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**DECLARATION OF CONDOMINIUM OWNERSHIP FOR  
919 BOND CONDOMINIUMS**

**Dated: March 18, 2008**

**Declarant: Taylor Pickhardt Development, LLC,  
an Oregon limited liability company**

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## Table of Contents

	<u>Page</u>
1. Definitions and Interpretation. ....	1
1.1 Definitions.....	1
1.2 Liberal Construction.....	3
1.3 Mortgagee Approval.....	3
1.4 No Fiduciary Standard.....	3
1.5 Original Owner of Units.....	3
1.6 Captions and Exhibits. ....	3
1.7 Miscellaneous.....	3
2. Property Submitted.....	4
3. Name. ....	4
4. Units. ....	4
4.1 General Description of Building. ....	4
4.2 General Description, Location, and Designation of Units. ....	4
4.3 Boundaries of Units.....	4
4.4 Unit Areas. ....	5
5. Interest in Common Elements; Designation of General Common Elements. ....	5
6. Limited Common Elements. ....	6
7. Allocation of Common Profits and Expenses; Enforcement of Assessments.....	7
7.1 Method of Allocation. ....	7
7.2 Commencement of Assessments.....	7
7.3 No Exemption or Offset. ....	7
7.4 Default in Payment of Common Expenses.....	7
7.5 Foreclosure of Liens for Unpaid Common Expenses. ....	8
7.6 First Mortgages; Liability of Subsequent Owner. ....	8
7.7 Additional Remedies For Delinquent Assessments. ....	8
8. Voting Rights. ....	9
9. Use.....	9
10. Service of Process. ....	9
11. Authority Regarding Easements and Other Property Rights.....	9
12. Restrictions on Alienation.....	10
13. Rights of Access and Use; Reservations by Declarant; Special Declarant Rights.....	10

13.1	In General.....	10
13.2	Water Intrusion and Mold Inspection.....	10
13.3	Additional Rights Created by Association.....	11
13.4	Right of Entry and Access.....	11
13.5	Special Declarant Rights.....	11
14.	Partition; Division.....	13
14.1	Partition.....	13
14.2	Creating Additional Units from the Commercial Units.....	13
15.	Encroachments.....	14
16.	Notices to Mortgagees.....	14
17.	Operating Entity.....	14
18.	Managing Agent.....	15
19.	Taxation of Units.....	15
20.	Administrative Control.....	15
21.	Casualty.....	16
21.1	Responsibility of Association.....	16
21.2	Responsibility of Owner.....	16
22.	Condemnation.....	17
22.1	Total Condemnation.....	17
22.2	Partial Condemnation.....	17
23.	Fidelity Bond.....	17
24.	Amendment.....	17
24.1	Approval by Owners.....	17
24.2	Approval by Mortgagees.....	18
24.3	Approval by Governmental Authorities.....	19
24.4	Recordation.....	19
25.	Termination.....	20
26.	Dispute Resolution.....	20
26.1	Required Procedure.....	20
26.2	Negotiated Resolution.....	20
26.3	Mediation.....	21
26.4	Small Claims.....	21
26.5	Arbitration.....	21
26.6	Claims Procedure.....	21

26.7	Limitations on Actions.....	22
26.8	Confidentiality.....	22
26.9	No Attorneys' Fees.....	22
27.	Waiver; Time Limitation.....	22
27.1	RELEASE AND WAIVER OF ALL OTHER PAST, PRESENT, AND FUTURE CLAIMS REGARDING CONDITION OF PROPERTY.....	22
27.2	TIME LIMITATION ON ACTIONS.....	23
28.	Miscellaneous.....	24
28.1	No Impairment.....	24
28.2	No Partition.....	24
28.3	No Waiver of Strict Performance.....	24
28.4	Liability for Utility Failure, Etc.....	24
28.5	Rule Against Perpetuities.....	24
28.6	Transfer of Declarant's Powers.....	24
28.7	Sound Transmission Disclosure.....	24
28.8	Severability.....	25

#### Exhibits to Declaration

Exhibit A	-	Property Description
Exhibit B-1	-	Unit Areas and Allocation of Ownership Interests in Common Elements
Exhibit B-2	-	Allocation of Common Profits and Expenses
Exhibit C	-	Bylaws of 919 Bond Condominiums Owners' Association



**DECLARATION OF CONDOMINIUM OWNERSHIP FOR  
919 BOND CONDOMINIUMS  
MADE PURSUANT TO THE OREGON CONDOMINIUM ACT**

This Declaration, to be effective upon its recording in the official records of Deschutes County, Oregon, pursuant to the provisions of the Oregon Condominium Act, is made and executed this 18<sup>th</sup> day of March, 2008, by Taylor Pickhardt Development, LLC, an Oregon limited liability company ("Declarant").

Declarant proposes to create a condominium located in the City of Bend, Deschutes County, Oregon, to be known as 919 Bond Condominiums, composed of 11 Primary Units, 10 Parking Units and 4 Storage Units located in one newly constructed building with associated landscaping. The purpose of this Declaration is to submit the Property (as defined below) to the condominium form of ownership and use in the manner provided by the Oregon Condominium Act.

1.     Definitions and Interpretation.

1.1     Definitions. As used in this Declaration, the Bylaws, the Articles, the Rules and Regulations, and any exhibits hereto and thereto, unless the context shall otherwise require, the following definitions shall be applied:

1.1.1   Act shall mean the Oregon Condominium Act, currently ORS 100.005 to 100.990, as amended from time to time.

1.1.2   Articles shall mean the Articles of Incorporation of the Association filed with the Corporation Division of the Oregon Secretary of State, as amended from time to time.

1.1.3   Association shall mean 919 Bond Condominiums Owners' Association, a nonprofit mutual benefit corporation, formed for the purpose of administration, management and operation of the Condominium.

1.1.4   Association Property shall mean any real property or interest in real property acquired, held or possessed by the Association pursuant to ORS 100.405.

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

1.1.6   Bylaws shall mean the Bylaws of the Association, as amended from time to time.

1.1.7   Common Elements shall mean all portions of the Condominium exclusive of the Units.

1.1.8 Condominium shall mean the Property that is hereby submitted to condominium ownership and all improvements thereon or to be located thereon and all easements and rights appurtenant thereto.

1.1.9 Declaration shall mean this Declaration of Condominium Ownership for 919 Bond Condominiums and any amendments hereto.

1.1.10 General Common Elements shall mean those Common Elements designated as General Common Elements in Section 5 below.

1.1.11 Legal Requirements shall mean any and all laws, orders, rules, and regulations of any governmental entity.

1.1.12 Limited Common Elements shall mean those Common Elements designated as Limited Common Elements in Section 6 below.

1.1.13 Mortgage shall include a mortgage, a deed of trust and a contract for the sale of real estate.

1.1.14 Mortgagee shall include a mortgagee under a mortgage, a beneficiary under a deed of trust and a vendor under a land sale contract.

1.1.15 Owner shall mean the owner or owners of a Primary Unit and, in addition to a Primary Unit, any Parking Unit or Storage Unit, but shall not include a Mortgagee unless in possession of a Primary Unit and, in addition to a Primary Unit, any Parking Unit or Storage Unit. A person or entity that does not own a Primary Unit shall not be an Owner.

1.1.16 Parking Units shall mean those parts of the Condominium designated as such in Section 4 below and comprised of the spaces enclosed by each of their respective boundaries as described in Section 4 below; Parking Unit shall mean any one of the Parking Units.

1.1.17 Plans shall mean the plat for the Condominium which is being recorded in the official records of Deschutes County, Oregon, concurrently with this Declaration and any revisions of such plat subsequently recorded.

1.1.18 Primary Units shall mean those parts of the Condominium designated as either a Residential Unit or a Commercial Unit in Section 4 below and comprised of the spaces enclosed by each of their respective boundaries as described in Section 4 below; Primary Unit shall mean any one of the Residential Units or Commercial Units.

1.1.19 Property shall mean the property submitted to the provisions of the Act, as described more particularly in Section 2 below.

1.1.20 Rules and Regulations shall mean those rules and regulations governing the use and enjoyment of the Condominium, as adopted by the Board from time to time pursuant to the Bylaws.

1.1.21 Storage Units shall mean those parts of the Condominium designated as such in Section 4 below and comprised of the spaces enclosed by each of their respective boundaries as described in Section 4 below; Storage Unit shall mean any one of the Storage Units.

