DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR
MICHELBOOK MEADOWS

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR
MICHELBOOK MEADOWS ("Declaration") is made by Alan Ruden, Inc., an Oregon corporation
("Declarant").

RECITALS

Declarant is the owner of all the real Property and Improvements thereon located in Yamhill
County, Oregon, described as follows (the "Property"):

Lots 1-47 inclusive as shown on the Plat map of Michelbook Meadows filed for record on,
December 4, 2006, as Instrument 200622962, in the Plat records of
Yamhill County, Oregon.

Declarant intends to develop Michelbook Meadows as a Class II planned community. To
establish Michelbook Meadows, as a planned community, Declarant desires to impose these
mutually beneficial covenants, conditions, restrictions, easements, assessments, and liens on the
Property, under a comprehensive general plan of improvement and development for the benefit
of all Lots in Michelbook Meadows.

Declarant has deemed it desirable for the efficient preservation of the values and amenities
in Michelbook Meadows to create a nonprofit corporation, to which will be delegated and assigned
the powers and authority to own, maintain, and administer the Common Area, the Conservation
Easement Area, and to maintain, repair, and replace certain portions of the Lots and other
Commonly Maintained Property, and to administer and enforce the covenants, conditions, and
restrictions of this Declaration, and to collect and disburse the assessments and charges
hereinafter created.

NOW THEREFORE, Declarant declares that the Property shall be held, transferred, sold,
conveyed, and occupied subject to the Oregon Planned Community Act as may be amended from
time to time (ORS 94.550–94.783) and subject to the following covenants, conditions, restrictions,
easements, charges, and liens, which shall run with the land, which shall be binding on all parties
having or acquiring any right, title, or interest in the Property or any part thereof, and which shall
inure to the benefit of the Association and of each Owner.
ARTICLE 1
DEFINITIONS

1.1 Architectural Review Committee or "ARC" shall refer to that committee constituted and acting pursuant to Article 6 of this Declaration.

1.2 Articles shall mean the Articles of Incorporation for the nonprofit corporation, Michelbook Meadows Homeowners' Association, Inc. as filed with the Oregon Secretary of State.

1.3 Association shall mean and refer to Michelbook Meadows Homeowners' Association, Inc., its successors and assigns.

1.4 Board shall mean the Board of Directors of the Association.

1.5 Bylaws shall mean and refer to the Bylaws of the Association, which shall be recorded in the Yamhill County, Oregon, deed records.

1.6 City shall mean and refer to the City of McMinnville, Oregon in which the Property is located.

1.7 Common Area shall mean only that portion of the Property, if any, that is established for the common benefit of Michelbook Meadows and that is owned by the Association for the use and/or benefit of the Owners.

1.8 Commonly Maintained Property shall mean the Common Property, if any, and also shall mean any area within public rights-of-way, Tracts or other Property that the Association is required to maintain for the common benefit of the Members, including without limitation those areas described in Article 5.8.

1.9 Declaration shall mean the covenants, conditions, restrictions, and all other provisions set forth in this Declaration.

1.10 Declarant shall mean and refer to Alan Ruden, Inc., an Oregon corporation, and its successors or assigns, or any successor or assign to all or the remainder of its interest in the Property.

1.11 Home shall mean and refer to any portion of a structure situated on a Lot and designed and intended for use and occupancy as a residence by a single family or household.

1.12 Improvements shall mean and refer to any man-made changes under natural conditions of the land including, but not limited to, structures and construction of any kind whether above or below the land surface, such as any building, fence, walls, signs, additions, alterations, screen enclosure, sewer drain, disposal, lake, waterway, road, pavement, utilities, grading, landscaping and exterior illumination and shall not be limited to any changes in any exterior color or shape in any interior construction or exterior Improvements.

1.13 Lot shall mean and refer to each and any of Lots 1-47; provided, however, that Lot shall not include any Tracts.
1.14 Members shall mean and refer to the Owners of Lots in Michelbook Meadows.

1.15 Occupant shall mean and refer to the Occupant of a Home, whether such person is an Owner, a lessee, or any other person authorized by the Owner to occupy the Home.

1.16 Owner shall mean and refer to the record Occupant, whether one or more persons or entities, of the fee simple title to any Lot or a purchaser in possession of a Lot under a land sale contract. The foregoing does not include persons or entities who hold an interest in any Lot merely as security for the performance of an obligation.

1.17 Michelbook Meadows shall mean Lots 1-47 of the Property and as designated on the Plat of Michelbook Meadows.

1.18 Plat shall mean and refer to the Plat of Michelbook Meadows recorded in the Plat Records of Yamhill County, Oregon, as Instrument 2006-2-2-96, on October 4, 2006.

1.19 Property shall have the meaning attributed to such term in the Recitals of this Declaration and any annexation of additional Property including Tracts, Common Area and all Improvements located on the real Property, as may be brought within the jurisdiction of the Association and be made subject to this Declaration.

1.20 Rules and Regulations shall mean and refer to the documents containing Rules and Regulations and policies adopted by the Board or the Architectural Review Committee, as may be from time to time amended.

1.21 Setback shall mean the minimum distance between the Home or other structure referred to and a given Property line, unless otherwise indicated.

1.22 Tract shall mean a parcel of land, if any, shown on the Plat and denoted by the word "Tract".

ARTICLE 2
PROPERTY SUBJECT TO THIS DECLARATION

2.1 Development. The development of Michelbook Meadows shall consist of the Property, which shall be held, transferred, sold, conveyed, and occupied subject to this Declaration.

2.2 Right to Subject Additional Property to this Declaration. Declarant reserves the right to subject additional Property to this Declaration. Declarant shall have no obligation of any kind to annex additional land to the Property.

2.2.1 Declaration of Annexation. Annexation shall be evidenced by a written Declaration of Annexation executed by the Declarant (or in the case of annexation by actions of Members) by the Board and the Occupants of the Property being annexed, setting forth the legal description of the Property being annexed and any additional covenants, conditions or restrictions.
to be applied to such annexed Property. Notwithstanding any provision apparently to the contrary, a Declaration with respect to any annexed Property may:

2.2.1.1 Establish such new land classifications and types of lots and such limitations, uses, restrictions, covenants and conditions with respect thereto as Declarant may deem to be appropriate for the development of the annexed Property;

2.2.1.2 With respect to existing land classifications, establish additional or different limitations, uses, restrictions, covenants and conditions with respect thereto as Declarant may deem to be appropriate for the development of such annexed Property; and or

2.2.1.3 Contain provisions necessary or appropriate to comply with any condition, requirement or imposition of any governmental or regulatory authority.

Without limitation of the meaning of the foregoing provisions of this Article, in any Declaration of Annexation, the Declarant, may, but shall not be obligated to establish different types of Lots and have particular rights and obligations pertain to different types of Lots, establish easements particular to different Lots, establish assessments that pertain only to certain types of Lots, establish maintenance obligations of the Association or of Occupants that vary in accordance with different types of Lots, establish insurance and casualty provisions that relate to certain types of Lots and not others and establish limited Common Areas that benefit particular Lots to the exclusion of other Lots and provisions particular to such limited Common Areas.

2.2.2 Voting Rights; Allocation of Assessments. Upon annexation, additional Lots so annexed shall be entitled to voting rights and shall be responsible for payment of assessments as required for that fiscal year. At the beginning of the next fiscal year, assessments for the general Common Areas shall be apportioned equally based upon the total number of Lots following such annexation, but assessments that are relative to a specific product type will be spread equally over only the units of that type.

2.2.3 No duty to Annex. Nothing herein contained shall establish any duty or obligation on the part of the Declarant or any member to annex any Property into the Association and no Occupant of Property excluded from the Association shall have any right to have such Property annexed thereto. Declarant is under no obligation to build Homes on any or all the Lots contained in the original Plat.

2.2.4. Status of Annexed Property. The Property Included by any such Declaration shall thereby become a part of these covenants, and Declarant shall accept and exercise administration of these covenants with respect to such Property.

ARTICLE 3
OWNERSHIP AND EASEMENTS

3.1 Nonseverability. The interest of each Owner in the use and/or benefit of the Common Area, if any, shall be appurtenant to the Lot owned by the Owner. No Lot shall be conveyed by the Owner separately from the interest in the Common Area. Any conveyance of any Lot shall automatically transfer the right to use the Common Area, where such Common Area is designated for use by the Owners, without the necessity of express reference in the instrument.
of conveyance. There shall be no judicial partition of the Common Area. Each Owner, whether by deed, gift, devise, or operation of law, for such Owner’s benefit and for the benefit of all other Owners, specifically waives and abandons all rights, interests, and causes of action for judicial partition of any interest in the Common Area and agrees that no action for judicial partition shall be instituted, prosecuted, or reduced to judgment. Ownership interests in the Common Area and Lots are subject to the easements granted and reserved in this Declaration. Each of the easements granted or reserved herein shall be deemed to be established upon the recordation of this Declaration and shall thenceforth be deemed to be covenants running with the land for the use and benefit of the Owners and their Lots and shall be superior to all other encumbrances applied against or in favor of any portion of Michelbook Meadows.

3.2 Ownership of Lots. Title to each Lot in Michelbook Meadows shall be conveyed in fee to an Owner. If more than one person and/or entity owns an undivided interest in the same Lot, such persons and/or entities shall constitute one Owner.

3.3 Ownership of Common Area. Title to any Common Area shall be conveyed to the Association not later than the date of the Turnover Meeting.

3.4 Easements. Individual deeds to Lots may, but shall not be required to, set forth the easements specified in this Article.

3.4.1 Easements on Plat. The Common Area and Lots are subject to the easements and rights-of-way shown on the Plat.

3.4.2 Easements for Common Area. Every Owner shall have a nonexclusive right and easement of use and enjoyment in and to the Common Area, which shall be appurtenant to and shall pass with the title to every Lot. Such easement is subject to ORS 94.665, as may be amended from time to time.

3.4.3 Easements Reserved by Declarant. As long as Declarant owns any Lot, Declarant reserves an easement over, under, and across the Common Area in order to carry out sales activities necessary or convenient for the sale of Lots. Declarant, for itself and its successors and assigns, hereby retains a right and easement of ingress and egress to, from, over, in, upon, under, and across the Common Area and the right to store materials thereon and to make such other use thereof as may be reasonably necessary or incident to the construction of the Improvements on the Property in such a way as not to interfere unreasonably with the occupancy, use, enjoyment, or access to an Owner’s Lot by such Owner or such Owner’s family, tenants, employees, guests, or invitees.

3.4.4 Additional Utility and Drainage Easements. Notwithstanding anything expressed or implied to the contrary, this Declaration shall be subject to all easements granted by Declarant for the installation and maintenance of utilities and drainage facilities necessary for the development of Michelbook Meadow. No structure, planting, or other material that may damage or interfere with the installation or maintenance of utilities, that may change the direction of flow of drainage channels in the easements, or that may obstruct or retard the flow of water through drainage channels in the easement areas shall be placed or permitted to remain within any easement area.
3.4.5 Association’s Easements. Declarant grants to the Association and its duly authorized agents and representatives such easements over the Lots and Common Area as are necessary to perform the duties and obligations of the Association, as set forth in this Declaration, the Bylaws, and the Articles, as the same may be amended.

3.4.6 Easement to Governmental Entities. Declarant grants a nonexclusive easement over the Common Area to all governmental and quasi-government entities, agencies, utilities, and their agents for the purposes of performing their duties as utility providers.

3.4.7 Perimeter Easement Benefitting Association. Declarant grants to the Association and its duly authorized agents and representatives an easement over that perimeter portion of each Lot that is included within the building Setbacks set by applicable ordinances for the purposes of installation, maintenance, repair, and replacement of utilities, communication lines, and drainage. The Board may grant or convey the easements reserved herein to any governmental body or agency and/or any public or private utility company or provider, on a two-thirds vote of the Board Members at a duly called and held Board meeting.

3.4.8 Perimeter Easements Benefitting Owners. Every Owner shall have an easement over that perimeter portion of other Lots that is included within the building Setbacks set by applicable ordinances as may be reasonably necessary to reach such Owner’s Lot for purposes of exterior maintenance and repair of the Owner’s Home and for maintaining the landscaping on the Owner’s Lot.

3.4.9 Conservation Easement Area. Declarant has established a Conservation Easement Area also referred to as wetland mitigation area (the “Area”) as set forth on the Plat as Tract A and Tract B for the purpose of mitigating wetlands to be maintained in accordance with the Oregon Department of State Lands (“Department”) Permit No. 34295-FP and U.S. Army Corps of engineers (“Corps”) Permit No. 2003-00618. The Area has been created to enhance and preserve the wetland values of the Property subject thereto and to manage and maintain the Area to that end. Accordingly, said Area shall be held, transferred, sold, conveyed and occupied subject to the following covenants and restrictions:

3.4.9.1 The Area is not to be used for land development or industrial, commercial, agricultural or residential purposes. Nor shall any right of passage across or upon the Area be allowed or granted if that right of passage is used in conjunction with agricultural, commercial or industrial activity. Storm water runoff may be discharged to the Area, provide that said runoff has received adequate pre-treatment per Oregon Department of Environmental Quality water quality certification.

3.4.9.2 The Area shall be maintained in accordance with the terms of the Department Permit No. 34295-FP and Corps Permit No. 2003-00618, including, but not limited to, planting of native vegetation, grading to achieve wetland hydrology conditions, removal of non-native vegetation and non-native animals, plus other vegetation management or activities needed to fulfill the intent of the mitigation plan.

