. In the event of an emergency, Board of Directors meetings may be conducted by telephonic communication or by the use of a means of communication that allows all Board members participating to hear each other simultaneously or otherwise to be able to communicate during the meeting. No notice to either Directors or Association members shall be required for such meetings of the Board of Directors to be held for any emergency action. Provided, however, that no such meeting shall occur unless at least seventy-five percent (75%) of the Board of Directors participate in the same and after an attempt has been made to reach each Director.

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

ARTICLE 5

OFFICERS

5.1 Designation. The principal officers of the Association shall be a President, a Secretary and a Treasurer, all of whom shall be elected by the Directors. The Directors may appoint an assistant treasurer and 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 at the organizational meeting of each new Board or any Board meeting thereafter, and shall hold office at the pleasure of the Board.

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

5.4 President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Association and of the Board. The President 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 the President may, in the President's discretion, decide is appropriate to assist in the conduct of the affairs of the Association.

5.5 Secretary. The Secretary shall keep the minutes of all meetings of the Board and the minutes of all meetings of the Association and shall have charge of such books and papers as the Board may direct; and shall, in general, perform all the duties incident of the office of secretary.

5.6 Treasurer. The Treasurer shall have responsibility for Association 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. The Treasurer 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.

5.7 Directors as Officers. Any Director may be an officer of the Association.

ARTICLE 6

OBLIGATIONS OF THE OWNERS

6.1 Assessments. All Owners are obligated to pay assessments imposed by the Association to meet all the Association's general common expenses, as more particularly set forth in the Declaration. Assessments shall be payable on a periodic basis, not more frequently than monthly, as determined by the Board. The Board may, but shall not be required to, impose interest or a service charge for late installment payments or allow a discount for payment of the annual assessment or any installment in advance. No offset against any assessment shall be permitted for any reason, including, without limitation, any claim that the Association is not properly discharging its duties.

6.2 Calculation of Reserve Assessment; Reserve Study. The Board of Directors of the Association annually shall conduct a reserve study, or review and update an existing study, of the Common Area or other areas for which the Association has maintenance obligations to determine the reserve account requirements. A reserve account shall be established for those

items of the Common Area all or part of which will normally require replacement in more than three and less than 30 years, for exterior painting, and for the maintenance, repair or replacement of other items as may be required under the Declaration or Bylaws or that the Board of Directors, in its discretion, may deem appropriate. The reserve account need not include items that could reasonably be funded from operating assessments. The reserve study shall include:

- (a) Identification of all items for which reserves are required to be established;
- (b) The estimated remaining useful life of each item as of the date of the reserve study;
- (c) The estimated cost of maintenance, repair or replacement of each item at the end of its useful life; and
- (d) A 30-year plan with regular and adequate contributions, adjusted by estimated inflation and interest earned on reserves, to meet the maintenance, repair and replacement schedule.

6.3 Loan From Reserve Account. After the Turnover Meeting, the Board may borrow funds from the Reserve Account to meet high seasonal demands on the Association's regular operating fund or to meet unexpected increases in expenses. Funds borrowed must be repaid later from assessments if the Board has adopted a resolution, which may be an annual continuing resolution, authorizing the borrowing of funds. Not later than the adoption of the budget for the following year, the Board shall adopt by resolution a written payment plan providing for repayment within a reasonable period.

6.4 Investment of Reserve Account Funds. Assessments paid into Reserve Accounts shall be kept with a safe and responsible depository, shall be accounted for separately and, if invested, the obligation or security shall be fully guaranteed as to principal by the United States of America or one of its agencies. Assessments paid into the Reserve Accounts are the property of the Association and are not refundable to sellers of Lots. However, nothing contained herein shall prevent sellers of Lots from treating their outstanding allocable share of Reserve Accounts as a separate or reimbursable item in a sales agreement. No Owner shall have any individual rights in any of these reserves, although it is understood that the value of an Owner's Lot may increase in proportion to such Lot's right to receive repair, maintenance and replacement therefrom.