1.1.22 Turnover Meeting shall mean the meeting at which Declarant relinquishes control of the administration of the Association pursuant to Section 100.210 of the Act.

1.1.23 Units shall mean those parts of the Condominium designated in Section 4 below as Primary Units, Parking Units and Storage Units and comprised of the spaces enclosed by each of their respective boundaries as described in Section 4 below; Unit shall mean any one of the Units.

1.2 Liberal Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of the Condominium under the provisions of Oregon law. The terms used herein are intended to have the same meaning as may be given in the Act to such terms unless the context clearly requires otherwise or definition in this manner would have an unlawful consequence.

1.3 Mortgagee Approval. For purposes of determining the percentage of first Mortgagees approving a proposed decision or course of action in cases where a Mortgagee holds first Mortgages on more than one Primary Unit, such Mortgagee shall be deemed a separate Mortgagee as to each such Primary Unit.

1.4 No Fiduciary Standard. In no event shall Declarant be deemed to be a fiduciary of the Owners or be held to a fiduciary standard with respect to activities hereunder. The foregoing language does not apply to Declarant in Declarant's exercise of powers of the Association, the Board or the Association officers pursuant to Section 20.3 of this Declaration.

1.5 Original Owner of Units. Declarant is the original Owner of all Units and will continue to be deemed the Owner of each Unit until a conveyance or other document changing the ownership of such Unit is filed of record.

1.6 Captions and Exhibits. The captions given herein are for convenience only and are not intended to modify or affect the meaning of any of the substantive provisions hereof. The various exhibits referred to herein and attached hereto shall be deemed incorporated herein by reference as though fully set forth where such reference is made.

1.7 Miscellaneous. All terms and words used in this Declaration, regardless of the number or gender in which they are used, shall be deemed to include any other number and any other gender as the context may require. "And/or" when applied to two or more matters or things shall be construed to apply to any one or more or all thereof, as the circumstances then warrant. "Herein," "hereof," "hereunder," and words of similar import shall be construed to refer to this Declaration as a whole, and not to any particular section, unless expressly stated otherwise.

2. Property Submitted. The Property hereby submitted to the provisions of the Act is the land owned in fee simple by Declarant and described on the attached Exhibit A, together with all easements, rights, and appurtenances belonging thereto and all improvements now existing or hereafter constructed on such land.

3. Name. The name by which the Property is to be identified is "919 Bond Condominiums."

4. Units.

4.1 General Description of Building. The Condominium consists of one newly constructed steel and concrete masonry building with glass panels. The building consists of four (4) stories and has no basement.

4.2 General Description, Location, and Designation of Units. The Condominium consists of a total of 11 Primary Units, 10 Parking Units and 4 Storage Units located on a generally level site as shown on the Plans. The Primary Units are designated for residential or commercial use in accordance with Section 9 below. The Primary Units designated for commercial use are located on the ground floor and 2<sup>nd</sup> floor of the building (the "Commercial Units"). The Commercial Units are designated numerically as Units 101 through 103, inclusive, and Units 201 through 204, inclusive, as shown on the Plans. Units 101 through 103, inclusive, are located on the ground floor of the building. Units 201 through 204, inclusive, are located on the second floor of the building. The Primary Units designated for residential use are located on the third and fourth floors of the building (the "Residential Units"). The Residential Units are designated numerically as Units 301, 302, 401 and 402. Units 301 and 302 are located on the third floor of the building. Units 401 and 402 are located on the fourth floor of the building. The Parking Units are designated numerically as P1 through P10, inclusive, and are located on the ground floor. The Storage Units are designated numerically as S1 through S4, inclusive, and are located on the ground floor. The designation and location of each Unit are shown on the Plans.

4.3 Boundaries of Units.

4.3.1 Primary Units. Each Primary Unit shall be bounded by the interior face of the studs of the perimeter and demising walls, the interior surface of the ceiling, the top surface of the concrete floor slab, the interior surface of all exterior windows and the interior surface of all doors providing ingress and egress to and from the Primary Unit and shall include both the interior surfaces so described and the air space so encompassed, but shall exclude those portions of the walls, floors or ceilings that materially contribute to the structural or shear capacity of the Condominium. In addition, each Primary Unit shall include (a) the outlet of any utility service lines, including but not limited to, water, sewer, electricity, gas, refrigeration, waste disposal and cable television, and of heating, ventilation and air conditioning ducts, but shall not include any part of such lines or ducts themselves; (b) all spaces, nonbearing interior partitions, interior windows, interior doors and all other fixtures and improvements located within the boundaries of the Primary Unit; and (c) the glazing and/or screening of all exterior windows and doors. Primary Units with a fireplace shall also include the fireplace box located

within the boundaries of the Primary Unit as described above, but shall exclude the vertical chase serving the fireplace. Units 101 through 103, inclusive, shall also be bounded by a vertical plane extending up from each line shown on the Plans as separating such Units (or by any wall that may hereafter be constructed substantially along such plane).

4.3.2 Parking Units. Each Parking Unit shall consist of the paved surface of the Parking Unit, a vertical plane extending upwards at a 90° angle from the boundaries of the paved surface of the Parking Unit and a horizontal plane coextensive with the boundaries formed by the uppermost edge of each vertical plane, as shown on the Plans. The height of such horizontal plane may vary in some Parking Units, due to the existence of or reservation of space for the installation of mechanical equipment above such Parking Units. Regardless of the actual location of the painted striping for Parking Units, the boundaries of the Parking Units shall be as set forth herein and on the Plans. Parking Units do not include the floor, ceiling or perimeter walls.

4.3.3 Storage Units. Each Storage Unit shall be bounded by (i) the exterior surfaces of its doorway or face panel, including any fixtures thereon or attached thereto, such as knobs, handles, and hinges and (ii) the interior surfaces of the side and back walls (or side and back panels), floor (or bottom panel), and ceiling (or top panel) of each Storage Unit, and shall include the air space so encompassed.

4.4 Unit Areas. The area in square feet of each Unit is listed on Exhibit B-1 and shown on the Plans.

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#### NOTICE

THE SQUARE FOOTAGE AREAS STATED IN THIS DECLARATION AND THE PLANS ARE BASED ON THE BOUNDARIES OF THE UNITS AS DESCRIBED IN THIS DECLARATION AND MAY VARY FROM THE AREA OF UNITS CALCULATED FOR OTHER PURPOSES.

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5. Interest in Common Elements; Designation of General Common Elements. An undivided percentage ownership interest in the Common Elements shall be appurtenant to each Unit. The undivided percentage ownership interests in the Common Elements shall be allocated in accordance with the allocation set forth on Exhibit B-1. The method used to establish this allocation consists of: (i) an allocation of an 0.01 percent undivided interest to each Parking Unit and each Storage Unit and (ii) an allocation of the remaining undivided interests to the Primary Units in accordance with the ratio by which the area of each Primary Unit bears to the total area of all Primary Units combined, as shown on the Plans. The general location of the Common Elements is shown on the Plans. The General Common Elements shall consist of all parts of the Condominium other than the Units and the Limited Common Elements and include, without limitation, the following:

5.1 All floor slabs, foundations, exterior windows and window frames (except for window glazing and screening), doors providing ingress and egress to and from a Unit (except for door screening), crawl spaces, roofs, columns, beams, girders, supports and bearing walls.

5.2 All interior common stairways, corridors and hallways (except as otherwise specified in Section 6 below), mechanical rooms, electrical rooms, trash and recycling rooms, janitor closets and elevators located within the building and the rooftop deck, as shown on the Plans.

5.3 The restrooms located on the ground floor of the building, as shown on the Plans.

5.4 All pipes, ducts, conduits, wires, and other utility installations, in each case to their respective outlets and all vertical fireplace chases (excluding the fireplace box itself) serving the Primary Units.

5.5 All landscaping and exterior walkways.

5.6 The land included in the Property, together with any rights or appurtenances related thereto.

5.7 All other elements of the Condominium necessary or convenient to its existence, maintenance, or safety, or normally in common use, except as may be expressly designated herein as part of a Unit or a Limited Common Element.

6. Limited Common Elements. The Limited Common Elements shall consist of the following parts of the Condominium:

6.1 The interior common hallway located on the second floor of the building, as shown on the Plans, and providing access to the Commercial Units on the second floor of the building, the use of which is reserved on an equal and exclusive basis for the Owners and occupants of the Commercial Units located on the second floor of the building and their respective employees, customers, agents and licensees.