3.4.9.3 There shall be no filling, excavating, dredging, mining or drilling; no removal of top soil, sand, gravel, rock minerals or other materials, nor any dumping of ashes, trash, garbage, or of any other materials, and no changing of the topography of the land unless
for the express purpose of achieving wetlands hydrology as authorized in Department and Corps Permits.

3.4.9.4 There shall be no removal, destruction, cutting, trimming, mowing, alteration or spraying with biocides of any vegetation in the Area nor any disturbance in the change in the natural habitat of the Area unless for the express purpose of achieving re-vegetation objectives as authorized in Department and Corps Permits.

3.4.9.5 There shall be no construction or placing of buildings, mobile homes, advertising signs, billboards, or other advertising material or other structures in the Area. No domestic animals shall be allowed in the Area.

3.4.9.6 An Owner having some portion of its Lot within the Area, if any, shall have the primary responsibility for compliance with the terms of this Easement applicable to such Area. The Association shall have the authority to enforce such terms as to the Area within a Lot, including, but not limited to the right to enter upon such Area to obtain compliance and to assess the cost thereof to the Lot Owner. The Association shall have the primary responsibility for compliance as to the Area within any Tract or Common Area.

3.4.9.7 No part of the restrictions imposed herein may be terminated, amended, or revoked without the written approval of the Department.

3.4.9.8 If any provisions of this Article is or becomes illegal or unenforceable for any reason, the remaining provisions will remain in full force and effect.

3.4.9.9 In the event of any conflict between the terms of this Declaration and Department Permit No. 34295-FP or Corps Permit No. 2003-00618, the Permit shall control.

3.4.10 Storm Detention Basin  Declarant has established a storm detention basin ("Basin") as set forth on the Plat as Tract C for the purpose of water collection, detention, natural filtration and run off and such Basin is to be managed and maintained to that end. Accordingly, said Basin shall be held, transferred, sold, conveyed and occupied subject to the following covenants and restrictions:

3.4.10.1 The Basin is not to be used for land development or industrial, commercial, agricultural or residential purposes.

3.4.10.2 The Basin shall be maintained in its natural state to the extent possible. No dumping of ashes, trash, garbage or any other material shall be allowed. There shall be no construction or placing of buildings, mobile homes, advertising signs, billboards, or other advertising material or other structures in the Basin.

3.4.10.3 The Basin shall not be used for recreational purposes. Access shall be restricted to maintenance of the Basin and infrastructure for the purposes herein set forth.

3.4.10.4 The perimeter fence around the Basin shall be maintained and repaired as necessary as set forth in Article 4.6.4.
3.4.10.5 The Association shall have the responsibility to enforce the provisions of this Article and authority to obtain compliance therewith.

3.4.10.6 In the event of any conflict between the terms of this Article 3.4.10 and Article 5, the provisions of this Article 3.4.10 shall control.

3.4.11 Flag Lots, Access and Utility Easement

3.4.11.1 Lots 16, 17, 18, and 19 shall each benefit by and shall be subject to an access and/or utility easement as shown on the Plat. The Owners of each said Lot shall be entitled to access their respective Lot from said access easement. The access easement shall be a paved driveway surface 20 feet wide. No gravel shoulder shall be installed along said driveway. The unpaved portion of the access easement, if any, and the utility easement shall be planted in lawn or landscaped with appropriate bushes, shrubs and trees. A buried sprinkler system shall be provided on the sides of the driveway with sufficient numbers of sprinklers to adequately water the unpaved portions of the easements. The Owners of the enumerated Lots shall be responsible for installation of landscaping and irrigation as provided in this Article and Article 4.11.1 for the portion of the access and utility easement within their respective Lots. The Owners of all Lots utilizing the access easement shall share equally in the maintenance of said easement except that the Owner of any Lot who damages the pavement during construction on the Owner’s Lot shall be solely responsible for repairing said damages.

3.4.11.2 Lots 25, 26, 27, 28, and 29 shall each benefit by and shall be subject to an access and/or utility easements as shown on the Plat. The Owners of each said Lot shall be entitled to access their respective Lot from said access easement. The access easement shall be a paved driveway surface 20 feet wide. No gravel shoulder shall be installed along said driveway. The unpaved portion of the access easement, if any, and the utility easement shall be planted in lawn or landscaped with appropriate bushes, shrubs and trees. A buried sprinkler system shall be provided on the sides of the driveway with sufficient numbers of sprinklers to adequately water the unpaved portions of the easements. The Owners of the enumerated Lots shall be responsible for installation of landscaping and irrigation as provided in this Article and Article 4.11.1 for the portion of the access and utility easement within their respective Lots. The Owners of all Lots utilizing the access easement shall share equally in the maintenance of said easement except that the Owner of any Lot who damages the pavement during construction on the Owner’s Lot shall be solely responsible for repairing said damages.

3.4.11.3 Lots 40, 41, and 42 shall each benefit by and shall be subject to an access easement and/or utility easement as shown on the Plat. The Owners of each said Lot shall be entitled to access their respective Lot from said access easement. The access easement shall be a paved driveway surface 20 feet wide. No gravel shoulder shall be installed along said driveway. The unpaved portion of the access easement, if any, and the utility easement shall be planted in lawn or landscaped with appropriate bushes, shrubs and trees. A buried sprinkler system shall be provided on the sides of the driveway with sufficient numbers of sprinklers to adequately water the unpaved portions of the easement. The Owners of the enumerated Lots shall be responsible for installation of landscaping and irrigation as provided in this Article and Article 4.11.1 for the portion of the access and utility easement within their respective Lots. The Owners of all Lots utilizing the access easement shall share equally in the maintenance of said easement except that the Owner of any Lot who damages the pavement during construction on
the Owner's Lot shall be solely responsible for repairing said damages.

3.4.12 Monument Area Easement.

3.4.12.1 Declarant grants to the Association and its duly authorized agents and representatives an easement for a suitable monument area consisting of approximately 100 square feet at the southwest corner of Lot 8, at the northwest corner of Lot 9 and at the northwest corner of Lot 30 for erection of a monument sign and installation of landscaping, lights and associated infrastructure, initial construction and installation of which will be by Declarant. The lighting and irrigation for the monument area will be connected to the electrical and irrigation systems installed by the Owners of the respective Lots. The Owners of the respective Lots shall be responsible for the installation and maintenance of landscaping and irrigation for the portion of the monument easement within their respective Lots and shall pay any utility charges incurred in connection with said water and electrical use within monument areas.

3.4.12.2 Declarant grants to the Association and its duly authorized agents and representatives an easement for a suitable monument area consisting of an island of approximately 10 feet by 30 feet in the center of Northwest Cottonwood Drive at the northern boundary of Michelbook Meadows and at the western boundary of Michelbook Meadows, for erection of a monument sign and installation of landscaping, lights, irrigation and associated infrastructure, initial construction and installation of which will be by Declarant.

3.4.13 Golf Easement. Declarant grants a non-exclusive easement for the benefit of the patrons of Michelbook Golf Course to permit the doing of every act necessary and proper to the playing of golf on the golf course. These acts shall include, but not be limited to, the recovery of golf balls from Lots, the flight of golf balls over and upon Lots, the use of necessary and usual equipment upon such golf course, the usual and common noise level created by the playing of the game of golf, together with all other common and usual activity associated with the game of golf. Lots 9-17 and Lots 38-41 are subject to this easement.

ARTICLE 4
USE OF PROPERTY AND DESIGN STANDARDS

4.1 Residential Purpose. No Lot shall be used for any purpose other than residential purposes. To the extent permitted by the zoning and other governmental regulations, Occupants of any Home may give Instruction in the arts and such similar activities.

4.2 Size, Height and Materials.

4.2.1. No building shall be erected, altered, placed or permitted to remain on any Lot other than one (1) Home not more than two (2) stories in height, including the main floor level used for living, and not more than thirty-five (35) feet in height from the adjacent finished grade. Every Home constructed in Michelbook Meadows shall have a minimum ground floor area of 2000 square feet of living space exclusive of garage area, if a single level Home, or 1300 square feet of living space exclusive of garage area on the ground floor, if a two-story Home, with a total minimum living space exclusive of garage of 2400 square feet (exclusive of basement, if any). Variances on square footage requirements may be obtained with the written approval of the ARC due to irregular Lot design or unusual construction design. Each Home shall have a private two
(2) or three (3) car garage as part of, or attached to, the Home. The garage shall not be used for dwelling purposes and shall conform generally in architectural design, exterior material and finish to the Home to which it is appurtenant. No carports shall be allowed or constructed on any Lot. Outbuildings, sheds or similar structures may be placed, erected, maintained or constructed only with the written approval of the ARC and upon approval of the City, and shall in no event be for dwelling purposes.

4.2.2. Every building, fence, wall, or other structure placed on any part of any Lot shall be constructed of new material unless the use of other than new material shall have been reviewed and shall have received the written approval of the ARC. No buildings constructed elsewhere shall be moved to or placed on said Property excepted with the written approval of the ARC.

4.2.3. All roofing material shall be cedar shake, cedar shingle, tile or 50 year “presidential” composition shingle. Roofing material other than cedar shake/shingle, tile or 50 year “presidential” composition shingle may be used if approved in writing by the ARC.

4.2.4. All buildings shall have siding materials on all sides of every structure or improvement placed on the premises. All siding material shall be natural wood, brick, stone, concrete stucco, cematatious board, or other like material approved by the ARC. No T-111-303, or other vertical plywood-type siding shall be allowed on any Home or any other structure on the Property.

4.3. Setback Requirements. Every Home, or other Improvement as may be approved by the ARC, shall comply with all applicable City zoning requirements, including Setback requirements, and the following:

4.3.1 Side yard Setback requirements shall be 10 feet.

4.3.2 Front yard Setback requirements shall be 20 feet.

4.3.3 Rear yard Setback requirements shall be 20 feet for Lots not adjacent to the golf course. Lots 11-17, adjacent to the golf course, shall have a 40 foot rear yard Setback and Lots 9, 10, 38-41, adjacent to the golf course, shall have rear yard Setback of 30 feet. No improvement of any kind shall be constructed within the Setback areas except that a security fence as described in Article 4.6.4, shall be allowed within the rear yard Setback so long as such fence is not less than 20 feet from the rear property line.

4.4. Temporary Occupancy. No building shall be In any manner occupied while in the course of original construction or until it complies with all CC&R’s stated herein. The construction or remodeling of any building or structure, shall be prosecuted with reasonable diligence continuously from the time of commencement until fully completed.

4.5. Temporary Structures; Recreational Vehicles. No structure of a temporary character, trailer, basement, tent, shack, garage, barn, or other outbuilding shall be used on any Lot at any time as a residence, either temporarily or permanently. No campers, motor homes, boats, boat trailers, travel trailers, utility trailers, tents, or non-operable vehicles shall be permitted to be left where they shall be visible from the street or from contiguous Property within Michelbook.
Meadows, for a period in excess of seven (7) days. If any such structure, vehicle, or boat is permanently stored on the premises, it shall be stored either inside a garage or detached structure or shall be physically obscured from horizontal view from the street or contiguous parcels by means of a fence or hedge-type landscaping. No vehicle of the type described herein shall be kept on the street for any longer period than permitted by the ordinances of the City of McMinnville.

4.6. Fences.

4.6.1 Any fence constructed, erected, placed or maintained on a Lot will be governed by all City ordinances. In addition, plantings or sight obscuring fences on any Lot shall not exceed two and one-half (2-1/2) feet in height in the front yard, or on the side yard forward of the building line with the greatest Setback on the Lot or the adjoining residential Lot, or on corner Lots on the side abutting the street. Other fences shall not exceed six (6) feet in height. Fences shall be constructed of wood or masonry columns with wood in between and shall match existing fences as to stain, color, construction design and detail. All fences shall look the same when viewed from either side. The location, materials and design of any proposed fence shall be approved by the ARC prior to construction.

4.6.2 Notwithstanding Article 4.6.1, above, and subject to the approval of the McMinnville City Planning Director, with regard to any Lot which abuts on more than one street, plantings or sight obscuring fences on said Lot in a street side yard or back yard may be constructed up to six (6) feet in height, provided any such plantings or fence exceeding two and one-half (2-1/2) in height shall be Setback a minimum of thirteen (13) feet from the face of the curb. The Occupant of said Lot shall landscape and maintain the area between such fence and the sidewalk.

4.6.3 Notwithstanding Article 4.6.1, above, and subject to the approval of the ARC, with regard to Lots 9-17 and Lots 38-41, a black, vinyl, nonview-obscuring, chainlink, security fence may be constructed up to five (5) feet in height, provided it is set back not less than 20 feet from the rear property line of the respective Lot. The Owner of said Lot shall landscape and maintain the area between such fence and the rear property line.

4.6.4 Notwithstanding Article 4.6.1, above, Declarant will install and the Occupant of the affected Lot will maintain, a black, vinyl, nonview-obscuring, chainlink, perimeter fence as follows:

4.6.4.1 In the backyards, along the north boundary of Lots 41-47;

4.6.4.2 In the backyards, along the west boundary of Lots 2-8, and also the north boundary of Lot 2;

4.6.4.3 In the backyards (or sideyards) along the boundary between the affected Lot and Tract A, Tract B, or Tract C, as the case may be, of Lots 1, 17-19, 27, 28 and 31-38;

4.6.4.4 All such fences constructed by Declarant shall be maintained, repaired and replaced by the Occupant of the nearest Lot adjacent thereto as to the portion of
said fence which is within the boundaries of said Lot or would be within such boundaries if they were extended in a straight line to an intersection with said fence; No such fence shall be removed and such fences shall be replaced only by like-kind fences.