6.5 Income Tax Returns; Determination of Fiscal Year.

6.5.1 Fiscal Year. The fiscal year of the Association shall be the calendar year unless otherwise determined by the Board.

6.5.2 Tax Returns. The Board, in its sole discretion, shall determine the manner in which all necessary income tax returns are filed and of selecting any and all persons to prepare such tax returns.

6.6 Statement of Assessments.

6.6.1 The Association shall provide, within ten (10) business days of receipt of a written request from an owner, a written statement that provides:

6.6.1.1 The amount of assessments due from the owner and unpaid at the time the request was received, including:

- (a) Regular and special assessments;
- (b) Fines and other charges;
- (c) Accrued interest; and
- (d) Late payment charges.

6.6.1.2 The percentage rate at which interest accrues on assessments that are not paid when due.

6.6.1.3 The percentage rate used to calculate the charges for late payment or the amount of a fixed charge for late payment.

6.6.2 The Association is not required to comply with Section 6.6.1 if the Association has commenced litigation by filing a complaint against the owner and the litigation is pending when the statement would otherwise be due.

6.7 Default. Failure by an Owner to pay any assessment of the Association shall be a default by such Owner of such Owner's obligations pursuant to these Bylaws and the Declaration. The Association shall be entitled to the remedies set forth in the Declaration and the Planned Community Act, ORS 94.550 to 94.783.

ARTICLE 7
USE AND OCCUPANCY RESTRICTIONS; RULES OF CONDUCT

In addition to the restrictions and rules of conduct set forth in the Declaration, the following shall apply:

7.1 Use of the Common Area. No Owner shall place or cause to be placed on any portion of the Common Area any trash, structure, equipment, improvement, furniture, package or object of any kind. Such areas shall be used for no purpose other than what is normal.

7.2 Appearance of Lots. Owners shall keep their Lots and the improvements thereon in good repair, clean, and with painted, stained or other finished exteriors compatible with the Declaration and Rules and Regulations.

7.3 Nuisances. No Owner or Occupant shall cause or permit such Owner's representatives, agents, employees, or family members to cause any nuisance or to make any use or engage in any practice on the Property that is a source of annoyance to other Owners and Occupants or that interferes with other Owners' and Occupants' peaceful possession and proper use of the Property. Owners and Occupants shall exercise extreme care about creating disturbances, making noises or using musical instruments, radios, televisions and amplifiers that may disturb other Owners and Occupants. Owners and Occupants shall keep all parts of their respective Lots in a clean and sanitary condition, free of any accumulation of rubbish, refuse or garbage and free of any fire hazard and shall not cause any accumulation of rubbish, refuse or garbage or any fire hazard on any other part of the Property. Owners and Occupants shall place all of their rubbish, refuse and garbage inside disposal containers. No Owner shall make or permit any use of such Owner's Lot or of the Common Area that will increase the cost of insurance upon the Common Area.

7.4 Improper, Offensive or Unlawful Use. No Owner or Occupant shall make any improper, offensive or unlawful use of any part of the Property. Owners and Occupants shall observe all valid laws, zoning ordinances and regulations of governmental bodies having jurisdiction over the Property. The responsibility for meeting the requirements of governmental bodies for maintenance, modification or repair of the Property shall be carried out and paid for in the same manner as the responsibility for the maintenance and repair of the Property concerned.

7.5 Additional Rules. In addition to the rules set forth in this Article 7, the Board may promulgate and amend, from time to time, Rules and Regulations concerning other use of the Property and shall furnish copies of such Rules and Regulations to any Owner or Occupant requesting such copies.

7.6 Enforcement. The Association, through its Board of Directors, shall have the power to enforce the covenants and restrictions in these Bylaws and in the Declaration. Owners shall also have the right to bring actions or suits regarding covenants and restrictions, but shall have no right or power to require the Association or Board of Directors to take any enforcement action.

7.7 Restriction on Exterior Installations. Except as permitted by law, no owner, resident or tenant shall install wiring for electrical or telephone installation, machines or air conditioning units or similar devices on the exterior of the building(s) or cause them to protrude through the walls or the roof of the building(s) except as authorized in writing by the Board of Directors. No window guards, awnings or shades shall be installed without the prior written consent of the Board of Directors.