6.2 The interior common hallway located on the third floor of the building, as shown on the Plans, and providing access to the Residential Units on the third floor of the building, the use of which is reserved on an equal and exclusive basis for the Owners and occupants of the Residential Units located on the third floor of the building and their respective employees, guests and licensees.

6.3 The interior common hallway located on the fourth floor of the building, as shown on the Plans, and providing access to the Residential Units on the fourth floor of the building, the use of which is reserved on an equal and exclusive basis for the Owners and occupants of the Residential Units located on the fourth floor of the building and their respective employees, guests and licensees.

6.4 The outdoor balconies adjacent to certain Primary Units on the second through fourth floors of the building, as shown on the Plans, the use of which is reserved on an exclusive basis for the Owner and occupant of the Primary Unit that each balcony adjoins. The dimensions, designation, and location of the Limited Common Elements are shown on the Plans

7. Allocation of Common Profits and Expenses; Enforcement of Assessments.

7.1 Method of Allocation. The common profits and common expenses of the Condominium shall be allocated to the Owner of each Primary Unit according to the allocation of undivided interests in the Common Elements pertaining to the Owner's Primary Unit without regard to any interest in the Common Elements pertaining to the Owner's Parking Unit(s) or Storage Unit(s) as set forth on Exhibit B-2. Such allocation is determined by calculating the ratio by which the area of each Primary Unit bears to the total area of all Primary Units combined as shown on the Plans. If an Owner uses an unreasonably disproportionate amount of a service included in the common expenses, as determined by the Board in its reasonable discretion, then such Owner shall be required to bear the expense of such service individually (as, for example, by separate metering of utilities) and the common expenses incurred by the other Owners shall thereupon be adjusted accordingly.

7.2 Commencement of Assessments. Assessments for common expenses shall commence upon closing of the first sale of a Primary Unit provided that Declarant may elect to defer the commencement of assessment of common expenses (other than assessments for reserves pursuant to Section 5.2 of the Bylaws) for any period of time until the Turnover Meeting. Assessments for reserves pursuant to Section 5.2 of the Bylaws shall commence upon closing of the first sale of a Primary Unit, subject to the right of Declarant to defer the payment of assessments for reserves pursuant to Section 5.2 of the Bylaws. If Declarant elects to defer the commencement of assessments for common expenses pursuant to this Section 7.2, then Declarant shall give not less than ten (10) days' prior written notice to all Owners of the date on which the common expense assessments shall commence. Until the commencement of assessments for all common expenses, Declarant shall be responsible for payment of all common expenses of the Association (other than assessments for reserves pursuant to Section 5.2 of the Bylaws). Except to the extent provided in the Bylaws, the common expenses of the Condominium shall be assessed on a monthly basis.

7.3 No Exemption or Offset. No Owner may claim exemption from liability for contribution toward the common expenses by waiving the right of use or enjoyment of any of the Common Elements or by abandoning the Owner's Unit. No Owner may claim an offset against assessments for common expenses for failure of the Board or the Association to perform its obligations.

7.4 Default in Payment of Common Expenses. In the event of default by any Owner in paying to the Association the assessed common expenses (including, but not limited to, reserve assessments or any other special assessments) or any other amounts owing to the Association, such Owner shall be obligated to pay interest on the delinquent amount from the due date thereof, together with all expenses, including attorneys' fees, incurred by the Association in any proceeding brought to collect such unpaid amount, or any appeal therefrom. No interest or

late charges will be assessed on common expenses or other charges paid within ten (10) days after the due date therefor. All delinquent assessments and other charges not paid within such ten (10) day period shall bear interest from the original due date until paid at a rate of twelve percent (12%) per annum, but in no event higher than the maximum rate permitted by law. The Board may also establish and impose charges for late payment of assessments, if the charge imposed is based upon a resolution adopted by the Board that is delivered to each Owner by mailing it to the mailing address of each Primary Unit or to an alternative mailing address designated in writing by an Owner. The Board shall have the right and duty to recover on behalf of the Association all common expenses and other amounts due to the Association, together with interest and late charges thereon, if any, and expenses of the proceeding, including attorneys' fees, by an action brought against the delinquent Owner or by foreclosure of the lien which the Association shall have upon the delinquent Owner's Unit(s) with respect to all such obligations.

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

7.6 First Mortgages; Liability of Subsequent Owner. Any lien of the Association against a Unit for assessments and charges shall be subordinate to tax and assessment liens and any first Mortgage of record, unless there has been compliance with all requirements of Section 100.450(7) of the Act. Where the purchaser or Mortgagee of a Unit obtains title to the Unit as a result of foreclosure of a first Mortgage or by deed in lieu of foreclosure, the purchaser or Mortgagee and its successors and assigns shall not be liable for any of the common expenses chargeable to the Unit which became due prior to the acquisition of title to the Unit by the purchaser or Mortgagee except to the extent provided in Section 100.475(2) of the Act; provided, in the case of a deed in lieu of foreclosure, that the Mortgagee complies with the requirements of Section 100.465(1) of the Act; and provided further, that any sale or transfer of a Unit pursuant to a foreclosure shall not relieve the purchaser or transferee of the Unit from liability for, nor the Unit from the lien of, any common expenses thereafter becoming due. In a voluntary conveyance of a Unit (subject to the restrictions of this Declaration), the grantee shall be jointly and severally liable with the grantor for all unpaid assessments against the grantor of the Unit to the time of grant of conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor. However, upon request of a prospective purchaser, the Board shall make and deliver a statement of the unpaid assessments against the prospective grantor of the Unit and the grantee in such case shall not be liable for, nor shall the Unit when conveyed be subject to, a lien filed thereafter for any unpaid assessments against the grantor in excess of the amounts therein set forth.

7.7 Additional Remedies For Delinquent Assessments. If any assessment or other charge is not paid within thirty (30) days of its due date, the Board may take any of the



actions described in this Section 7.7. The Board may terminate the delinquent Owner's right to receive utility services paid for from assessments (if any) and/or the delinquent Owner's right of access to and use of any common recreational or service facilities of the Condominium until all delinquent assessments and other charges are paid in full, provided that the Board gives the Owner written notice and an opportunity to be heard before the Owner's right to receive the utilities or utilize the services is terminated. The Board may also require the delinquent Owner to deposit funds with the Association in an amount not less than one (1) month's estimated assessments and charges and not more than three (3) months' estimated assessments and charges. The deposit shall not be considered an advanced payment of future assessments, but instead shall be used to establish a reserve for delinquent assessments. No interest shall accrue on the deposit. The Board may withdraw funds from the deposit to pay any assessment or other charge that the Owner fails to pay within ten (10) days of its due date. If the Board withdraws funds from the deposit to pay a delinquent assessment or other charge, then the Owner shall be required to restore the deposit to its full amount prior to the withdraw upon ten (10) days' written notice from the Board. Upon sale of the Unit, the Owner who made the deposit shall not be entitled to a refund of any unused portion of the deposit. Instead, the Association shall continue to hold the deposit as security for the payment of future assessments against the Unit.

8. Voting Rights. Subject to the provisions of Section 20 of this Declaration and Section 3.1 of the Bylaws, one vote shall be allocated to each Primary Unit. No voting rights shall be allocated to the Parking Units or the Storage Units.

9. Use. The Commercial Units may be used for commercial purposes only in accordance with the Bylaws. The Residential Units are intended for residential use, as described in Section 7.2 of the Bylaws. The use of the Parking Units shall be limited to the parking of vehicles owned or operated by the Owner of the Parking Unit, or the tenants, guests, invitees or employees of such Owner (but in no event shall the general public be allowed to use the Parking Units). The Storage Units shall be limited to storing personal property associated with a Commercial Unit or Residential Unit and owned by the Owner of the Storage Unit, or the tenants, guests, invitees or employees of such Owner (but in no event shall the general public be allowed to use the Storage Units).

10. Service of Process. The designated agent to receive service of process in cases described in Section 100.550(1) of the Act is named in the Condominium Information Report which will be filed with the Real Estate Agency in accordance with Section 100.250(1)(a) of the Act.

11. Authority Regarding Easements and Other Property Rights. The Association has the authority, pursuant to Section 100.405(5) and (6) of the Act, to execute, acknowledge, deliver, and record on behalf of the Owners leases, easements, rights of way, licenses, and other similar interests affecting the Common Elements and to consent to vacation of roadways within and adjacent to the Condominium. The granting of any interest pursuant to this Section 11 shall first be approved by the Owners holding at least seventy-five percent (75%) of the total voting power of the Association, unless otherwise allowed to be approved by the Board under Section 100.405(6)(a)(B) of the Act. Owner approval under this Section 11 may be solicited by any means the Board determines reasonable and need not be at a meeting of the Association.