4.7 Exterior Colors. Exterior colors of any dwelling house, garage, shed, outbuilding or other structure which may be approved by the ARC shall be natural earth colors or other subdued colors as approved by the ARC.

4.8 Commercial Vehicles. No vehicle shall be permitted to be parked on any of the streets of the development for periods longer than those permitted by the ordinances of the City of McMinnville.

4.9 Telecommunication Devices. Radio or television antenn or other outside receptors, except small satellite dishes that do not exceed two feet in diameter and two feet in height, shall not be permitted. Any allowed satellite dishes that are installed shall be placed on the Property in an inconspicuous area where it is out of sight as viewed from the street.

4.10 Sidewalks and Driveways. Sidewalks and paved or concrete driveways are required to be installed and maintained (on all Lots) by Lot Occupants at the Lot Occupants' expense in conjunction with the completion of the dwelling. Sidewalks shall be constructed adjacent to the curb and shall meet all municipal or other ordinances or laws. The Declarant will designate the color, texture and scoring pattern on; all sidewalks and driveways constructed in the development and all sidewalks and driveways shall be constructed and maintained consistent therewith.

4.11 Landscaping Requirements.

4.11.1 All yard areas on each Lot, exclusive of buildings, shall be landscaped. All landscaping shall be installed in accordance with a landscaping plan approved by the ARC. Landscaping shall present a complete and finished look to the entire Lot. The nature, kind of materials, and topography of the landscaping and its maintenance shall be consistent with the quality generally maintained in the neighborhood. All unbuilt yard areas shall have their initial landscaping installed within six (6) months from the date of building construction completion in accordance with the plans submitted to and approved by the ARC. Under unusual circumstances, the ARC may grant reasonable time extensions for completion of landscaping. All front yards shall be equipped with underground irrigation, including the five foot parkway strip area, landscaped, and maintained tidy without weeds or debris.

4.11.2 All landscaping on any Lot shall be maintained and cared for in a manner that is consistent with the ARC's original approval of such landscaping. Weeds and diseased or dead lawn, trees, groundcover, or shrubs shall be removed and replaced. Lawns shall be neatly mowed and trees and shrubs shall be neatly trimmed. All landscaping shall be irrigated in a horticulturally proper manner, subject to water use restrictions or moratoria by government bodies or agencies.

4.11.3 Lots 9-17 are presently populated with growing trees. An Owner of such a Lot may remove such trees but they must be replaced by a like number of large, fast growing,
mix of deciduous and evergreen trees with a minimum starting height of 14 feet from ground level. Replacement trees must be planted as soon as possible and maintained in live condition thereafter.

4.11.4 Lots 16-19 are presently populated with a mixture of oak and cherry trees. An Owner of such Lot may remove trees as reasonably necessary for construction of a Home on the Lot provided, however, prior to removal, the Owner shall submit a plan to the ARC demonstrating Owners willingness to minimize tree removal to the extent possible. Such plan shall require ARC written approval before tree removal is made and construction can commence.

4.11.5 The Declarant shall initially install and maintain street trees within curbside planting strips along the streets, provided, however, the Occupant of a Lot shall relocate trees as may be necessary to accommodate individual building plans and shall replace any trees which may die due to neglect, vandalism, or loss during construction. All replaced trees shall conform to the species and characteristics of the original trees. The Declarant’s obligation to maintain street trees shall terminate one year from the date of planting.

4.12. Completion of Construction. All construction on any Lot must be completed and the occupancy permit issued within 365 days from the date of the issuance of the building permit.

4.13. Animals. No animals or fowl shall be raised, kept or permitted upon any Lot or any part thereof except domestic dogs, cats, and caged pets kept within the dwelling house, provided said dogs, cats and caged pets are not kept, bred or raised for commercial purposes, or are kept in an unreasonable number so as to constitute a nuisance to the Immediate neighbors.

4.14. Swimming Pools. Swimming pools constructed on Lots shall be entirely the underground type. No above ground swimming pools may be installed or constructed on any Lot.

4.15. Nuisance. No noxious or offensive activity shall be carried on upon any Lot, or on the public streets or rights-of-way within or adjacent to any Lot, nor shall anything be done or maintained thereon which may be or become an annoyance or nuisance to the neighborhood or detract from its value as a high-class residential district.

4.16. Vacant Lots. Until such time as any Lot Occupant constructs a residence on said Lot, the Lot Occupant shall maintain the Lot in such a manner as to keep the Lot free from weeds, briars, and other types of vegetation which would infiltrate lawns of other Lot Occupants. Lot Occupants shall also keep vacant Lots free from debris. Vacant Lots shall also be subject to all other CC&R’s set forth herein, including, but not limited to, those conditions involving temporary structures, recreational vehicles and commercial vehicles.

ARTICLE 5
COMMON AREA AND COMMONLY MAINTAINED PROPERTY

5.1 Use of Common Areas. Use of the Common Area is subject to the provisions of the Declaration, Bylaws, Articles, and the Rules and Regulations adopted by the Board. There shall be no obstruction of any part of the Common Area. Nothing shall be stored or kept in the Common Area without the prior written consent of the Board. No alterations or additions to the Common Area shall be permitted without the prior written consent of the Board.
5.2 Maintenance of Common Area. The Association shall be responsible for maintenance, repair, replacement, and upkeep of the Common Area at the equal expense of the Occupants of all Lots. The Association shall keep the Common Area in good condition and repair, provide for all necessary services, and cause all acts to be done that may be necessary or proper to assure the maintenance of the Common Area.

5.3 Alterations to Common Area. Only the Association shall construct, reconstruct, or alter any improvement located on the Common Area. A proposal for any construction of or alteration, maintenance, or repair to any such improvement may be made at any Board meeting. The Board may adopt a proposal, subject to the limitations contained in the Bylaws and this Declaration.

5.4 Funding. Expenditures for alterations, maintenance, or repairs to an existing improvement for which a reserve has been collected shall be made from the Reserve Account. As provided in Article 10.5, the Board may levy a special assessment to fund any construction, alteration, repair, or maintenance of an improvement (or any other portions of the Common Area) for which no reserve has been collected or for which the Reserve Account is insufficient to cover the cost of the proposed improvement.

5.5 Condemnation of Common Area. If all or any portion of the Common Area is taken for any public or quasi-public use under any statute, by right of eminent domain, or by purchase in lieu of eminent domain, the Board shall receive and expend the entire award in a manner that, in the Board’s discretion, is in the best interest of the Association and the Owners. The Association shall represent the interest of all Owners in any negotiations, suit, action, or settlement in connection with such matters.

5.6 Damage or Destruction of Common Area. If all or any portion of the Common Area is damaged or destroyed by an Owner or any of Owner’s guests, Occupants, tenants, licensees, agents, or Members of Owner’s family in a manner that would subject such Owner to liability for such damage under Oregon law, such Owner hereby authorizes the Association to repair such damage. The Association shall repair the damage and restore the area in workmanlike manner as originally constituted or as may be modified or altered subsequently by the Association in the discretion of the Board. Reasonable costs incurred in connection with effecting such repairs shall become a special assessment on the Lot and against the Owner who caused or is responsible for such damage.

5.7 Power of Association to Sell, Dedicate, or Transfer Common Area. As provided in ORS 94.665, the Association may sell, dedicate, transfer, grant a security interest in, or grant an easement for installation and maintenance of utilities or for similar purposes with respect to, any portion of the Common Area. Except for grants of easements for utility-related purposes, no such sale, dedication, transfer, or grant of a security interest shall be effective unless approved by 80% of the votes of both Class A and Class B Members. Provided further, if there is only one class of votes, such sale, dedication, transfer, or grant of a security interest (other than a grant of an easement for utility-related purposes) must be approved by 80% of the votes held by Owners other than Declarant.

5.8 Maintenance of Commonly Maintained Property. Without limitation of the Association’s overall maintenance and other obligations, the Association will permanently maintain
and repair the following Commonly Maintained Property as necessary:

5.8.1 Fences constructed by Declarant, not otherwise required to be maintained by the Occupant of an affected Lot as specifically set forth in Article 4.6.4.

5.8.2 The Conservation Easement area and the Storm Detention Basin as set forth in Articles 3.4.9 and 3.4.10, respectively.

5.8.3 The monument sign, within the monument areas described in Article 3.4.12.1, but not the landscaping and irrigation within the monument areas which shall be the responsibility of the Lot Owner within which the monument easement is situated.

5.8.4 The monument areas consisting of island areas in the center of Northwest Cottonwood Drive at the northern boundary of Michelbook Meadows and at the western boundary of Michelbook Meadows.

5.8.5 Any other area determined by the Board to be in the interest of the Association to maintain.

5.8.6 The provisions of Articles 5.1 through 5.7 shall apply to the Commonly Maintained Property as applicable.

ARTICLE 6
ARCHITECTURAL REVIEW COMMITTEE

6.1 Architectural Review. No Improvement shall be commenced, erected, placed, or altered on any Lot until the construction plans and specifications showing the nature, shape, heights, materials, colors, and proposed location of the Improvements have been submitted to and approved in writing by the ARC. This Article’s purpose is to assure quality of workmanship and materials and harmony between exterior design and the existing Improvements and landscaping and as to location with respect to topography and finished grade elevations. The ARC shall not be responsible for determining compliance with structural and building codes, solar ordinances, zoning codes, or other governmental regulations, all of which are the applicant’s responsibility. The procedure and specific requirements for review and approval of construction shall be set forth in design guidelines and standards adopted from time to time by the ARC. The provisions of this Article shall apply in all instances in which this Declaration requires the ARC’s consent.

6.2 Architectural Review Committee, Appointment and Removal. Declarant reserves the right to appoint all Members of the ARC and all replacements thereto until Michelbook Meadows is 100% built out. The ARC shall consist of no fewer than three Members and no more than five Members. Each ARC member shall serve for one year. After build out, Declarant shall assign to the Board the right to appoint and remove Members of the ARC. Board Members and persons who are not Owners but who have special expertise regarding the matters that come before the ARC may serve as all or some of the ARC’s Members. In the Board’s sole discretion, non-Owner Members of the ARC may be paid. The Board may appoint itself as the ARC or any of its Members to the ARC. If an ARC has not been appointed, the Board shall serve
as the ARC.

6.3 Majority Action. Except as otherwise provided in this Declaration, a majority of the Members of the ARC shall have the power to act on behalf of the ARC, without the necessity of a meeting and without the necessity of consulting the remaining member or Members of the ARC.

The ARC may render its decision only by written instrument setting forth the action taken by the Members consenting thereto.

6.4 Duties. The ARC shall consider and act on the proposals and/or plans submitted pursuant to this Article. The ARC, from time to time and at its sole discretion, may adopt architectural rules, regulations, and guidelines ("Architectural Standards"). The Architectural Standards shall interpret and implement the provisions of this Declaration for architectural review and guidelines for architectural design, placement of buildings, color schemes, exterior finishes and materials, and similar features that may be used in Michelbook Meadows; provided, however, that the Architectural Standards shall not be in derogation of the minimum standards established by this Declaration.

6.5 ARC Decision. The ARC shall render its written decision approving or denying each construction application submitted to it within 15 working days after its receipt of all materials required with respect to such application. If the ARC fails to render such written decision within 30 days of its receipt of all required materials or request an extension, the application shall be deemed approved. The ARC shall be entitled to request one or more extensions of time, not to exceed 45 days. In the event of such extension requests, if the ARC does not render a written decision within 15 days after the expiration of the extension(s), the application shall be deemed approved. Provided, however, the applicant may agree to further extensions to allow the applicant to complete or supplement the application.

6.6 ARC Discretion. The ARC, at its sole discretion, may withhold consent to any proposed work if the ARC finds the proposed work would be inappropriate for the particular Lot or incompatible with the design standards that the ARC intends for Michelbook Meadows. The ARC may consider siting, shape, size, color, design, height, solar access, or other effect on the enjoyment of other Lots or the Common Area, and any other factors that it reasonably believes to be relevant in determining whether or not to consent to any proposed work.

6.7 Nonwaiver. Consent by the ARC to any matter proposed to it or within its jurisdiction shall not be deemed to constitute precedent or waiver impairing its right to withhold approval as to any similar matter thereafter proposed or submitted to it for consent.

6.8 Appeal. After Declarant has assigned the right to appoint ARC Members to the Board pursuant to Article 6.2, any Owner adversely impacted by ARC action may appeal such action to the Board. Such appealing Owner shall submit to the Board a written notice of appeal, setting forth specific objections or mitigating circumstances justifying the appeal, within 10 days after the ARC’s action. The Board shall issue a final, conclusive decision within 45 days after receipt of such notice, and such decision shall be final and binding on the appealing Owner and the ARC. Provided, however, the Board shall make reasonable efforts to reach a decision within 20 days. If the Board is serving as the ARC, then such appeal shall be deemed a request for reconsideration.
6.9 Effective Period of Consent. The ARC's consent to any proposed work shall automatically expire three months after issuance unless construction of the project has been commenced or the Owner has applied for and received an extension of time from the ARC.