7.8 Fines. The Board of Directors may, after giving written notice and an opportunity to be heard, levy reasonable fines for violations of the Declaration, Bylaws and rules and regulations of the Association, provided that fines levied are based on a schedule previously adopted by Board resolution that is mailed to the mailing address of each Unit or mailed to the mailing address designated in writing by the owner(s).

ARTICLE 8

INSURANCE

8.1 General. The Board shall obtain and maintain at all times insurance of the type and kind and in the amounts provided in the Declaration and additional insurance for such other risks of a similar or dissimilar nature as are now or as shall be hereafter customarily covered by insurance obtained by other planned communities similar in construction and design.

8.2 Home and Lot Insurance Maintained By Each Owner. The Association shall have no responsibility to procure or to assist Owners or Occupants in procuring property loss insurance or liability insurance. Owners and Occupants shall procure all other insurance coverage that they deem necessary or prudent for their protection, and shall be obligated to carry property insurance with extended coverage endorsements in the amount of the replacement value of such Owners' homes and with minimum combined limits of \$100,000 per occurrence. Insurance coverage obtained and maintained by the Board of Directors may be brought into contribution with that obtained and maintained by Owners or mortgagees only in the Board of Directors' sole and unfettered discretion.

8.3 Review of Insurance Policies. At least annually, the Board shall review all insurance carried by the Association, which review shall include a consultation with a representative of the insurance carrier writing the master policy.

ARTICLE 9

AMENDMENT

Except as otherwise provided in this Article, and the restrictions set forth elsewhere herein, these Bylaws may be amended at any time by an instrument approved by at least a majority of the total votes of each class of Members that are eligible to vote. Any amendment must be executed, recorded and certified as provided by law. Provided, however, no amendment of these Bylaws may effect an amendment of the Declaration or the Articles without compliance with the provisions of such documents and the Oregon Nonprofit Corporation Act.

ARTICLE 10

RECORDS AND AUDITS

10.1 General Records. The Board and the managing agent or manager, if any, shall preserve and maintain minutes of the meetings of the Association, the Board and any Board committees as required by ORS 94.670. The Board shall maintain a list of Owners entitled to vote at meetings of the Association. The minutes of the Association, the Board and Board committees, and the Association's financial records shall be reasonably available for review and copying by the Owners. A reasonable charge may be imposed by the Association for providing copies. Proxies and ballots must be retained by the Association for one (1) year from the date of determination of the vote.

10.2 Assessment Roll. The Board and the managing agent or manager, if any, shall maintain the assessment roll 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 Owner, the dates on which and the amounts in which the assessment comes due, the amounts paid upon the account and the balance due on the assessments.

10.3 Payment of Vouchers. The Treasurer or management agent shall pay all expenses authorized by the Board. The Treasurer or management agent shall maintain and follow reasonable procedures to assure the accounts and proper records, and to assure that all expenditures are proper. Except in cases where an emergency exists (for example, a repair must be made immediately to prevent further damage), any voucher for non-budgeted items shall require the signature of the President; provided, however, that any withdrawal from Reserve Accounts shall require the signature of two Board members or one Board member and an officer of the Association who is not a Board member.

ARTICLE 11

COMPLIANCE WITH THE PLANNED COMMUNITY ACT; CONFLICTS

These Bylaws are intended to comply with the provisions of the PCA, the provisions of which apply to Terwilliger South No. 2 Homeowners Association. In case of any conflict among the provisions of the PCA, the Articles, the Declaration, or these Bylaws, the provisions of the PCA shall control over those of the Articles and Declaration, and the provisions of the Declaration shall be control over those of the Articles and these Bylaws.