12. Restrictions on Alienation. No person or entity may own or lease or shall be entitled to acquire or lease a Parking Unit or a Storage Unit unless such person or entity owns or leases or shall simultaneously acquire or leases a Primary Unit. Any conveyance, transfer, lease or other disposition ("Transfer") of a Parking Unit or a Storage Unit to a person or entity who does not own or lease or who will not simultaneously acquire or lease a Primary Unit is prohibited. In the case of a Transfer or attempted Transfer of a Parking Unit or a Storage Unit in violation of this Section 12, in addition to the Association's other rights under this Section 12, the person or entity making or attempting such Transfer shall indemnify and hold harmless the Association and its members from all cost, liability, and damage that the Association or its members may incur (including, without limitation, attorneys' fees and expenses) as a result of such Transfer or attempted Transfer. In the event a person or entity engages or attempts to engage in a Transfer of a Parking Unit or a Storage Unit in violation of this Section 12, the Board, acting on behalf of the Association, may, in its sole discretion, fine the offending person or entity in such amounts as it may determine to be appropriate, in addition to any other rights or remedies available to the Association under this Declaration, the Bylaws or applicable law or in equity including, without limitation, the remedies of specific performance and injunction. The foregoing restrictions on the Transfer of Parking Units and Storage Units shall not apply to Declarant or any successor declarant designated in writing by Declarant. An Owner intending to sell a Unit or Units shall deliver a written notice to the Board, at least two weeks before closing, specifying: (i) the Unit(s) to be sold; (ii) the name and address of the purchaser, of the closing agent, and of the title insurance company insuring the purchaser's interest; and (iii) the estimated closing date. The Board shall have the right to notify the purchaser, the title insurance company, and the closing agent of the amount of unpaid assessments and charges outstanding against the Unit(s), whether or not such information is requested. It is understood, however, that the failure to provide a notice of sale as provided herein shall not invalidate a sale, transfer, or other conveyance of a Unit which is otherwise valid under applicable law. Except as otherwise provided in this Section 12 and for certain restrictions on leasing set forth in the Bylaws, this Declaration and the Bylaws impose no restrictions on the alienation of any Unit.

13. Rights of Access and Use; Reservations by Declarant; Special Declarant Rights.

13.1 In General. Each Owner shall have a perpetual right of reasonable access and use to, through, over, and of each other Unit and the Common Elements as may be required for ingress and egress to and from such Owner's Unit or Units; for the support of such Owner's Unit or Units; and for the installation, operation, repair, maintenance, and replacement of utilities and other systems serving such Owner's Units, including, but not limited to, water, natural gas, air conditioning, cable television, electrical power and wiring, light, or plumbing serving a Primary Unit. An Owner shall use the foregoing rights only as necessary and shall exercise all due care in the exercise of such rights and shall be responsible for and indemnify, defend and hold harmless the other Owners from any harm or damage resulting from the exercise of the Owner's rights under this Section 13.1. The specific reference to or reservation of any rights of access and use in this Declaration does not limit or negate the general easement for Common Elements created by the Act.

13.2 Water Intrusion and Mold Inspection. The Board, acting on behalf of the Association, may authorize entry into any Owner's Unit(s) or Limited Common Elements to

conduct a periodic inspection of the Owner's Unit(s) for water intrusion into the Unit and/or the appearance of mold or mildew within the Unit. Such inspection shall be made by an agent of the Association appointed by the Board and shall occur at such time as is reasonably convenient to the Owner (or Owner's tenant) and the inspector. The right of entry and inspection provided in this Section 13.2 shall not obligate the Association or the Board to make an inspection, and the decision on whether to inspect the Units and the frequency of the inspections, if any, shall be solely within the discretion of the Board. Nothing contained within this Section 13.2 is intended to modify the maintenance and repair obligations of any party as provided in the Bylaws and this Declaration.

13.3 Additional Rights Created by Association. The Association, upon prior approval of Owners holding at least seventy-five percent (75%) of the total voting power of the Association, may create on behalf of the Owners additional rights of access and use with respect to the General Common Elements. No such right may be granted with respect to a Limited Common Element unless the Owners and Mortgagees of the Units having the right to use such Limited Common Elements consent to the creation of such a right. Nothing in this Section 13.3 shall be construed to enable the Association to revoke, alter, modify, or terminate any easements, rights of way, licenses, or similar interests of record on the date this Declaration is recorded.

13.4 Right of Entry and Access. In addition to the rights granted to Declarant and the Association elsewhere in this Declaration, the Bylaws, or by the Act, the Board, acting on behalf of the Association, Declarant, or a managing agent, manager, or any other person authorized by the Board or Declarant, shall have the right to enter and have access to any Owner's Unit(s) or Limited Common Element(s) in the case of any emergency originating in or threatening the Unit(s), Limited Common Element(s) or any other Units or Condominium property and requiring repairs to protect public safety, whether or not the Owner is present at the time. Each Owner shall also permit such persons to enter the Owner's Unit(s) or Limited Common Element(s) for the purpose of performing installations, alterations, maintenance, cleaning, or repairs to any Common Element, preventing damage to the Common Elements or another Unit, or inspecting the Unit(s) or Limited Common Element(s) to verify that the Owner is complying with the restrictions and requirements described in this Declaration, the Bylaws, and/or the Rules and Regulations, *provided* that, except in the case of emergencies, requests for entry are made in advance and that such entry is at a time reasonably convenient to the Owner.

13.5 Special Declarant Rights. As more particularly provided in this Section 13.6, Declarant, for itself and any successor Declarant, has reserved the following special Declarant rights:

13.5.1 Completion of Improvements. Declarant and its agents, employees, and contractors shall have the right to complete improvements and otherwise perform work that is: (i) authorized by this Declaration; (ii) indicated on the Plans; (iii) authorized by building permits; (iv) provided for under any unit sales agreement between Declarant and a purchaser of a Unit; (v) necessary to satisfy any express or implied warranty obligation of Declarant; or (vi) otherwise authorized or required by any Legal Requirement.

13.5.2 Sales Facilities of Declarant. Declarant and its agents, employees, and contractors shall be permitted to maintain during the period of sale of the Condominium upon such portion of the Property as Declarant may choose, such facilities as in the sole opinion of Declarant may be required, convenient, or incidental to the construction or sale of Units and appurtenant interests, including but not limited to, a business office, storage area, signs, model units, sales office, construction office, and parking areas for all prospective purchasers of Declarant. The provisions of this Section are subject to the provisions of other Legal Requirements. The number, size, location, and relocation of such facilities shall be determined from time to time by Declarant in the exercise of its sole discretion; *provided*, that the maintenance and use of such facilities shall not unreasonably interfere with an Owner's use and enjoyment of the Unit and those portions of the Common Elements reasonably necessary to use and enjoy such Unit.

13.5.3 Right of Access and Use. Declarant and Declarant's agents, successors, and assigns shall have a right of access and use to, through, over, and of the Common Elements and Units for the purpose of completing improvements, performing maintenance work and repairs and conducting inspections that are: (i) authorized by this Declaration, the Bylaws, or the Plans or otherwise necessary to carry out Declarant's obligations under this Declaration, the Bylaws or the Act; (ii) authorized by any building permits; (iii) provided for under any contracts of sale with purchasers of Units; (v) necessary to satisfy any express or implied warranty or other obligation of Declarant; (vi) necessary to examine for alleged defects or to verify that appropriate maintenance is being performed; or (vii) otherwise authorized or required by law; *provided*, that Declarant shall restore the portions of the Condominium which it accesses or uses pursuant to this Section 13.5.3 to substantially the same condition that existed prior to such access or use (except to the extent Declarant has constructed improvements contemplated by this Section 13.5.3). The right of entry and inspection provided in this Section 13.5.3 shall not in any way obligate Declarant or Declarant's agents, successors and assigns to make any inspections, and the decision on whether to inspect Units and the frequency of such inspections, if any, shall be solely within the discretion of Declarant or its successors and assigns.

13.5.4 Declarant's Easements. Declarant has a non-exclusive easement to, through, and over the Common Elements and Units as may be reasonably necessary for the purpose of discharging Declarant's obligations or exercising special Declarant rights, whether arising under the Act or reserved in this Declaration.