6.10 Determination of Compliance. The ARC may inspect, from time to time, all work performed and determine whether it is in substantial compliance with the approval granted. If the ARC finds that the work was not performed in substantial conformance with the approval granted, or if the ARC finds that the approval required was not obtained, the ARC shall notify the Owner in writing of the noncompliance. The notice shall specify the particulars of noncompliance and shall require the Owner to remedy the noncompliance.

6.11 Noncompliance. If the ARC determines that an Owner has not constructed an improvement consistent with the specifications of an ARC approval or has constructed an improvement without obtaining ARC approval, sends a notice of noncompliance to such Owner, and such Owner fails to commence diligently remediing such noncompliance in accordance with such notice, then, effective at 5:00 p.m. on the third day after issuance of such notice, the ARC shall provide notice of a hearing to consider the Owner's continuing noncompliance. The hearing shall be set not more than 30 days from the date on which the notice of noncompliance was issued. At the hearing, if the ARC finds that there is no valid reason for the continuing noncompliance, the ARC shall determine the estimated costs of achieving compliance and may issue a fine against the noncomplying Owner for such amount. The ARC also shall require the Owner to remedy such noncompliance within 10 days after the date of the ARC’s determination. If the Owner does not comply with the ARC’s ruling within such period or any extension thereof granted by the ARC, at its sole discretion, the ARC may remove the noncomplying improvement, remedy the noncompliance, and/or record a notice of noncompliance in the county deed records. The costs of any such action shall be assessed against the Owner as a Reimbursement Assessment either before or after any remedial action is taken.

6.12 Liability. Neither the ARC nor any member thereof shall be liable to any Owner, Occupant, or builder for any damage, loss, or prejudice suffered or claimed on account of any action or failure to act of the ARC or a member thereof, provided only that the ARC or the member has, in accordance with its or his or her actual knowledge, acted in good faith.

6.13 Estoppel Certificate. Within 15 working days after the ARC’s receipt of a written request from an Owner and the ARC’s receipt of payment of a reasonable fee fixed by the ARC to cover costs, the ARC shall provide such Owner with a certificate executed by the Chairperson or other authorized member of the ARC certifying with respect to any Lot owned by the Owner, that, as of the date thereof either (a) all Improvements made or done upon such Lot comply with this Declaration, or (b) such Improvements do not so comply, in which event, the certificate shall also identify the noncomplying Improvements and set forth with particularity the nature of such noncompliance. The Owner and such Owner’s heirs, devisees, successors, and assigns shall be entitled to rely on the certificate with respect to the matters set forth therein. The certificate shall be conclusive as among Declarant, the ARC, the Association, all Owners, and all persons deriving any interest through any of them.

6.14 Fees. The ARC may charge applicants a reasonable application fee and additional costs incurred or expected to be incurred by the ARC to retain architects, attorneys, engineers, and other consultants to advise the ARC concerning any aspect of the applications and/or
compliance with any appropriate architectural criteria or standards, including, without limitation, those pertinent to house siting and height. Such fees shall be collectible as assessments pursuant to Article 10.

6.15 Declarant and Successor Exempt from ARC. The Declarant or a successor to all of the unsold Lots shall be exempt from the requirement to submit and have plans approved by the ARC. However, the Declarant and its successor shall not be exempt from the provisions of Article 4 of the Declaration.

ARTICLE 7
MEMBERSHIP IN THE ASSOCIATION

7.1 Members. Each Owner shall be a member of the Association. Membership in the Association shall be appurtenant to, and may not be separated from, ownership of any Lot. Transfer of ownership of a Lot shall automatically transfer membership in the Association. Without any other act or acknowledgment, Occupants and Owners shall be governed and controlled by this Declaration, the Articles, Bylaws, and the Rules and Regulations of the Association and any amendments thereof.

7.2 Proxy. Each Owner may cast such Owner’s vote in person, by written ballot, or pursuant to a proxy executed by such Owner. An Owner may not revoke a proxy given pursuant to this Article 7.2 except by actual notice of revocation to the person presiding over a meeting of the Association. A proxy shall not be valid if it is undated or purports to be revocable without notice. A proxy shall terminate one year after its date, unless the proxy specifies a shorter term.

7.3 Voting Rights. The Association shall have two classes of voting Members:

7.3.1 Class A. Class A Members shall be all Owners of Lots other than Declarant, and each Class A member shall be entitled to one vote for each Lot owned with respect to all matters on which Owners are entitled to vote.

7.3.2 Class B. The Class B member shall be Declarant, its successors, and its assigns. The Class B member shall have three votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the earlier of the following dates (the “Termination Date”):

(a) The date on which 100% of the total number of Lots in Michelbook Meadows have been sold and conveyed to Owners other than Declarant.

(b) The date on which Declarant elects in writing to terminate Class B membership.

After the Termination Date, each Owner, including Declarant, shall be entitled to one vote for each Lot owned with respect to all matters on which Owners are entitled to vote, and the total number of votes shall be equal to the total number of Lots subject to this Declaration, initially or through annexation.

When more than one person or entity owns a Lot, the vote for such Lot may be cast as they
shall determine, but in no event shall fractional voting be allowed. Fractional or split votes shall be disregarded, except for purposes of determining a quorum.

7.4 Procedure. All meetings of the Association, the Board, the ARC, and Association committees shall be conducted with such rules of order as may from time to time by adopted by the Board. Notwithstanding which rule of order is adopted, the President shall be entitled to vote on all matters, not merely to break a tie vote. A tie vote does not constitute a majority or approval of any motion or resolution.

ARTICLE 8
DECLARANT CONTROL

8.1 Interim Board and Officers. Declarant hereby reserves administrative control of the Association. Declarant, in its sole discretion, shall have the right to appoint and remove Members of an Interim Board (the “Interim Board”), which shall manage the affairs of the Association and be invested with all powers and rights of the Board until the Turnover Meeting (as hereinafter defined). The Interim Board shall consist of from one to three Members. Notwithstanding the provision of this Article 8.1, at the Turnover Meeting, at least one Director shall be elected by Owners other than Declarant, even if Declarant otherwise has voting power to elect all three Directors.

8.2 Turnover Meeting. Declarant shall call a meeting for the purposes of turning over administrative control of the Association from Declarant to the Class A Members within 60 days of the earlier of the following dates:

8.2.1 Earliest Date. The date on which Lots representing 100% of the total number of votes of all Lots in Michelbook Meadows have been sold and conveyed to persons other than Declarant;

8.2.2 Optional Turnover. The date on which Declarant has elected in writing to terminate Class B membership.

Declarant shall give notice of the Turnover Meeting to each Owner as provided in the Bylaws. If Declarant does not call the Turnover Meeting required under this Article the transitional advisory committee or any Owner may do so.

ARTICLE 9
DECLARANT’S SPECIAL RIGHTS

9.1 General. Declarant is undertaking the work of developing Lots and other Improvements within Michelbook Meadows. The completion of the development work and the marketing and sale of the Lots is essential to the establishment and welfare of the Property as a residential community. Until the Homes on all Lots on the Property have been constructed, fully completed, and sold, with respect to the Common Area and each Lot on the Property, Declarant shall have the special rights set forth in this Article 9.

9.2 Marketing Rights. Declarant shall have the right to maintain a sales office and
model on one or more of the Lots that Declarant owns. Declarant and prospective purchasers and their agents shall have the right to use and occupy the sales office and models during reasonable hours any day of the week. Declarant may maintain a reasonable number of “For Sale” signs at reasonable locations on the Property, including, without limitation, on the Common Area.

9.3 **Declarant Easements.** Declarant reserves easements over the Property as more fully described in Articles 3.4 and 3.5 hereof.

9.4 **Additional Improvements.** Declarant does not agree to build any Improvements not described in this Declaration.

**ARTICLE 10**
**FUNDS AND ASSESSMENTS**

10.1 **Purpose of Assessments; Expenses.** The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, aesthetics, and welfare of the Owners and Occupants of Michelbook Meadows, for the improvement, operation, and maintenance of the Common Area and the Commonly Maintained Property, for the administration and operation of the Association and for Property and liability insurance. All such expenses set forth herein shall be deemed “known expenses.”

10.2 **Covenants to Pay.** Declarant and each Owner covenant and agree to pay the Association the assessments and any additional charges levied pursuant to this Declaration or the Bylaws. All assessments for operating expenses, repairs and replacement, and reserves shall be allocated among the Lots and their Owners as set forth in Article 10.4.2.

10.2.1 **Funds Held in Trust.** The assessments collected by the Association shall be held by the Association for and on behalf of each Owner and shall be used solely as set forth in Article 10.1. On the sale or transfer of any Lot, the Owner’s interest in such funds shall be deemed automatically transferred to the successor in interest to such Owner.

10.2.2 **Offsets.** No offsets against any assessment shall be permitted for any reason, including, without limitation, any claim that the Association is not properly discharging its duties.

10.2.3 **Right to Profits.** Association profits, if any, shall be the Property of the Association and shall be contributed to the Current Operating Account.

10.3 **Basis of Assessment: Commencement of Assessments.** Declarant shall pay all common expenses of the Association until the Lots are assessed for common expenses. The amount and date of commencement of the initial annual assessment to Owners other than Declarant shall be determined by Declarant. In the sole and unfettered discretion of Declarant, Declarant may defer payment of reserves for a Lot until the Lot is conveyed to a third party. However, Declarant may not defer payment of accrued reserves beyond the date of the Turnover Meeting.
10.4 Annual Assessments. Annual assessments for each fiscal year shall be established when the Board approves the budget for that fiscal year. The initial annual assessment shall be determined by Declarant and shall be prorated on a monthly basis at the time of the closing of the first sale from Declarant. For proration purposes, any portion of a month shall count as a full month. Annual assessments shall be payable on a periodic bases, not more frequently than monthly, as determined by the Board. The fiscal year shall be the calendar year unless another year is adopted by vote of the Association Members.

10.4.1 Budgeting. Each year the Board shall prepare, approve, and make available to each Member a pro forma operating statement (budget) containing (a) estimated revenue and expenses on an accrual basis; (b) the amount of the total cash reserves of the Association currently available for replacement or major repair of the Common Area and Commonly Maintained Property and for contingencies; (c) an itemized estimate for the remaining life of, and the methods of funding to defray repair, replacement, or additions to major components of such Improvements as provided in Article 10.6.2; and (d) a general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of repair, replacement, or additions to major components of the Common Area and the Commonly Maintained Property. Notwithstanding that budgeting shall be done on an accrual basis, the Association’s books shall be kept on a cash basis and the Association shall be a cash basis taxpayer, unless applicable governmental regulations require otherwise. For the first fiscal year, the budget shall be approved by the Board no later than the date on which annual assessments are scheduled to commence. Thereafter, the Board shall annually prepare and approve the budget and distribute a copy or summary thereof to each Member, together with written notice of the amount of the annual assessments to be levied against the Owner’s Lot, within 30 days after adoption of such budget.

10.4.2 Allocation of Assessments. The total amount in the budget shall be charged against all Lots as annual assessments as follows:

<table>
<thead>
<tr>
<th>Lot</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-47</td>
<td>2.13% per Lot</td>
</tr>
</tbody>
</table>

The annual assessment percentage charged to each Lot will be adjusted should additional Lots be annexed.

10.4.3 Nonwaiver of Assessments. If before the expiration of any fiscal year the Association fails to fix annual assessments for the next fiscal year, the annual assessments established for the preceding year shall continue until a new annual assessment is fixed.

10.5 Special Assessments. The Board and/or the Owners shall have the power to levy special assessments against an Owner or all Owners in the following manner for the following purposes:

10.5.1 Correct Deficit. To correct a deficit in the operating budget, by vote of a majority of the Board;

10.5.2 Special Obligations of an Owner. To collect amounts due to the
Association from an Owner for breach of the Owner’s obligations under this Declaration, the Bylaws, or the Rules and Regulations, by vote of a majority of the Board;

10.5.3 **Repairs.** To collect additional amounts necessary to make repairs or renovations to the Common Area or Commonly Maintained Property if sufficient funds are not available from the operating budget or replacement reserve accounts, by vote of a majority of the Board; or

10.5.4 **Capital Improvements.** To make capital acquisitions, additions or improvements, by vote of at least 80% of all votes allocated to the Lots.

10.5.5 **Reimbursement Assessments.** The Association shall levy a reimbursement assessment against any Owner and such Owner’s Lot if a failure to comply with this Declaration, Bylaws, Architectural Standards, or any Rules and Regulations has (a) necessitated an expenditure of monies by the Association to effect compliance or (b) resulted in the imposition of a fine or penalty against such Owner or such Owner’s Lot (a “Reimbursement Assessment”). A Reimbursement Assessment shall be due and payable to the Association when levied. A Reimbursement Assessment shall not be levied by the Association except on at least 10 days’ written notice to the Owner being assessed. If, within said 10-day period, the Owner makes a written request to the Board for a hearing, a hearing shall be held. On request for a hearing, the Board shall conduct it not less than 10 nor more than 30 days after the request by the Owner, and shall make its decision within not more than 30 days after the hearing is held. If a notice has been previously given, and the hearing has already been held or waived (in writing or by the Owner’s failure to appear) for the violation resulting in the Reimbursement Assessment, no additional notice and hearing is required before levying the Reimbursement Assessment.