ARTICLE 12

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS

The Association shall indemnify any Director, officer, employee or agent who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by the Association) by reason of the fact that such person is or was a Director, officer, employee or agent of the Association or is or was serving at the request of the Association as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by said person in connection with such suit, action or proceeding if such person acted in good faith and in a manner that such person reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had no reasonable cause to believe that such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or with a plea of nolo contendere or its equivalent, shall not of itself create a presumption that a person did not act in good faith and in a manner that such person reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had reasonable cause to believe that such person's conduct was

unlawful. Payment under this clause may be made during the pendency of such claim, action, suit or proceeding as and when incurred, subject only to the right of the Association to reimbursement of such payment from such person, should it be proven at a later time that such person had no right to such payments. All persons who are ultimately held liable for their actions on behalf of the Association as a Director, officer, employee or agent shall have a right of contribution over and against all other Directors, officers, employees or agents and Members of the Association who participated with or benefited from the acts that created said liability.

ARTICLE 13

ASSESSMENT COLLECTION COSTS; SUITS AND ACTIONS

An Owner shall be obliged to pay reasonable fees and costs (including, but not limited to, attorneys' fees) and actual administrative costs incurred in connection with efforts to collect any delinquent unpaid assessments from such Owner, whether or not suit or action is filed. Assessments against Owners may include fees, late charges, fines and interest imposed by the Board, in addition to amounts owed toward operating expenses and the funding of reserves. If the Association brings against any Owner or Owners a suit or action for the collection of any amounts due pursuant to or for the enforcement of any provisions of the Declaration, the Articles or these Bylaws, such Owner or Owners, jointly and severally, shall pay, in addition to all other obligations, the costs of such suit or action, including actual administrative expenses incurred by the Association because of the matter or act which is the subject of the suit, reasonable attorneys' fees to be fixed by the trial court and, in the event of an appeal, the cost of the appeal, together with reasonable attorneys' fees in the appellate court to be fixed by such court.

ARTICLE 14

MISCELLANEOUS

14.1 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 hereafter may designate from time to time. All notices to any Owner shall be sent to such address as may have been designated by such Owner from time to time, in writing, to the Board, or if no address has been designated, then to such Owner's Lot.

14.2 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 that may have occurred and the number of times that the pertinent restriction, condition, obligation or provision was not enforced.

14.3 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; provided, however, that if any of the provisions of these Bylaws would violate the rule against perpetuities or any other limitation on the duration of the provisions herein contained imposed by law, then such provision shall be deemed to remain in effect only for the maximum

period permitted by law, or in the event the rule against perpetuities applies, until twenty-one (21) years after the death of the last survivor of the now living descendants of Ex-President George Bush. 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.

ARTICLE 15 **ADOPTION**

It is hereby certified by the President and Secretary that these Bylaws have been adopted by the Terwilliger South No. 2 Homeowners Association, an Oregon nonprofit corporation, and shall be recorded in the Deed Records of Multnomah County, together with the Declaration for said planned community.

DATED this 24 day of March, 2004.

TERWILLIGER SOUTH NO. 2
HOMEOWNERS ASSOCIATION,
an Oregon nonprofit corporation

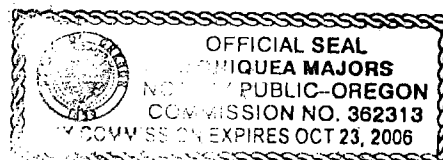
By: [Signature]
President

By: [Signature]
Secretary

STATE OF OREGON)
) ss:
County of MULTNOMAH)

On this 24 day of MARCH, 2004, personally appeared before me the above-named PRIMEA MUDGE; ALI MASHBORN, who, being duly sworn, did say that he/she is the President of Terwilliger South No. 2 Homeowners Association, and that said instrument was signed in behalf of said corporation by authority of its Board of Directors; and acknowledged said instrument to be its voluntary act and deed.

[Signature]
NOTARY PUBLIC FOR OREGON



STATE OF OREGON)
) ss:
County of MULTNOMAH)

On this 24 day of MARCH, 2004, personally appeared before me the
above-named PAMELA MUDGE; ALI MASHBURN,
who, being duly sworn, did say that he/she is the Secretary of Terwilliger South No. 2
Homeowners Association, and that said instrument was signed in behalf of said corporation by
authority of its Board of Directors; and acknowledged said instrument to be its voluntary act and
deed.


NOTARY PUBLIC FOR OREGON