13.5.5 Right to Approve Amendments. Declarant shall have the right to approve amendments proposed by the Owners to this Declaration, the Bylaws, the Plans, and the Rules and Regulations for so long as Declarant owns a Unit or for ten (10) years from the date of the Turnover Meeting, whichever is latest.

13.5.6 Right to Documents. Upon reasonable advance notice to the Board, Declarant shall have the perpetual right to review all inspection and maintenance records of the Association, including, without limitation, changes to the maintenance plan prepared by or on behalf of Declarant. In addition, upon request from Declarant, the Board shall provide Declarant at Declarant's cost copies of all maintenance records, inspection reports, proposed plans for alterations and copies of all warranty claims. As provided in Section 7.6 of the Bylaws,

the Board shall provide Declarant with copies of submissions for alteration requests, advance notice of the Board's inspections of such alterations, and an opportunity for Declarant, its contractors or agents to accompany the Board's professional advisors on any such inspection.

13.5.7 Termination of Declarant Rights. Except as otherwise provided in this Declaration, the special Declarant rights set forth in this Section 13.5 shall continue for so long as (i) Declarant is completing improvements which are within or may be added to this Condominium; (ii) Declarant owns a Unit; or (iii) for a period of 10 years after the date of the Turnover Meeting, whichever is latest; *provided*, that Declarant may voluntarily terminate any or all of such rights at any time by recording an amendment to this Declaration, which amendment specifies which right is thereby terminated.

14. Partition; Division.

14.1 Partition. The Commercial Units may be partitioned into individual discrete premises at any time by the Owner thereof without the consent of the Owners of other Units or of the Board, by the erection of demising walls and partitions or other walls, as determined by the Owner or Owners of the affected Commercial Units, in such Owner's or Owners' sole discretion. The Owners of the Commercial Units may change and reconfigure such partitioning at any time in such Owners' sole discretion, subject only to the rights of tenants of a portion of the Commercial Units. The partition or other reconfiguration of a Commercial Unit pursuant to this Section 14.1 shall not result in the creation of additional Commercial Units or the elimination of Commercial Units and there shall be no reallocation of ownership interests in the Common Elements, use of the Limited Common Elements, voting rights, common expense liability or the right to common profits following any such partition or other reconfiguration.

14.2 Creating Additional Units from the Commercial Units. Pursuant to, and in accordance with the processes set forth in, Section 100.625 of the Act, the Owner of each Commercial Unit may divide and create each Commercial Unit as two or more Commercial Units. The maximum number of Commercial Units into which each Commercial Unit may be divided is three (3). Any Commercial Units so created shall be used for commercial purposes, as required prior to such creation. In the event of such division and creation, the interest in the Common Elements reserved for the divided Commercial Unit as of the date of this Declaration shall be reallocated by taking the total interest in the Common Elements reserved for the divided Commercial Unit and allocating it among the newly created Commercial Units on the basis of the ratio of the square footage of each newly created Commercial Unit bears to the square footage of all newly created Commercial Units, such that there shall be no reallocation of any Unit's interest in the Common Elements other than the newly created Commercial Units. The Limited Common Elements serving the divided Commercial Unit, if any, shall continue to serve the newly created Commercial Units and shall be used for the same purposes. The common profits and expenses of the Condominium assigned to the divided Commercial Unit shall be allocated among all of the newly created Commercial Units on the basis of the ratio by which the square footage of each newly created Commercial Unit bears to the square footage of all newly created Commercial Units, such that there shall be no reallocation of the profits or expenses for any Primary Units other than the newly created Commercial Units. Voting rights shall be allocated by dividing the number of votes allocated to the original Commercial Unit by the number of newly

created Commercial Units. For purposes of this Section 14.3, the square footage of the newly created Commercial Units shall be measured to the centerpoint of the newly established boundary walls between newly created Commercial Units, such that the total square footage of all newly created Commercial Units equals the total square footage of the former Commercial Unit.

15. Encroachments.

15.1 Each Unit and all Common Elements shall have an easement over all adjoining Units and Common Elements for the purpose of accommodating any present or future encroachment as a result of engineering errors, construction, reconstruction, repairs, settlement, shifting, or other movement of any portion of the Property, or any other similar cause, and any encroachment due to building overhang or projection, including but not limited to any encroachment from the building's HVAC equipment, pipes or utility installations extending down from the ceiling above a Parking Unit installed by Declarant or approved by the Association, provided that any such installation shall not adversely affect the use of the Parking Unit for the parking of motor vehicles that fit in the Parking Unit prior to such installation. There shall be a valid easement for the maintenance of the encroaching Units and Common Elements so long as the encroachment shall exist and, except as otherwise provided in Section 15.2, the rights and obligations of Owners shall not be altered in any way by the encroachment.

15.2 The easement described in Section 15.1 does not relieve an Owner of liability in case of willful misconduct of an Owner or relieve the Declarant or any contractor, subcontractor, or materialman of liability for failure to adhere to the Plans.

15.3 The encroachments described in Section 15.1 shall not be construed to be encumbrances affecting the marketability of title to any Unit.

16. Notices to Mortgagees. The Association shall provide timely written notice of the following matters to any Mortgagee of a Unit, or any insurer or guarantor of a Mortgage on a Unit:

16.1 Any condemnation or casualty loss that affects either a material portion of the Condominium or a Unit in which it holds an interest;

16.2 Any delinquency of sixty (60) days in the payment of common expenses assessed to a Unit in which it holds an interest;

16.3 A lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association; and

16.4 Any proposed action that requires the consent of a specified percentage of Mortgagees under this Declaration or the Bylaws.

17. Operating Entity. 919 Bond Condominiums Owners' Association, an Oregon nonprofit corporation, has been organized to administer the operation and management of the

Condominium and to undertake and perform all acts and duties incident thereto in accordance with the terms of the Articles and the Bylaws. A copy of the Bylaws, which have been adopted by Declarant as required by Section 100.410(1) of the Act, is attached hereto as Exhibit C. The Owner of each Primary Unit shall automatically become a member of the Association upon such Owner's acquisition of an ownership interest in any Primary Unit and the membership of an Owner shall terminate automatically upon such Owner's being divested of all of such Owner's ownership interest in the Primary Unit, regardless of the means by which such ownership interest is divested. Each Owner shall be entitled to vote in the manner prescribed in the Articles and the Bylaws. Until the Turnover Meeting, the members of the Board need not be Owners. No person or entity holding any Mortgage, lien, or other encumbrance on any Primary Unit shall be entitled, by virtue of such Mortgage, lien, or other encumbrance, to membership in the Association or to any of the rights or privileges of such membership, except as specifically described in this Declaration. In the administration of the operation and management of the Condominium, the Association shall have and is hereby granted the authority and power to enforce the provisions of this Declaration, to levy and collect assessments, and to adopt, promulgate, and enforce Rules and Regulations in the manner provided herein and in the Bylaws. Acquisition of an ownership interest in a Primary Unit by an Owner shall constitute appointment of the Association as that Owner's attorney-in-fact in connection with proceedings, negotiations, settlements, and agreements arising from condemnation, destruction, liquidation, or termination of the Condominium, subject to the rights of the Owners described elsewhere in this Declaration or in the Bylaws.

18. Managing Agent. Subject to the rights of the Association to terminate such agreement without penalty or cause upon not less than thirty (30) days' written notice given no later than sixty (60) days after the Turnover Meeting, the Board shall have the authority, on behalf of the Association, to enter into a management agreement with respect to the Condominium prior to the Turnover Meeting for a term not to exceed three (3) years. On behalf of the Association, the Board may, after the Turnover Meeting, employ or contract for a managing agent or manager in accordance with the Bylaws at a compensation to be established by the Board. The Board may delegate to the managing agent or manager such duties and powers as the Board may authorize. In the absence of such appointment, the Board shall act as manager of the Condominium.

19. Taxation of Units. Each Unit, together with the undivided percentage interest in the Common Elements allocated to such Unit, shall be considered a parcel of real property subject to separate assessment and taxation by any taxing authority in a manner comparable to the taxation of other parcels of real property. The Common Elements shall not be considered a separate parcel for purposes of taxation.