10.6 **Accounts.**

10.6.1 **Types of Accounts.** Assessments collected by the Association shall be deposited into at least two separate accounts with a bank, which accounts shall be clearly designated as (a) the Current Operating Account and (b) the Reserve Account. The Board shall deposit those portions of the assessments collected for current maintenance and operation into the Current Operating Account and shall deposit those portions of the assessments collected as reserves for replacement and deferred maintenance of capital improvements into the Reserve Account. Withdrawal of funds for the Association’s Reserve Account shall require the signatures of either two Directors or one Director and an officer of the Association who is not a Director. In its books and records, the Association shall account separately for operating expenses relating to the Common Area/Commonly Maintained Property and operating expenses relating to all other matters, as well as for necessary reserves relating to the Common Area/Commonly Maintained Property and necessary reserves relating to all other matters.

10.6.2 **Reserve Account.** Declarant shall establish a Reserve Account, in the name of the Association, which shall be kept separate from all other funds held by the Association. The Association shall pay out of the Reserve Account only those costs that are attributable to the maintenance, repair, or replacement of Common Area Property and Commonly Maintained Property that normally requires replacement, in whole or in part, within three to 30 years and not for regular or periodic maintenance and expenses. No funds collected for the Reserve Account may be used for ordinary current maintenance and operation purposes.
10.6.2.1 Calculation of Reserve Assessment; Reserve Study. The Board of Directors of the Association shall annually conduct a reserve study, or review and update an existing study, of the Common Area and Commonly Maintained Property to determine the reserve account requirements. A reserve account shall be established for those items of the Common Area and Commonly Maintained Property 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.

The reserve account assessment shall be allocated pursuant to Article 10.4.2.

10.6.2.2 Loan from Reserve Account. After the Turnover Meeting described in Article 8.2, 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.

10.6.2.3 Increase or Reduction, or Elimination of Reserve Account Assessment. At any time after the second year after the Turnover Meeting, future assessment for the Reserve Account may be increased or reduced by the vote of Owners of Lots representing 75% of the votes computed in accordance with Article 7.3.

10.6.2.4 Investment of Reserve Account. Nothing in this Article 10.6 prohibits the prudent investment of Reserve Account funds, subject to any constraints imposed by the Board, the Bylaws, or the Rules and Regulations.

10.6.2.5 Refunds of Assessments. Assessments paid into the Reserve Account are the Property of the Association and are not refundable to sellers or Owners of Lots. Sellers or Owners of Lots may treat their outstanding share of the Reserve Account’s balance as a separate item in the sales contract providing for the conveyance of their Lot.
10.6.3 **Current Operating Account.** All costs other than those to be paid from the Reserve Account pursuant to Article 10.6.2 may be paid from the Current Operating Account.

10.7 **Default in Payment of Assessments, Enforcement of Liens.**

10.7.1 **Personal Obligation.** All assessments properly imposed under this Declaration or the Bylaws shall be the joint and several personal obligation of all Owners of the Lot to which such assessment pertains. In a voluntary conveyance (i.e., one other than through foreclosure or a deed in lieu of foreclosure), the grantees shall be jointly and severally liable with the grantors for all Association assessments imposed through the recording date of the instrument effecting the conveyance. A suit for a money judgment may be initiated by the Association to recover such assessments without either waiving or foreclosing the Association’s lien.

10.7.2 **Association Lien.** The Association shall have a lien against each Lot for any assessment (of any type provided for by this Declaration or the Bylaws) or installment thereof that is delinquent. Such lien shall accumulate all future assessments or installments, interest, late fees, penalties, fines, attorney fees (whether or not suit or action is instituted), actual administrative costs, and other appropriate costs properly chargeable to an Owner by the Association, until such amounts are fully paid. Recording of the Declaration constitutes record notice and perfection of the lien. Said lien may be foreclosed at any time pursuant to the Planned Community Act. The Association shall record a notice of a claim of lien for assessments and other charges in the deed records of Yamhill County, Oregon, before any suit to foreclose may be filed. The lien of the Association shall be superior to all other liens and encumbrances except Property taxes and assessments, any first mortgage, deed of trust or land sale contract recorded before the Association’s notice of lien, and any mortgage or deed of trust granted to an institutional lender that is recorded before the Association’s notice of lien.

10.7.3 **Interest; Fines; Late Fees; Penalties.** The Board, in its reasonable discretion, may from time to time adopt resolutions to set the rate of interest and to impose late fees, fines, and penalties on delinquent assessments or for violations of the provisions of this Declaration, the Bylaws, Architectural Standards, and the Rules and Regulations adopted by the Board or the ARC. The adoption of such impositions shall be communicated to all Owners in writing not less than 30 days before the effective date by a notice mailed to the assessment billing address of such Owners. Such impositions shall be considered assessments that are lienable and collectible in the same manner as any other assessments; provided, however, that fines or penalties for violation of this Declaration, the Bylaws, or any rule and regulation, other than late fees, fines, or interest arising from an Owner’s failure to pay regular, special, or reimbursement assessments may not be imposed against an Owner or such Owner’s Lot until such Owner is given an opportunity for a hearing as elsewhere provided herein.

10.7.4 **Acceleration of Assessments.** If an Owner is delinquent in payment of any assessment or installment on any assessment, the Association, on not less than 10 days’ written notice to the Owner, may accelerate the due date of the full annual assessment for that fiscal year and all future installments of any special assessments.

10.7.5 **Association’s Right to Rents; Receiver.** In any foreclosure suit by the Association with respect to such lien, the Association shall be entitled to collect reasonable
rent from the defaulting Owner for the use of such Owner's Lot or shall be entitled to the appointment of a receiver.

ARTICLE 11
GENERAL PROVISIONS

11.1 Records. The Board shall preserve and maintain minutes of the meetings of the Association, the Board and any committees. The Board also shall keep detailed and accurate financial records, including individual assessment accounts of Owners, the balance sheet, and income and expense statements. Individual assessment accounts shall designate the name and address of the Owner or Owners of the Lot, the amount of each assessment as it becomes due, the amounts paid on the account, and the balance due on the assessments. The minutes of the Association, the Board and Board committees, and the Association’s financial records shall be maintained in the State of Oregon and reasonably available for review and copying by the Owners. A reasonable charge may be imposed by the Association for providing copies.

11.2 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 attorney 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 benefitted from the acts that created said liability.

11.3 Enforcement; Attorney Fees. The Association and the Owners and any mortgagee holding an interest on a Lot shall have the right to enforce all of the covenants, conditions, restrictions, reservations, easements, liens, and charges now or hereinafter imposed by any of the provisions of this Declaration as may appertain specifically to such parties or Owners by any proceeding at law or in equity. Failure by either the Association or by any Owner or mortgagee to enforce any covenant, condition, or restriction herein contained shall in no event be deemed a waiver of their right to do so thereafter. In the event suit or action is commenced to enforce the
terms and provisions of this Declaration (including without limitations, for the collection of assessments), the prevailing party shall be entitled to its actual administrative costs incurred because of a matter or event that is the subject of the suit or action, attorney fees and costs in such suit or action to be fixed by the trial court, and in the event of an appeal, the cost of the appeal, together with reasonable attorney fees, to be set by the appellate court. In addition thereto, the Association shall be entitled to its reasonable attorney fees and costs incurred in any enforcement activity or to collect delinquent assessments, together with the Association’s actual administrative costs, whether or not suit or action is filed.

11.4 Severability. Invalidation of any one of these covenants, conditions, or restrictions by judgment or court order shall not affect the other provisions hereof and the same shall remain in full force and effect.

11.5 Duration. The covenants, conditions, and restrictions of this Declaration shall run with and bind the land for a term of 35 years from the date of this Declaration being recorded, after which time they shall be automatically extended for successive periods of 10 years, unless rescinded by a vote of at least 90% of the Owners and 90% of the first mortgagees; provided, however, that amendments that do not constitute rescission of the planned community may be adopted as provided in Article 11.6 and that if any of the provisions of this Declaration 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 21 years after the death of the last survivor of the now living descendants of Alan A. Ruden.

11.6 Amendment. Except as otherwise provided in Article 11.5 or ORS 94.590, and the restrictions set forth elsewhere herein, this Declaration may be amended at any time by an instrument approved by not less than 75% 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, that no amendment of this Declaration shall effect an amendment of the Bylaws or Articles without compliance with the provisions of such documents, and the Oregon Nonprofit Corporation Act and that no amendment affecting the general plan of development or any other right of Declarant herein contained may be effected without the express written consent of Declarant or its successors and assigns, including, without limitation, amendment of this Article 11.6., provided no amendment may be made with respect to the Conservation Easement Area without the written approval of the Oregon Department of State Lands.

11.7 Release of Right of Control. Declarant may give up its right of control in writing at any time by notice to the Association.

11.8 Unilateral Amendment by Declarant. In addition to all other special rights of Declarant provided in this Declaration, Declarant may amend this Declaration in order to comply with the requirements of the Federal Housing Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Mortgage Loan Corporation, any department, bureau, board, commission, or agency of the United States or the State of Oregon, or any other state in which the Lots are marketed and sold, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon, or such other state, the approval of which entity is required in order for it to insure, guarantee, or provide financing in connection with development of the Property and sale of Lots. Before the
11.9 **Resolution of Document Conflicts.** In the event of a conflict among any of the provisions in the documents governing Michelbook Meadows, such conflict shall be resolved by looking to the following documents in the order shown below:

1. Declaration;
2. Articles;
3. Bylaws;
4. Rules and Regulations.

IN WITNESS WHEREOF, Declarant has executed this instrument this 28\textsuperscript{th} day of September, 2006.

Alan Ruden, Inc.,
An Oregon Corporation

By: \[Signature\]

Alan A. Ruden, President

STATE OF OREGON )

) ss.
County of Yamhill )

This instrument was acknowledged before me on September 28, 2006, by Alan A. Ruden as President of Alan Ruden, Inc., and he acknowledged to me that he executed the same freely and voluntarily.

\[Signature\]
Notary Public for Oregon
My commission expires: 1-5-09
AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR MICHELBOOK MEADOWS

THIS Amendment to the Declaration of Covenants, Conditions, and Restrictions of Michelbook Meadows ("Amendment"), is made this 7th day of Aug., 2007, by Alan Ruden, Inc., an Oregon Corporation ("Declarant").

RECITALS

A. Declarant is the Declarant under the Declaration of Covenants, Conditions and Restrictions for Michelbook Meadows recorded in the Records of Yamhill County, Oregon as Instrument No. 200622962 on October 14, 2006, (the "Declaration").

B. Declarant has recorded the Plat of Michelbook Meadows as Instrument No.200622961 on October 4, 2006, in Yamhill County.

C. Pursuant to Article 11.6 of the Declaration, Declarant wishes to amend the above referenced Declaration.

NOW, THEREFORE, Declarant hereby declares the Declaration is amended in the following particulars:

1. Article 4.6 is hereby amended to state as follows:

4.6 Fences.

4.6.1 Any fence constructed, erected, placed or maintained on a Lot will be governed by all City ordinances. In addition, plantings or sight obscuring fences on any Lot shall not exceed two and one-half (2-1/2) feet in height in the front yard, or on the side yard forward of the building line with the greatest Setback on the Lot or the adjoining residential Lot, or on corner Lots on the side abutting the street. Other fences shall not exceed six (6) feet in height. Fences shall be constructed of wood or masonry columns with wood in between and shall match existing fences as to stain, color, construction design and detail. All fences shall look the same when viewed from either side. The location, materials and design of any proposed fence shall be approved by the ARC prior to construction.
4.6.2 Notwithstanding Article 4.6.1, above, and subject to the approval of the McMinnville City Planning Director, with regard to any Lot which abuts on more than one street, plantings or sight obscuring fences on said Lot in a street side yard or back yard may be constructed up to six (6) feet in height, provided any such plantings or fence exceeding two and one-half (2-1/2) in height shall be Setback a minimum of thirteen (13) feet from the face of the curb. The Occupant of said Lot shall landscape and maintain the area between such fence and the sidewalk.

4.6.3 Declarant will install and the Occupant of the affected Lot will maintain, a fence meeting the standards of Article 4.6.1 in the back yards, along the north boundary of Lots 41-47.

4.6.4 Declarant will install and the Occupant of the affected Lot will maintain a fence meeting the standards of Article 4.6.1 in the back yards, along the west boundary of Lots 2-8.

4.6.5 Notwithstanding Article 4.6.1, above, Declarant will install and the Occupant of the affected Lot will maintain, a black, vinyl, nonview-obscuring, chainlink, perimeter fence in the back yards (or side yards) along the boundary between the affected Lot and Tract A, Tract B, or Tract C, as the case may be, of Lots 1, 17-19, 27, 28 and 31-38.

4.6.6 All fences constructed by Declarant shall be maintained, repaired and replaced by the Occupant of the nearest Lot adjacent thereto as to the portion of said fence which is within the boundaries of said Lot or would be within such boundaries if they were extended in a straight line to an intersection with said fence; No such fence shall be removed and such fences shall be replaced only by like-kind fences.

4.6.7 Notwithstanding Article 4.6.1, above, the Owners of Lots 9-17 and Lots 38-41, (golf course Lots) may only construct a back yard fence or screen to enclose a swimming pool, hot tub, dog run, courtyard, terrace or similar structure and such enclosure shall be subject to the following:

4.6.7.1 Such fence or screen may not exceed 5 feet in height;

4.6.7.2 Such fence or screen shall not be continuous across the entire back yard of the Lot and shall enclose the least possible portion of the back yard;

4.6.7.3 Such fence or screen shall be set back not less than 20 feet from the rear property line of the affected Lot;

4.6.7.4 Such fence or screen shall generally be nonview-obscuring except where it has been constructed primarily for privacy purposes;

4.6.7.5 Appropriate landscaping shall be required around all enclosures and the Occupant of the affected Lot shall landscape and maintain any area between the enclosure and the rear property line;

4.6.7.6 All such fences and screens shall be subject to prior approval of the
ARC as to location, design, materials, and related landscaping.

4.6.7.7 No fence or screen shall be allowed in the back yard of Lots 9-17 and Lots 38-41 except as provided in this Article 4.6.7, it being the intent hereby to maintain an open, unobstructed access from the back yards of such Lots to the adjacent golf course.

2. Applicability of Declaration Provisions. All terms contained in the original Declaration which are not altered by the terms of this Amendment document shall remain in effect. If there is a conflict between the terms of this Amendment and the original Declaration, the conflict shall be resolved by looking first to the terms of this Amendment.

IN WITNESS WHEREOF, Declarant has executed this Declaration of Amendment as of the date first written above.

ALAN RUDEN, INC., AN OREGON CORPORATION

By: ________________________________
    Alan A. Ruden, President

STATE OF OREGON,       )
) ss.
County of Yamhill.         )

This instrument was acknowledged before me on [August 17], 2007, by Alan A. Ruden as President of Alan Ruden, Inc. and he acknowledged to me that he executed the same freely and voluntarily.

Before me:

[Signature]
Notary Public for Oregon
My Commission Expires: 1-5-09

Page 3 of 3 - Amendment to Michelbook Meadows Covenants, Conditions and Restrictions
BYLAWS OF
MICHELBOOK MEADOWS HOMEOWNERS' ASSOCIATION, INC.

ARTICLE 1.
DEFINITIONS

1.1 Association. "Association" means MICHELBOOK MEADOWS HOMEOWNERS' ASSOCIATION, INC., a nonprofit corporation organized and existing under the laws of the State of Oregon.

1.2 Articles of Incorporation. "Articles of Incorporation" means the Articles of Incorporation of the Association.

1.3 Declaration. The "Declaration" means the Declaration of Protective Covenants, Conditions, and Restrictions for Michelbook Meadows as the same may be subsequently amended or supplemented pursuant to the terms thereof.

1.4 Incorporation by Reference. Except as otherwise provided herein, the terms that are defined in Article I of the Declaration are used in these Bylaws as therein defined.

ARTICLE 2.
MEMBERSHIP

2.1 Membership. Every Owner of one or more Lots within Michelbook Meadows shall, immediately upon creation of the Association and thereafter during the entire period of such ownership, be a member of the Association. Such membership shall commence, exist and continue simply by virtue of such ownership, shall expire automatically upon termination of such ownership, and need not be confirmed or evidenced by any certificate or acceptance of membership.

2.2 Membership List. The Secretary shall maintain at the principal office of the Association a membership list showing the name and address of the Owner of each Lot. The Secretary may accept as satisfactory proof of such ownership a duly executed and acknowledged conveyance, a title insurance policy, or other evidence reasonably acceptable to the Board of Directors.

ARTICLE 3.
MEETINGS AND VOTING

3.1 Place of Meetings. Meetings of the members of the Association shall be held at such reasonable place convenient to the members as may be designated in the notice of the meeting.
3.2 Turnover Meeting. Declarant shall call the first meeting of the Owners to organize the Association within sixty (60) days after termination of the Class B membership as provided in Section 3.7 below. Notice of such meeting shall be given to all Owners as provided in Section 3.5. If the Declarant fails to call the meeting, the meeting may be called and notice given by any Owner or mortgagee of a Lot. The expense of giving notice shall be paid or reimbursed by the Association. No quorum is required for the Turnover Meeting. Nothing in this section shall be construed as preventing Declarant from calling the Turnover Meeting before such date or from calling informal, informational meetings of the Owners.

3.3 Annual Meeting. The annual meeting of the members for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held at such reasonable hour and on such reasonable day as may be established by the Board of Directors or, if the Board should fail to designate a date by the first day of November 2006, then the meeting shall occur at 7:00 p.m. on the first (1st) Thursday in December, 2006. An annual meeting shall be held within each calendar year, commencing with the year in which the transfer of title occurs for the first lot to an Owner other than the Declarant, the Declarant's successors or assigns. The Turnover Meeting may count as the annual meeting for the year in which it is held.

3.4 Special Meetings. A special meeting of the Association may be called at any time by the President or by a majority of the Board of Directors. A special meeting shall be called upon receipt of a written request stating the purpose of the meeting from members having at least thirty percent (30%) of the voting rights entitled to be cast at such meeting. Business transacted at a special meeting shall be confined to the purposes stated in the notice of meeting.

3.5 Notice of Meeting.

(a) Written or printed notice stating the place, day and hour of the meeting, the items on the agenda, including the general nature of any proposed amendment to the Declaration or these Bylaws, any budget changes, any proposal to remove a director or officer and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) or more than fifty (50) days before the date of the meeting. Such notice shall be given either personally or by mail, by or at the direction of the President, the Secretary, or the persons calling the meeting, to each member entitled to vote at such meeting and to all mortgagees who have requested such notice. Notices to Declarant shall be mailed. If mailed, such notices shall be deemed to be delivered when deposited in the United States mail, with postage fully prepaid thereon, addressed to the member at his or her most recent address as it appears on the records of the Association or to the mailing address of his or her Lot.

(b) When a meeting is adjourned for thirty (30) days or more, or when a redetermination of the persons entitled to receive notice of the adjourned meeting is required by law, notice of the adjourned meeting shall be given as for an original meeting. In all other cases, no notice of the adjournment or of the business to be transacted at the adjourned meeting need be given other than by announcement at the meeting at which such adjournment is taken.
3.6 **Quorum.** At any meeting of the Association members having at least twenty percent (20%) of the voting rights entitled to be cast at such meeting, present in person or by proxy, shall constitute a quorum, except when a larger quorum is required by the Declaration. When a quorum is once present to organize a meeting, it cannot be broken by the subsequent withdrawal of a member or members. 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 not less than forty-eight (48) hours or more than thirty (30) days from the time the original meeting was called until a quorum is present. The quorum for the adjourned meeting shall be reduced to ten percent (10%) of the voting rights entitled to be cast at the meeting, present in person or by proxy.

3.7 **Voting Rights.** Voting rights within the Association shall be allocated as follows:

(a) **Residential Lots.** Each Lot shall be entitled to one vote.

(b) **Classes of Voting Membership.** The Association shall have two classes of voting membership:

**Class A.** Class A members shall be all Owners with the exception of the Declarant and shall be entitled to voting rights for each Lot owned computed in accordance with Section (a) above. When more than one person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more voting rights be cast with respect to any Lot than as set forth in Section (a) above.

**Class B.** The Class B member shall be Declarant and shall be entitled to three times the voting rights computed under Section (a) for each Lot owned by Declarant. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(i) When one hundred percent (100%) of all the Lots in Michelbook Meadows have been sold and conveyed to Owners other than a successor Declarant or a builder for development: or

(ii) At such earlier time as Declarant may elect in writing to terminate Class B membership.

3.8 **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 in such capacity, whether or not the same shall have been transferred to his or her name; provided that such person shall satisfy the Secretary that he or she is the executor, administrator, guardian or trustee, holding such Lot in such capacity. Whenever a Lot is owned by two or more persons jointly, according to the records of the Association, the vote or proxy 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 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, unless a valid court order establishes the authority of a co-Owner to vote.
3.9 **Tenants 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 Owner. Unless otherwise stated in the contract, all voting rights allocated to a Lot shall be exercised by the vendee of any recorded land sale contract on the Lot.

3.10 **Absentee Ballots and Proxies.** A vote may be cast in person, by absentee ballot 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, at any time prior to or at the start of the meeting. An Owner may not revoke a proxy given pursuant to this Section except by actual notice of revocation to the person presiding over a meeting or to the Board of Directors if a vote is being conducted by written ballot in lieu of a meeting. A proxy shall not be valid if it is undated or purports to be revocable without notice. A proxy shall terminate one year after its date unless the proxy specifies a shorter term. Every proxy shall automatically cease upon sale of the Lot by its Owner. An Owner may pledge or assign such Owner’s 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 under these Bylaws 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.

3.11 **Majority Vote.** The vote of a majority of the voting rights entitled to be cast by the members present or represented by absentee ballot or proxy, at a meeting at which a quorum is present, shall be necessary for the adoption of any matter voted upon by the members, unless a greater proportion is required by law, by the Declaration, by the Articles of Incorporation, or by these Bylaws.

3.12 **Rules of Order.** Unless other rules of order are adopted by resolution of the Association or the Board of Directors, all meetings of the Association shall be conducted according to the latest edition of Robert’s Rules of Order, published by Robert’s Rules Association.

3.13 **Ballot Meetings.**

(a) At the discretion of the Board of Directors, any action that may be taken at any annual, regular or special meeting of the Association may be taken without a meeting if the Association delivers a written ballot to every member who is entitled to vote on the matter; provided, however, that a ballot meeting may not substitute for the Turnover Meeting or, if a majority of the Lots are the principal residences of the occupants, for the annual meetings of the Association. The written ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action.

(b) The Board of Directors shall provide Owners with at least ten (10) days’ notice 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 of Directors 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 marking and returning the ballot. The notice shall state the general subject matter of the vote, the right of the Owners to request secrecy procedures, the date after which ballots may be distributed, the date and time by which any petition must be...
received by the Board requesting secrecy procedures and the address where any petition must be received. Notwithstanding the applicable provisions of paragraph (c) of this section, written ballots that are returned in secrecy envelopes may not be examined or counted before the deadline for returning ballots has passed.

(c) If approval of a proposed action would otherwise require a meeting at which a certain quorum must be present and at which a certain percentage of total votes cast is required to authorize the action, the proposal will be deemed to be approved when the date for return of ballots has passed, a quorum of Lot Owners has voted, and the required percentage of approving votes has been received. Otherwise, the proposal shall be deemed to be rejected. If approval of a proposed action otherwise would require a meeting at which a specified percentage of Lot Owners must authorize the action, the proposal shall be deemed to be approved when the percentage of total votes cast in favor of the proposal equals or exceeds such required percentage. The proposal shall be deemed to be rejected when the number of votes cast in opposition renders approval impossible or when both the date for return of ballots has passed and such required percentage has not been met. Except as otherwise provided in paragraph (b) of this section, votes may be counted from time to time before the final return date to determine whether the proposal has passed or failed by the votes already cast on the date they are entered.

(d) All solicitations for votes by written ballot shall state the number of responses needed to meet any applicable quorum requirement and the total percentage of votes needed for approval. All such solicitations for votes shall specify the period during which the Association will accept written ballots for counting, which period shall end on the earliest of (i) the date on which the Association has received a sufficient number of approving ballots to pass the proposal, (ii) the date on which the Association has received a sufficient number of disapproving ballots to render the proposal impossible of passage, or (iii) a date certain by which all ballots must be returned to be counted. A written ballot may not be revoked.

ARTICLE 4.
BOARD OF DIRECTORS & MEETINGS

4.1 Number and Qualification. The affairs of the Association shall be governed by a Board of Directors of three (3) persons. All directors, other than interim directors appointed by Declarant, shall be Owners or co-Owners of Lots. For purposes of this section, the officers of any corporate Owner, the members of any limited liability company and the partners of any partnership shall be considered co-Owners of any Lots owned by such corporation or partnership.

4.2 Interim Directors. Upon the recording of the Declaration, Declarant shall appoint an interim board of one (1) to three (3) directors, who shall serve until replaced by Declarant or until their successors have been replaced by the Owners as provided below.

4.3 Transitional Advisory Committee. Unless the Turnover Meeting has already been held, Declarant shall call a meeting of the Owners for the purpose of forming a Transitional Advisory Committee. The meeting shall be called within sixty (60) days after the date Declarant conveys fifty percent (50%) or more of the Lots then existing in Michelbook Meadows to Owners other than a successor Declarant. The committee shall consist of two
(2) or more Owners elected by the Owners other than Declarant and not more than one (1) representative of Declarant. The members shall serve until the Turnover Meeting. The Transitional Advisory Committee shall be advisory only, and its purpose shall be to enable ease of transition from administrative control of the Association by Declarant to control by the Owners. The committee shall have access to any information, documents and records that Declarant must turn over to the Owners at the time of the Turnover Meeting. If Declarant fails to call the meeting to elect a Transitional Advisory Committee within the time specified, the meeting may be called and notice given by any Owner. If the Owners fail to elect a Transitional Advisory Committee at the meeting called for such purpose, Declarant shall have no further obligation to form the committee.

4.4 Election and Tenure of Office.

(a) At the Turnover Meeting, the interim directors shall resign and the members shall elect three (3) directors, two (2) to serve for two (2) years and one (1) to serve for one (1) year. The two nominees receiving the greatest number of votes shall serve for two (2) years. In the event of a tie, term selection shall be by random means. Thereafter the successors to each director shall serve for terms of two (2) years each.