20. Administrative Control. Except as otherwise provided in this Declaration or in the Bylaws, Declarant reserves control until the earlier to occur of: (i) the date that is three (3) years after the date on which the first Primary Unit is conveyed to an Owner other than Declarant or a successor declarant or (ii) the date at which seventy-five percent (75%) of all 11 Primary Units have been conveyed to Owners other than Declarant or a successor declarant, during which time:

20.1 Declarant may appoint and remove officers of the Association and members of the Board;

20.2 Declarant shall have five (5) votes for each Primary Unit owned by Declarant, notwithstanding the provisions of Section 8; and

20.3 Declarant shall have the right to exercise all powers of the Association, the Board, and the Association officers under this Declaration, the Bylaws, and the Act, except that Declarant may not bind the Association to any management agreement, service contract, employment contract, lease of recreational areas or facilities, or contract or lease (other than a ground lease) to which Declarant is a party, which is made prior to the Turnover Meeting unless the Association or the Board is granted therein a right of termination thereof which is exercisable without cause or penalty upon giving not less than thirty (30) days' written notice to the other party thereto no later than sixty (60) days after the Turnover Meeting.

21. Casualty.

21.1 Responsibility of Association. The Association shall be responsible for repairing, reconstructing, or rebuilding all damage or destruction of the Common Elements and Parking Units by casualty and, to the extent of the Association's insurance coverage, all such damage or destruction to the other Units. Each Owner shall be responsible for the repairing, reconstructing, or rebuilding of his or her Primary Unit and Storage Unit to the extent not covered by the Association's insurance. The Association shall rebuild and restore the damaged or destroyed portions of the Common Elements, Parking Units, and, to the extent of the Association's insurance coverage, of the other Units, so that the Property is rebuilt and restored to substantially the same condition in which it existed prior to such damage or destruction, unless Owners of at least sixty percent (60%) of the Primary Units and fifty-one percent (51%) of all first Mortgagees of Primary Units agree that the Property shall not be rebuilt or restored. The Association shall represent the Owners in any proceeding, negotiation, settlement, or agreement relating to the payment of proceeds under any insurance policies held by the Association. Any such proceeds shall be payable to the Association to the extent of its interest therein. If the Property is to be rebuilt and restored and the proceeds of the insurance policies held by the Association are insufficient to fund the full cost of rebuilding and restoration, the difference between the amount of such proceeds and such cost may be charged to all Owners as a common expense. If the required number of Owners and first Mortgagees agree that the Property shall not be rebuilt and restored, the Property shall be considered removed from the provisions of the Act in accordance with Section 100.605 thereof, and any proceeds resulting from such removal shall be distributed in accordance with Section 100.615 of the Act.

21.2 Responsibility of Owner. If, due to the act or neglect of an Owner, or of a member of his or her family or his or her household pet or of a guest, servant, invitee, or other authorized occupant or visitor of such Owner, damage shall be caused to the Common Elements or to a Unit owned by others, or maintenance, repairs, or replacements shall be required which would otherwise be a common expense, then such Owner shall pay for such damage and such maintenance, repairs, and replacements as may be determined by the Association, to the extent not covered by the Association's insurance.



22. Condemnation.

22.1 Total Condemnation. In the event of condemnation of the whole of the Condominium, the compensation to be paid to Owners of Units shall be negotiated and finalized, including, if required, by representation in any proceeding, by the Association, subject to ratification of such compensation by the Owners of at least seventy-five percent (75%) of the Primary Units at a special meeting called for that purpose, whether or not proceedings are necessary, and compensation, less expenses involved, if any, in obtaining the compensation shall be paid to the Association and then distributed among the Owners of Units in equitable proportions and payable to any Mortgagee to the extent required to obtain a discharge of Mortgage. Notwithstanding the award for the condemnation of the whole Condominium, the rights of each Owner of a Unit shall be separate to negotiate and finalize his or her personal compensation for improvements made to the Unit or Units, cost of moving, and other similar items personal to each Owner.

22.2 Partial Condemnation. In the event of a partial condemnation of the Condominium which includes some Units and/or Limited Common Elements, each Owner whose Unit or Units or associated Limited Common Elements are condemned shall deal with the condemning authority with regard to compensation therefor, and the compensation for such Unit or Units or Limited Common Elements shall be paid to such Owner (or the Mortgagee of that Owner's Unit). The Association shall negotiate compensation relating to any General Common Elements. The cost, if any, of restoring the balance of the Condominium so that it may be used shall be determined by the Association and the Association shall negotiate with the condemning authority with regard to compensation for this expenditure and shall, unless the Condominium is terminated within thirty (30) days after the receipt of such compensation in accordance with the Act, reconstruct the Condominium, using the funds received for such reconstruction. Any moneys received by the Association for any such reconstruction shall be held in trust by the Association for the purpose of such reconstruction.

23. Fidelity Bond. The Board shall require that any person or entity, including, but not limited to, employees of any professional manager, who handles or is responsible for Association funds, whether or not such person or entity receives compensation for services, shall furnish a fidelity bond as the Board deems adequate under this Section 23. Such bonds shall name the Association as the obligee and shall cover the maximum funds that may be in the custody of the Association or any manager at any time while such bonds are in force but, in any event, not less than the sum of three months of common expense assessments on all Units. Any such bond shall include a provision requiring not less than ten (10) days' written notice to the Association and any Mortgagee of a Unit requesting a copy thereof before cancellation or substantial modification of the bond for any reason. The premiums on such bonds shall be paid by the Association.

24. Amendment.

24.1 Approval by Owners. Amendments to the Declaration shall be proposed by either a majority of the Board or by Owners holding thirty percent (30%) or more of the total voting power of the Association. 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 attached to any request for consent to the amendment. Except as otherwise provided in this Declaration or by the Act, this Declaration may be amended if such amendment is approved by Owners holding at least seventy-five percent (75%) of the total voting power of the Association and the consent of Declarant or its successors for a period of ten (10) years following the Turnover Meeting. Any amendment to the provisions of this Declaration that relates solely to, or that imposes additional burdens upon or takes away rights particular only to, the Residential Units or the Commercial Units shall require seventy-five percent (75%) of the total voting power of the Residential Unit Owners, if the Residential Units are so affected, and seventy-five percent (75%) of the total voting power of the Commercial Unit Owners, if the Commercial Units are so affected. The unanimous consent of all Owners of Primary Units shall be required for amendments of Sections 13.2, 13.3, 13.4 and 16 of this Declaration. Section 9 of this Declaration may not be amended in a manner that limits or restricts the use for retail or office purposes of the Commercial Units, shown on the Plans, without the written consent of the Owner of the affected Commercial Unit. Except as otherwise provided in the Act, no amendment may change the allocation of undivided interest in the Common Elements, method for determining liability for common expenses, the method of determining the right to common profits, or the method of determining the voting rights of or with respect to any Unit unless such amendment has been approved by the Owners of the affected Units. Voting on any amendment to this Declaration shall be without regard to Declarant's enhanced voting power under Section 20.2, except for an amendment to approve a plat amendment, or to correct any provision of or exhibit to this Declaration, whether such correction is required due to a surveyor's error, factual error, miscalculation, omission or to otherwise comply with the Act. Additionally, Declarant may amend this Declaration without the approval of any other Owner at any time prior to the Turnover Meeting in order to comply with the requirements of any applicable statute, ordinance, regulation or guideline of the Federal Housing Administration, the United States Department of Veterans Affairs, Rural Development or the Farm Service Agency of the United States Department of Agriculture, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage 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 condominium or units in a condominium. Notwithstanding any of the foregoing, this Declaration shall not be modified, added to, amended, or repealed so as to eliminate, change, or impair any rights, privileges, easements, licenses, or exemptions granted herein to Declarant or its designee, or otherwise so as adversely to affect Declarant or such designee, without Declarant's or such designee's prior written consent in each instance.

24.2 Approval by Mortgagees. Amendment of any of the following provisions of this Declaration shall require the prior written approval of at least fifty-one percent (51%) of those holders of first Mortgages on Primary Units (based upon one vote for each first Mortgage held):

- 24.2.1 Section 4.3, which addresses Unit boundaries;
- 24.2.2 Section 5, which addresses the allocation of interests in the Common Elements and the description of the General Common Elements;
- 24.2.3 Section 6, which addresses the Limited Common Elements;
- 24.2.4 Section 7, which addresses the allocation of common profits and expenses and related matters;
- 24.2.5 Section 8, which addresses voting rights;
- 24.2.6 Section 12, which addresses restrictions on alienation of Units;
- 24.2.7 Sections 13.1, 13.2, 13.3 and 13.4, which address use of and access to the Common Elements;
- 24.2.8 Section 16, which addresses notices to Mortgagees;
- 24.2.9 Section 21, which addresses casualty loss;
- 24.2.10 Section 22, which addresses condemnation;
- 24.2.11 Section 23, which addresses fidelity bonds;
- 24.2.12 This Section 24;
- 24.2.13 Section 25, which addresses termination of the Condominium; and
- 24.2.14 Any other provision of this Declaration which expressly benefits Mortgagees of a Unit or insurers or guarantors of a Mortgage on a Unit.