(b) Upon a majority vote of the voting rights entitled to be cast by the members present or represented by absentee ballot or proxy at a meeting or ballot meeting at which a quorum is present, the Board of Directors may be increased from three (3) directors to five (5) directors. At the next annual meeting or a special meeting called for such purpose, two (2) additional directors shall be elected, one (1) to serve for a two-year term and one (1) to serve for a one-year term. Term selection shall be in the same manner as provided in paragraph (a) above.

(c) All directors shall hold office until their respective successors shall have been elected by the members. Election shall be by plurality.

4.5 Vacancies.

(a) A vacancy in the Board of Directors shall exist upon the death, resignation or removal of any director, or if the authorized number of directors is increased, or if the members fail at any annual or special meeting of members at which any director or directors are to be elected to elect the full authorized number of directors to be voted for at that meeting. Vacancies in interim directors shall be filled by Declarant.

(b) Vacancies in the Board of Directors, other than interim directors, maybe filled by a majority of the remaining directors even though less than a quorum, or by a sole remaining director. Each director so elected shall hold office for the balance of the unexpired term and until his or her successor is elected.

4.6 Removal of Directors. All or any number of the directors, other than interim directors, may be removed, with or without cause, at any meeting of members at which a quorum is present, by a vote of a majority of the number of votes entitled to be cast at an election of directors. No removal of a director shall be effective unless the matter of removal was an item on the agenda and stated in the notice of the meeting as provided in these Bylaws.
4.7 **Powers.** The Board of Directors shall have all the powers and duties necessary for the administration of the affairs of the Association, except such powers and duties as by law, or by the Declaration, or by these Bylaws may not be delegated to the Board of Directors by the Owners. The Board of Directors may delegate responsibilities to committees or a managing agent, but shall retain ultimate control and supervision. The powers and duties to be exercised by the Board of Directors shall include any provisions in the Declaration, the Oregon Planned Community Act, the Oregon Non-Profit Corporation Act, and the following:

(a) Carry out the program for maintenance, upkeep, repair, and replacement of any property required to be maintained by the Association as described in the Declaration and these Bylaws.

(b) Determine the amounts required for operation, maintenance and other affairs of the Association, and the making of such expenditures.

(c) Prepare a budget for the Association, and assessment and collection of the Assessments.

(d) Employ and dismiss such personnel as may be necessary for such maintenance, upkeep and repair.

(e) Employ legal, accounting or other personnel for reasonable compensation to perform such services as may be required for the proper administration of the Association; provided, however, the Board may not incur or commit the Association to incur legal fees in excess of $5,000 for any specific litigation or claim matter unless the Owners have enacted a resolution authorizing the incurring of such fees by a vote of seventy-five percent (75%) of the voting rights present in person or by absentee ballot or proxy at a meeting at which a quorum is constituted. This limitation shall not be applicable to legal fees incurred in defending the Association or the Board of Directors from claims or litigation brought against them. The limitation set forth in this paragraph shall increase by $500 on each fifth anniversary of the recording of the Declaration. To the extent required by the Oregon Planned Community Act, the Board shall notify the Owners before instituting litigation or administrative proceedings. With regard to any pending litigation involving the Association, the Board shall periodically report to the Lot Owners as to the status (including settlement offers), progress, and method of funding such litigation. Nothing in this paragraph shall be construed as requiring the Board to disclose any privileged communication between the Association and its counsel.

(f) Open bank accounts on behalf of the Association and designating the signatories required.

(g) Prepare and file, or cause to be prepared and filed, any required income tax returns or forms for the Association.

(h) Purchase Lots at foreclosure or other judicial sales in the name of the Association or its designee.

(i) Sell, lease, mortgage, vote the votes appurtenant to (other than for the election of directors), or otherwise deal with Lots acquired by the Association or its designee.
insurance or bonds pursuant to the provisions of these Bylaws, and review such insurance
coverage at least annually.

(k) Make additions and improvements to, or alterations of, the Common Areas, or modify,
close, remove, eliminate or discontinue use of any common facility, including any
improvement or landscaping, except that any such modification, closure, removal, elimination
or discontinuance (other than on a temporary basis) of any swimming pool, spa or
recreational or community building must be approved by a majority vote of the members at
a meeting or by written ballot held or conducted in accordance with these Bylaws. (1) From
time to time adopt, modify, or revoke such rules and regulations governing the details for
the operation of the Association, the conduct of persons and the operation and use of the Lots
and Common Areas as the Board of Directors may deem necessary or appropriate to ensure
the peaceful and orderly use and enjoyment of the Property. Such action may be overruled
or modified by vote of not less than seventy-five percent (75%) of the voting rights of each
class of members present, in person or by proxy, at any meeting, the notice of which shall
have stated that such modification or revocation of rules and regulations will be under
consideration.

(m) Enforce by legal means the provisions of the Declaration, these Bylaws, Oregon statutes,
and any rules and regulations adopted hereunder.

(n) In the name of the Association, maintain a current mailing address of the Association, file
annual reports with the Oregon Secretary of State, and maintain and keep current the
information required to enable the Association to comply with ORS 94.670(7).

(o) Enter into management agreements with professional management firms and delegate
such business and record keeping functions as may be appropriate to said
management firm.

4.8 Meetings.

(a) Meetings of the Board of Directors shall be held at such place as may be designated from
time to time by the Board of Directors or other persons calling the meeting.

(b) Annual meetings of the Board of Directors shall be held within thirty (30) days following
the adjournment of the annual meetings of the members.

(c) Special meetings of the Board of Directors for any purpose or purposes may be called at
any time by the President or by any two directors.

(d) Unless other rules of order are adopted by resolution of the Association or the Board of
Directors, all meetings of the Board of Directors shall be conducted according to the latest

4.9 Open Meetings.

(a) All meetings of the Board of Directors shall be open to Owners except that, in the
discretion of the Board, the following matters may be considered in executive session: (i)
consultation with legal counsel concerning the rights and duties of the Association regarding existing or potential litigation, or criminal matters; (ii) personnel matters, including salary negotiations and employee discipline; (iii) negotiation of contracts with third parties; and (iv) collection of unpaid assessments. Except in the case of an emergency, the Board of Directors shall vote in an open meeting whether to meet in executive session. If the Board of Directors votes to meet in executive session, the presiding officer 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 the executive session shall be included in the minutes of the meeting, and any contract or action considered in executive session shall not become effective unless the Board, following the executive session, reconvenes in open meeting and votes on the contract or action, which shall be reasonably identified in the open meeting and included in the minutes.

(b) Meetings of the Board of Directors may be conducted by telephonic communication or by other means of communication that allows all members of the Board participating to hear each other simultaneously or otherwise to be able to communicate during the meeting, except that if a majority of the Lots are principal residences of the occupants, then: (i) 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 (ii) only emergency meetings of the Board of Directors may be conducted by telephonic communication or such other means. The meeting and notice requirements of this Section may not be circumvented by chance or social meetings or by any other means.

4.10 Notice of Meetings.

(a) For other than emergency meetings, notice of Board of Directors meetings 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 Lot Owners of such meetings. Notice to Directors shall be considered sufficient if actually received at the required time, or if mailed, e-mailed or faxed not less than three (3) days before the meeting. Such notice shall be directed to the address shown on the Association's records, or to the director's actual address ascertained by the person giving the notice. Such notice need not be given for an adjourned meeting if such time and place is fixed at the meeting adjourned.

(b) Attendance of a director at a meeting shall constitute a waiver of notice of such meeting except when a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

4.11 Quorum and Vote.

(a) A majority of the directors shall constitute a quorum for the transaction of business. A minority of the directors, in the absence of a quorum, may adjourn from time to time, but may not transact any business.

(b) The action of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors unless a greater number is required by law, the Declaration, the Articles of Incorporation or these Bylaws.
(c) A director must be present at a meeting of the Board of Directors to cast a vote. No proxy votes by directors for Board actions are permissible.

4.12 Liability. Neither a member of the Board of Directors nor an officer of the Association shall be liable to the Association, any Owner or any third party for any damage, loss or prejudice suffered or claimed on account of any action or failure to act in the performance of his or her duties so long as the individual acted in good faith, believed that the conduct was in the best interests of the Association, or at least was not opposed to its best interests, and in the case of criminal proceedings, had no reason to believe the conduct was unlawful. In the event any member of the Board of Directors or any officer of the Association is made a party to any proceeding because the individual is or was a director or officer of the Association, the Association shall defend such individual against such claims and indemnify such individual against liability and expenses incurred to the maximum extent permitted by law. The managing agent of the Association, and its officers and employees, shall not be liable to the Association, the Owners or any third party on account of any action or failure to act in the performance of its duties as managing agent, except for acts of gross negligence or intentional acts, and the Association shall indemnify the managing agent and its officers and employees from any such claims, other than for gross negligence or intentional misconduct.

4.13 Compensation. No director shall receive any compensation from the Association for acting as such.

4.14 Executive, Covenants and Other Committees. Subject to law, the provisions of the Declaration and these Bylaws, the Board of Directors, may appoint an Executive Committee, a Covenants Committee to be responsible for covenant enforcement as provided in Section 4.15 and such other standing or temporary committees as may be necessary from time to time consisting of Owners and at least one member of the Board of Directors and having such powers as the Board of Directors may designate. Such committees shall hold office at the pleasure of the Board.

4.15 Enforcement Procedures. The Association shall have the power, as provided in the Declaration, to impose sanctions for any violation of the Declaration, these Bylaws or the Rules and Regulations. To the extent specifically required by the Declaration, the Board of Directors shall comply with the following procedures prior to the imposition of sanctions:

(a) Notice. The Board of Directors or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a statement that the alleged violator shall have fourteen (14) days to present a written request for a hearing before the Board of Directors or a covenants committee appointed by the Board of Directors, if any; and (iv) a statement that the proposed sanction may be imposed as contained in the notice unless a hearing is requested within fourteen (14) days of the notice.

(b) Response. The alleged violator shall respond to the notice of the alleged violation in writing within such fourteen (14) day period, regardless of whether the alleged violator is challenging the imposition of the proposed sanction. If the alleged violator cures the alleged violation and notifies the Board of Directors in writing within such fourteen (14) day period the
Board of Directors may, but shall not be obligated to, waive the sanction. Such waiver shall not constitute a waiver of the right to sanction future violations of the same or other provisions by any person. If a timely request for a hearing is not made, the sanction stated in the notice shall be imposed; provided, however, that the Board of Directors or covenants committee may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the fourteen (14) day period. Any response or request for a hearing shall be delivered to the Association's manager, President or Secretary, or as otherwise specified in the notice of violation.

(c) **Proof of Notice.** Prior to the effectiveness of sanctions imposed pursuant to this section, proof of proper notice shall be placed in the minutes of the Board of Directors or covenants committee, as applicable. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative requests and appears at the hearing.

(d) **Hearing.** If a hearing is requested within the allotted fourteen (14) day period, the hearing shall be held before the Board of Directors or the covenants committee, as applicable. The alleged violator shall be afforded a reasonable opportunity to be heard. The minutes of the meeting shall contain a written statement of the results of the hearing (i.e., the decision) and the sanction, if any, to be imposed.

(e) **Appeal.** Following a hearing before the covenants committee, if applicable, the violator shall have the right to appeal the decision to the Board of Directors. To exercise this right, the violator must deliver a written notice of appeal to the Association's manager, President or Secretary within ten (10) days after the hearing date.

(f) **Enforcement Policies.** The Board of Directors, by resolution, may adopt additional policies and procedures governing enforcement of the Declaration, these Bylaws or the Rules and Regulations.

**ARTICLE 5. OFFICERS**

5.1 **Designation and Qualification.** The officers of the Association shall be the President, the Secretary, and the Treasurer, as the Board of Directors shall from time to time appoint. Each officer shall be a member of the Board of Directors. The offices of Treasurer and Secretary may be held by the same person.

5.2 **Election and Vacancies.** The officers of the Association shall be elected annually by the Board of Directors at the organization meeting of each new Board to serve for one (1) year and until their respective successors are elected. If any office shall become vacant by reason of death, resignation, removal, disqualification or any other cause, the Board of Directors shall elect a successor to fill the unexpired term at any meeting of the Board of Directors.

5.3 **Removal and Resignation.**

(a) Any officer may be removed upon the affirmative vote of a majority of the directors
whenever, in their judgment, the best interests of the Association will be served thereby. The removal of an officer shall be without prejudice to the contract rights, if any, of the officer so removed.

(b) Any officer may resign at any time by giving written notice to the Board of Directors, the President or the Secretary of the Association. Any such resignation shall take effect upon receipt of such notice or at any later time specified therein. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective, provided, however, that the Board of Directors may reject any postdated resignation by notice in writing to the resigning officer. The effectiveness of such resignation shall not prejudice the contract rights, if any, of the Association against the officer so resigning.

5.4 **President.** The President shall be the chief executive officer of the Association and shall, subject to the control of the Board of Directors, have powers of general supervision, direction and control of the business and affairs of the Association. He or she shall preside at all meetings of the members and of the Board of Directors. He or she shall be an ex officio member of all the standing committees, including the executive committee, if any, shall have the general powers and duties of management usually vested in the office of president of a nonprofit corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

5.5 **Secretary.**

(a) The Secretary shall keep or cause to be kept a book of minutes of all meetings of directors and members showing the time and place of the meeting, whether it was regular or special, and if special, how authorized, the notice given, the names of those present at directors' meetings, the number of memberships present or represented at members' meetings and the proceedings thereof.