In addition, except as otherwise provided in the Act, no amendment to this Declaration may change the allocation of undivided interest in the Common Elements, method for determining liability for common expenses, right to common profits, or voting rights of or with respect to any Unit unless such amendment has been approved by the holders of any first Mortgages on the affected Units. Any approval of a Mortgagee required under this Section 24 may be presumed by the Association if such Mortgagee fails to submit a response to a written proposal for an amendment to this Declaration within sixty (60) days after it receives notice of such proposal by certified or registered mail, return receipt requested.

24.3 Approval by Governmental Authorities. The Association shall use reasonable efforts to obtain the approval of an amendment to this Declaration by a governmental authority engaged in the guaranty of, or the issuance of insurance with respect to, Mortgages, if required by such authority.

24.4 Recordation. Amendments to this Declaration shall be effective upon recordation of the Declaration as amended, or of the amendment thereto, certified by the

chairman and secretary of the Association as being adopted in accordance with this Declaration and the provisions of the Act and approved by the county assessor and the Oregon Real Estate Commissioner, if required by law, in the official records of Deschutes County, Oregon.

25. Termination. Termination of the Condominium shall be effected in accordance with Section 100.600 and any other applicable provision of the Act, but in no event shall be consummated without the prior written consent of at least fifty-one percent (51%) of those holders of first Mortgages on Primary Units (based upon one vote for each first Mortgage held). Any approval of a Mortgagee required under this Section 25 may be presumed by the Association if such Mortgagee fails to submit a response to a written proposal for an amendment to this Declaration within sixty (60) days after it receives notice of such proposal by certified or registered mail, return receipt requested. The common profits and expenses of the Property following termination of the Condominium shall be allocated in accordance with the Act.

26. Dispute Resolution.

26.1 Required Procedure. Except as provided in this Section 26 below, to the fullest extent allowed by law, all claims, controversies, or disputes, whether they are statutory, contractual, tort claims, and/or counterclaims between or among Declarant, Declarant's successors and assigns, the Association, and/or Owner(s) (collectively, the "Parties" and individually, a "Party") which arise out of or are related to the Condominium, the Act, this Declaration, the Bylaws, the Articles, or the Rules and Regulations, or which relate to the interpretation or breach of the Act, this Declaration or the Bylaws, the Articles, or the Rules and Regulations (collectively referred to as "Claims") shall be resolved in accordance with the procedures specified herein. Except as otherwise required by the Act, the following matters are excluded from this dispute resolution clause and do not constitute Claims: (i) judicial or non-judicial foreclosure or any other action or proceeding to enforce assessments, fines, interest or a trust deed, mortgage, Association lien, or land sale contract; (ii) a forcible entry and detainer action; or (iii) actions by the Association pursuant to Section 5.6 of the Bylaws prior to summary abatement and removal of a structure or other condition that violates this Declaration, the Bylaws or any Rules and Regulations; (iv) actions for the appointment of a receiver pursuant to Section 5.9 of the Bylaws; (v) provisional remedies such as injunctions or the filing of a lis pendens, or (vi) the filing or enforcement of a mechanic's lien. The filing of a notice of pending action (lis pendens) or the application to any court having jurisdiction thereof for the issuance of any provisional process remedy described in Rules 79 through 85 of the Oregon Rules of Civil Procedure (or corresponding federal statutory remedies), including a restraining order, attachment, or appointment of receiver, shall not constitute a waiver of the right to mediate or arbitrate under this Section, nor shall it constitute a breach of the duty to mediate or arbitrate. The proceeds resulting from the exercise of any such remedy shall be held by the Party obtaining such proceeds for disposition as may be determined by an agreement of the Parties pursuant to a mediation or by the arbitration award.

26.2 Negotiated Resolution. The Parties will seek a fair and prompt negotiated resolution of Claims and shall meet at least once to discuss and to seek to resolve such claims, but if this is not successful, all disputes shall be resolved in small claims court, by mediation or by binding arbitration as set forth in Sections 26.3, 26.4 and 26.5 below, as applicable.

26.3 Mediation. Prior to mediation of any Claim, the Parties shall have endeavored to resolve disputes through the process set forth in Section 26.2 above. All Claims that are not resolved by such process shall be subject to mediation as a condition precedent to arbitration. The request for mediation may be made concurrently with the filing of a demand for arbitration as set forth in Section 26.5 below, but, in such event, mediation shall proceed in advance of arbitration, which shall be stayed pending mediation for a period of sixty (60) days from the date of filing, unless stayed for a longer period by agreement of the Parties. All mediation shall be in accordance with the rules of procedure of any dispute resolution program available in Deschutes County, Oregon that is in substantial compliance with the standards and guidelines adopted under ORS 36.175, as it may be amended.

26.4 Small Claims. All Claims that have not been resolved by mediation and which are within the jurisdiction of the Small Claims Department of the Circuit Court of the State of Oregon shall be brought and determined there, and all Parties waive their right to a jury trial with respect to such claims.

26.5 Arbitration. Prior to arbitration of any Claim, the Parties shall have endeavored to resolve disputes through the processes set forth in Section 26.2, 26.3 and 26.4 above, as applicable. All Claims that have not been resolved by such processes shall be resolved by binding arbitration. Such arbitration shall be conducted by and pursuant to the then effective arbitration rules of the American Arbitration Association, or another reputable arbitration service selected by Declarant. If Declarant is not a Party to such dispute, the arbitration service shall be selected by the Association. Any judgment upon the award rendered pursuant to such arbitration may be entered in any court having jurisdiction thereof.

26.6 Claims Procedure. An Owner or the Association may not commence arbitration against Declarant or any contractor, subcontractor or supplier for construction defects unless the Owner or Association, as applicable, has given written notice of the claim and permitted them to view, inspect and respond to the claimed defect, as required by law.

OREGON LAW CONTAINS IMPORTANT REQUIREMENTS  
YOU MUST FOLLOW BEFORE YOU MAY COMMENCE  
ARBITRATION OR A COURT ACTION AGAINST ANY  
CONTRACTOR, SUBCONTRACTOR OR SUPPLIER FOR  
CONSTRUCTION DEFECTS. BEFORE YOU COMMENCE  
ARBITRATION OR A COURT ACTION YOU MUST DELIVER  
A WRITTEN NOTICE OF ANY CONDITIONS YOU ALLEGE  
ARE DEFECTIVE TO THE CONTRACTOR,  
SUBCONTRACTOR OR SUPPLIER YOU BELIEVE IS  
RESPONSIBLE FOR THE ALLEGED DEFECT AND PROVIDE  
THE CONTRACTOR, SUBCONTRACTOR OR SUPPLIER THE  
OPPORTUNITY TO MAKE AN OFFER TO REPAIR OR PAY  
FOR THE DEFECTS. YOU ARE NOT OBLIGATED TO  
ACCEPT ANY OFFER MADE BY THE CONTRACTOR,  
SUBCONTRACTOR OR SUPPLIER. THERE ARE STRICT  
DEADLINES AND PROCEDURES UNDER STATE LAW.

FAILURE TO MEET THOSE DEADLINES OR FOLLOW  
THOSE PROCEDURES WILL AFFECT YOUR ABILITY TO  
COMMENCE ARBITRATION OR A COURT ACTION.

26.7 Limitations on Actions. Notwithstanding any other provision of this Declaration or the Bylaws, the Association shall not expend or commit to expend in excess of \$2,500 for attorneys' fees and costs unless first approved by at least seventy-five percent (75%) of the outstanding voting power of the Association. The foregoing limitation shall not apply to: (i) actions for delinquent assessments or other charges under this Declaration or the Bylaws; (ii) actions initiated by the Association during Declarant's period of administrative control pursuant to Section 20 of this Declaration; (iii) actions challenging ad valorem taxation or condemnation proceedings; (iv) actions initiated against any contractor or vendor hired by the Association or supplier of goods and services to the Association; (v) the defense of claims filed against the Association or the assertion of counterclaims in proceedings instituted against the Association (except for non-mandatory counterclaims); (vi) actions to appoint a receiver pursuant to Section 5.9 of the Bylaws; or (vii) actions to summarily abate and remove a structure or condition that violates this Declaration or the Bylaws.