(b) The Secretary shall give or cause to be given such notice of the meetings of the members and of the Board of Directors as is required by these Bylaws or by law. The Secretary shall keep the seal of the Association, if any, and affix it to all documents requiring a seal, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

(c) In the absence or disability of the President, the President's duties and powers shall be performed and exercised by the Secretary.

5.6 **Treasurer.** The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts and disbursements. The books of accounts shall at all reasonable times be open to inspection by any director. The Treasurer shall deposit or cause to be deposited all moneys and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board. The Treasurer shall disburse or cause to be disbursed the funds of the Association as may be ordered by the Board, shall render to the President and directors, whenever they request it, an account of all of the Treasurer's transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties
as may be prescribed by the Board or these Bylaws.

5.7 Compensation of Officers. No officer who is a member of the Board of Directors shall receive any compensation from the Association for acting as an officer, unless such compensation is authorized by a resolution duly adopted by the members. The Board of Directors may fix any compensation to be paid to other officers.

ARTICLE 6.
ASSESSMENTS, RECORDS AND REPORTS

6.1 Assessments. As provided in the Declaration, the Association, through its Board of Directors, shall do the following:

(a) Assess and collect from every Owner Assessments in the manner described in the Declaration.

(b) Keep all funds received by the Association as Assessments, other than reserves described in the Declaration, in the Operations Fund and keep all reserves collected pursuant to the Declaration in the Reserve Fund and use such funds only for the purposes described in the Declaration.

(c) From time to time, and at least annually, prepare a budget for the Association, estimating the common expenses expected to be incurred with adequate allowance for reserves based upon the reserve study required by the Declaration, and determine whether the Annual Assessment should be increased or decreased. Within thirty (30) days after adopting a proposed annual budget, the Board of Directors shall provide a summary of the budget to all Owners. If the Board of Directors fails to adopt a budget, the last adopted annual budget shall continue in effect.

(d) Fix the amount of the Annual Assessment against each Lot at least thirty (30) days in advance of each Annual Assessment period. Written notice of any Assessment shall be sent to every Owner subject thereto and to any first mortgagee requesting such notice. The due dates shall be established by the Board of Directors, which may fix a regular flat Assessment payable on a monthly, quarterly, semiannual or annual basis. The Board of Directors shall cause to be prepared a roster of the Lots showing Assessments applicable to each Lot. The roster shall be kept in the Association office and shall be subject to inspection by any Owner or mortgagee during regular business hours. Within ten (10) business days after receiving a written request, and for a reasonable charge, the Association shall furnish to any Owner or mortgagee a recordable certificate setting forth the unpaid Assessments against such Owner's Lot. Such certificate shall be binding upon the Association, the Board of Directors, and every Owner as to the amounts of unpaid Assessments.

(e) Enforce the Assessments in the manner provided in the Declaration.

(f) Keep records of the receipts and expenditures affecting the Operations Fund and Reserve Fund and make the same available for examination by members and their mortgagees at convenient hours, maintain an Assessment roll showing the amount of each Assessment against each Owner, the amounts paid upon the account and the balance due on the
Assessments, give each member written notice of each Assessment at least 30 days before the time when such Assessments shall become due and payable; and for a reasonable charge, promptly provide any Owner or mortgagee who makes a request in writing with a written certificate of such Owner's unpaid Assessments.

6.2 **Records.** The Association shall keep within the State of Oregon correct and complete financial records sufficiently detailed for proper accounting purposes, keep minutes of the proceedings of its members, Board of Directors and committees having any of the authority of the Board of Directors, and retain all documents, information and records turned over to the Association by Declarant. All documents, information and records delivered to the Association by Declarant pursuant to ORS 94.616 and other records of the Association shall be kept within the State of Oregon for the time periods specified in ORS 94.670.

6.3 **Statement of Assessments Due.** The Association shall provide, within ten (10) business days after receipt of a written request from an Owner or mortgagee, a written statement that provides: (a) the amount of assessments due from the Owner and unpaid at the time the request was received, including regular and special assessments, fines and other charges, accrued interest, and late-payment charges; (b) the percentage rate at which interest accrues on assessments that are not paid when due; and (c) the percentage rate used to calculate the charges for late payment or the amount of a fixed-rate charge for late payment. The Association is not required to comply with this section 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.

6.4 **Inspection of Books and Records.** Except as otherwise provided in ORS 94.670(5), during normal business hours or under other reasonable circumstances, the Association shall make reasonably available for examination and, upon written request, available for duplication, by Owners, lenders, and holders of any mortgage of a Lot that make the request in good faith for a proper purpose, current copies of the Declaration, Articles, Bylaws, Rules and Regulations, amendments or supplements to such documents and the books, records, financial statements and current operating budget of the Association. The Association shall maintain a copy, suitable for purposes of duplication, of each of the following: (a) the Declaration, these Bylaws, the Rules and Regulations and any amendments or supplements to them, (b) the most recent financial statement of the Association, and (c) the current operating budget of the Association. The Association, within ten (10) business days after receipt of a written request by an Owner, shall furnish copies of such documents to the requesting Owner. Upon written request, the Association shall make such documents, information and records available to such persons for duplication during reasonable hours. The Board of Directors, by resolution, may adopt reasonable rules governing the frequency, time, location, notice and manner of examination and duplication of Association records and the imposition of a reasonable fee for furnishing copies of such documents, information or records. The fee may include reasonable personnel costs for furnishing the documents, information or records.

6.5 **Payment of Vouchers.** The Treasurer or managing agent shall pay all vouchers for all budgeted items and for any non-budgeted items, up to $1,000 signed by the President, managing agent, manager or other person authorized by the Board of Directors. Any
voucher for non-budgeted items in excess of $1,000 shall require the authorization of the President or a resolution of the Board of Directors.

6.6 **Execution of Documents.** The Board of Directors may, except as otherwise provided in the Declaration, Articles of Incorporation, or these Bylaws, authorize any officer or agent to enter into any contract or execute any instrument in the name of and on behalf of the Association. Such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors, no officer, agent, or employee shall have any power or authority to bind the Association by any contract or engagement, to pledge its credit, or to render it liable for any purpose or for any amount.

6.7 **Reports and Audits.** An annual financial statement consisting of a balance sheet and an income and expense statement for the preceding year shall be rendered by the Board of Directors to all Owners and to all mortgagees who have requested the same within ninety (90) days after the end of each fiscal year. Commencing with the fiscal year following the Turnover Meeting, if the Annual Assessments exceed $75,000 for the year, then the Board of Directors shall cause such financial statements to be reviewed within 180 days after the end of the fiscal year by an independent certified public accountant licensed in Oregon in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants, or if the Annual Assessments are $75,000 or less, shall cause such review within 180 days after receipt of a petition requesting such review signed by at least a majority of owners. The Board of Directors need not cause such a review to be performed if so directed by an affirmative vote of at least sixty percent (60%) of the Owners, not including votes of Declarant with respect to Lots owned by Declarant. 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 members. At any time any Owner or holder of a mortgage may, at their own expense, cause an audit or inspection to be made of the books and records of the Association.

**ARTICLE 7. INSURANCE**

7.1 **Types of Insurance.** For the benefit of the Association and the Owners, the Board of Directors shall obtain and maintain at all times, and shall pay for out of the Operations Fund, the following insurance:

**(a) Property Damage Insurance.** (i) The Association shall maintain a policy or policies of insurance covering loss or damage from fire, with standard extended coverage and "all risk" endorsements, and such other coverage as the Association may deem desirable. (ii) The amount of the coverage shall be for not less than one hundred percent (100%) of the current replacement cost of the improvements on the Common Areas and Commonly Maintained Property (exclusive of land, foundation, excavation and other items normally excluded from coverage), subject to a reasonable deductible. (iii) The policy or policies shall include all fixtures and building service equipment to the extent that they are part of the Common Areas and all personal property and supplies belonging to the Association.

**(b) Liability Insurance.** (i) The Association shall maintain comprehensive general liability
insurance coverage insuring the Declarant, the Association, the Board of Directors, and the managing agent, against liability to the public or to Owners and their invitees or tenants, incident to the operation, maintenance, ownership or use of the Common Areas, including legal liability arising out of lawsuits related to employment contracts of the Association. There may be excluded from such policy or policies coverage of an Owner (other than as a member of the Association or Board of Directors) for liability arising out of acts or omissions 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. (ii) Limits of liability under such insurance shall not be less than One Million Dollars ($1,000,000) on a combined single-limit basis, (iii) Such policy or policies shall be issued on a comprehensive liability basis and shall provide a 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.

(c) **Workers' Compensation Insurance.** The Association shall maintain workers' compensation insurance to the extent necessary to comply with any applicable laws.

(d) **Fidelity Insurance.** (i) The Board of Directors may cause the Association to maintain blanket fidelity insurance for all officers, directors, trustees and employees of the Association and all other persons handling or responsible for funds of, or administered by, the Association. In the event that the Association has retained a management agent, the Board of Directors may require such agent to maintain fidelity bonds for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Association. The cost of such insurance, if any, shall be borne by the Association. (ii) The total amount of fidelity insurance coverage required shall be based upon the best business judgment of the Board of Directors. (iii) Such fidelity insurance shall name the Association as obligee and shall contain waivers by the insurance issuers of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees" or similar terms or expressions. The insurance shall provide that they may not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least ten (10) days' prior written notice to the Association.

7.2 **Insurance by Lot Owners.** Each Owner shall be responsible for obtaining, at his or her own expense, homeowner's insurance covering the improvements on the Owner's Lot and liability resulting from use or ownership of the Lot, unless the Association agrees otherwise. The insurance coverage maintained by the Association shall not be brought into contribution with the insurance obtained under this section by the Owners.

7.3 **Planned Community Act Requirements.** The insurance maintained by the Association shall comply with the requirements of the Oregon Planned Community Act, ORS 94.550 to 94.780.

**ARTICLE 8.**
**GENERAL PROVISIONS**

8.1 **Seal.** The Board of Directors may, by resolution, adopt a corporate seal.

8.2 **Notice.** All notices to the Association or to 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 members shall be sent to the member's Home or to such other address as may have been designated by the member from time to time in writing to the Board of Directors.

8.3 **Waiver of Notice.** Whenever any notice to any member or director is required by law, the Declaration, the Articles of Incorporation, or these Bylaws, a waiver of notice in writing signed at any time by the person entitled to notice shall be equivalent to the giving of the notice.

8.4 **Action Without Meeting.** Any action that the law, the Declaration, the Articles of Incorporation or the Bylaws require or permit the members or directors to take at any meeting may be taken without a meeting or ballot meeting if a consent in writing setting forth the action so taken is signed by all of the members or directors entitled to vote on the matter. The consent, which shall have the same effect as a unanimous vote of the members or directors, shall be filed in the records of minutes of the Association.

8.5 **Conflicts.** These Bylaws are intended to comply with the Oregon Planned Community Act, the Oregon Nonprofit Corporation Law, the Declaration and the Articles of Incorporation. In case of any irreconcilable conflict, such statutes and documents shall control over these Bylaws.

**ARTICLE 9. AMENDMENTS TO BYLAWS**

9.1 **How Proposed.** Amendments to these Bylaws shall be proposed by either a majority of the Board of Directors or by members holding at least thirty percent (30%) of the voting rights entitled to be cast for such amendment. 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 or be attached to any request for consent to the amendment.

9.2 **Adoption.**

(a) A resolution adopting a proposed amendment may be proposed by either the Board of Directors or by the members and may be approved by the membership at a meeting called for such purpose, by a ballot meeting pursuant to Section 3.13, or by written consent of the members. Members not present at the meeting considering such amendment may express their approval in writing or by proxy. Any resolution must be approved by members holding a majority (at least 50%) of the voting rights, together with the written consent of the Class B member, if any. Amendment or repeal of any provision of these Bylaws that is also contained in the Declaration must be approved by the same voting requirement for amendment of such provision of the Declaration.

(b) Notwithstanding the provisions of the preceding paragraph, until the Turnover Meeting has occurred, Declarant shall have the right to amend these Bylaws in order to comply with the requirements of the Federal Housing Administration, the United States Department of Veterans Affairs, the Farmers Home Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Mortgage Loan Corporation, any department, bureau, board, commission or agency of the United States or the State of Oregon, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon that insures, guarantees or provides financing for a planned community or lots in a planned community. After the Turnover Meeting, any
such amendment shall require the approval of a majority of the voting rights of the Association, voting in person, by proxy, or by ballot, at a meeting or ballot meeting of the Association at which a quorum is represented.

9.3 **Relationship to Declaration.** If a provision required to be in the declaration under ORS 94.580 is included in these bylaws, the voting requirements for amending the declaration shall also govern the amendment of the provision in the bylaws.

9.4 **Execution and Recording.** An amendment shall not be effective until certified by the President and Secretary of the Association as being adopted in accordance with these Bylaws and ORS 94.625, acknowledged and recorded in the Deed Records of Yamhill County, Oregon.

Michelbook Meadows Homeowners' Association, Inc.,
An Oregon Nonprofit Corporation

By: [Signature]
Alan A. Ruden, Its President

STATE OF OREGON, )
 ) ss.
County of Yamhill. )


This instrument was acknowledged before me on September 28, 2006, by Alan A. Ruden, as President of the Michelbook Meadows Homeowners' Association, Inc., and he acknowledged to me that he executed the same freely and voluntarily.

Before me:

[Signature]
Notary Public for Oregon
My Commission Expires: 1-5-09