26.8 Confidentiality. The Parties shall keep all discussions of disputes, all settlements and arbitration awards and decisions confidential and shall not disclose any such information, whether directly or indirectly, to any third parties unless compelled to do so by an order of a court of competent jurisdiction. The Parties agree in the event a Party breaches its confidentiality obligation that the other Party or Parties to the dispute shall be entitled to seek and obtain any and all equitable remedies, including injunctive relief and specific performance and each Party hereby waives any claim or defense that the other Party has an adequate remedy at law for any such breach and the Parties agree that the aggrieved Party shall not be required to post any bond or other security in connection with any such equitable relief.

26.9 No Attorneys' Fees. Except as specifically provided for in this Declaration or the Bylaws, no Party in the arbitration, mediation or other proceeding shall be entitled to recover costs or attorneys' fees in connection therewith.

27. Waiver; Time Limitation.

27.1 RELEASE AND WAIVER OF ALL OTHER PAST, PRESENT, AND FUTURE CLAIMS REGARDING CONDITION OF PROPERTY. EXCEPT FOR ANY EXPRESS WARRANTY CLAIMS PURSUANT TO A UNIT SALES AGREEMENT BETWEEN DECLARANT AND A PURCHASER OF A UNIT, TO THE FULLEST EXTENT ALLOWED BY LAW, EACH PURCHASER OF A UNIT, THE ASSOCIATION AND ALL SUCCESSOR OWNERS AND OCCUPANTS, RELEASE AND WAIVE ANY CLAIM WHENEVER ARISING AGAINST DECLARANT OR ITS AGENTS, BROKERS, SUCCESSORS, EMPLOYEES, AFFILIATES, CONTRACTORS, REPRESENTATIVES, OFFICERS, DIRECTORS AND MEMBERS OR AGAINST THE ASSOCIATION OR ANY BOARD MEMBER THEREOF (COLLECTIVELY, THE "DECLARANT PARTIES"), RELATING TO OR ARISING FROM THE CONDITION OF THE CONDOMINIUM PROPERTY AT ANY TIME. THE WAIVER IS ABSOLUTE AND UNCONDITIONAL, AND

THIS RELEASE AND WAIVER APPLIES WHETHER OR NOT THE PURCHASER HAD KNOWLEDGE OF ANY POTENTIAL CAUSE OF ACTION FOR SUCH CLAIMS. THE WAIVER APPLIES TO CLAIMS UNDER ANY LEGAL THEORY OTHER THAN THE WARRANTY GIVEN BY DECLARANT IN A UNIT SALES AGREEMENT, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, NEGLIGENCE PER SE, NEGLIGENT OR INTENTIONAL MISREPRESENTATION, DEFECTIVE CONSTRUCTION, BREACH OF CONTRACT, UNLAWFUL TRADE PRACTICE, BREACH OF FIDUCIARY DUTY, STRICT LIABILITY, NUISANCE, TRESPASS OR ANY OTHER THEORY, WHETHER ARISING FROM STATUTE, CONTRACT, TORT OR OTHERWISE. THIS WAIVER INCLUDES, WITHOUT LIMITATION, CLAIMS RELATING TO CONSTRUCTION DEFECTS, WATER INTRUSION, MOLD, MILDEW, FUNGUS AND/OR ODORS IN THE UNIT OR COMMON ELEMENTS; PRODUCTS OR CONDITIONS IN THE UNIT OR COMMON ELEMENTS, INCLUDING FOR EXAMPLE CARBON MONOXIDE, RADON OR CARPET GLUE; NOISE OR SOUND TRANSMISSION; LOSS OF USE; EMOTIONAL DISTRESS; INCIDENTAL OR CONSEQUENTIAL DAMAGES; ATTORNEYS' FEES AND COSTS; OR RELOCATION EXPENSES (TEMPORARY OR OTHERWISE). IT IS ACKNOWLEDGED THAT DECLARANT WOULD HAVE REQUIRED A SIGNIFICANTLY HIGHER PURCHASE PRICE FOR THE UNITS IF THE PURCHASER REFUSED TO PROVIDE THIS RELEASE AND WAIVER. THIS SECTION 27.1 SERVES AS NOTICE OF RECORD THAT THE RELEASE AND WAIVER SHALL BE BINDING UPON SUCH PURCHASERS, ALL SUCCESSOR OWNERS OR OCCUPANTS OF THE UNIT, THE ASSOCIATION, AND THEIR RESPECTIVE EMPLOYEES, CONTRACTORS, PROPERTY MANAGERS, BROKERS, HEIRS, SUCCESSORS, ASSIGNS, GUESTS AND INVITEES. CLAIMS OF THE ASSOCIATION ARE DERIVATIVE OF CLAIMS OF UNIT OWNERS AND THE ASSOCIATION SHALL BE BOUND BY THE WAIVER. THE WAIVER ACTS AS A COMPLETE BAR AND DEFENSE AGAINST ANY RELEASED OR WAIVED CLAIM.

27.2 TIME LIMITATION ON ACTIONS. THE FOREGOING RELEASE AND WAIVER OF CLAIMS IS INTENDED TO BE COMPREHENSIVE AND FINAL. TO THE EXTENT IT IS DETERMINED THAT ANY CLAIMS AGAINST ANY DECLARANT PARTY, UNDER ANY LEGAL THEORY, SURVIVE THE FOREGOING RELEASE AND WAIVER FOR ANY REASON, SUCH CLAIM MUST BE BROUGHT ON OR BEFORE THE EARLIER OF (A) THE EXPIRATION OF THE APPLICABLE STATUTE OF LIMITATIONS, OR (B) WITHIN 60 DAYS AFTER THE DATE PURCHASER, PURCHASER'S SUCCESSORS OR THE ASSOCIATION KNEW OR REASONABLY SHOULD HAVE KNOWN OF FACTS SUFFICIENT TO PUT IT ON NOTICE OF THE CLAIM, OR (C) WITH RESPECT TO THE UNIT AND RELATED LIMITED COMMON ELEMENTS, BY NO LATER THAN THE FIRST ANNIVERSARY OF THE CLOSING DATE OF THE SALE OF THE APPLICABLE UNIT FROM DECLARANT TO THE INITIAL PURCHASER OR, (D) WITH RESPECT TO THE GENERAL COMMON ELEMENTS, BY NO LATER THAN THE FIRST ANNIVERSARY OF THE DATE OF THE FIRST CONVEYANCE OF A UNIT IN THE CONDOMINIUM TO A UNIT OWNER OTHER THAN DECLARANT. ANY AND ALL SUCH CLAIMS NOT BROUGHT WITHIN THIS TIME PERIOD WILL BE DEEMED TIME BARRED, REGARDLESS OF WHEN PURCHASER, PURCHASER'S SUCCESSORS OR THE ASSOCIATION ACTUALLY DISCOVERED THE ALLEGED BASIS FOR THE CLAIM. FOR PURPOSES OF THIS SECTION 27.2, A CLAIM IS "BROUGHT" WHEN

ARBITRATION IS FORMALLY INITIATED OR A COMPLAINT IS FILED IN THE APPROPRIATE COURT AND SERVED PROMPTLY ON DECLARANT.

28. Miscellaneous.

28.1 No Impairment. The creation of this Condominium shall not be impaired and title to the Unit and Common Elements shall not be rendered unmarketable or otherwise affected by reason of any insignificant failure of this Declaration or the Plans or any amendment thereto to comply with the Act.

28.2 No Partition. Except where permitted by the Act or Section 14 of this Declaration, the Common Elements are not subject to partition, and any purported conveyance, encumbrance, judicial sale, or other voluntary or involuntary transfer of interest in the Common Elements made without the Unit to which that interest is allocated is void.

28.3 No Waiver of Strict Performance. The failure of the Board in any one or more instances to insist upon the strict performance of this Declaration, or of the Bylaws or Rules and Regulations, or to exercise any right or option contained in such documents, or to serve any notice or to institute any action, shall not be construed as a waiver or relinquishment for the future of such term, covenant, condition, or restriction, but such term, covenant, condition, or restriction shall remain in full force and effect. The receipt by the Board of any assessment from an Owner, with knowledge of any such breach, shall not be deemed a waiver of such breach, and no waiver by the Board of any provision hereof shall be deemed to have been made unless expressed in writing and signed by the Board.

28.4 Liability for Utility Failure, Etc. Except to the extent covered by insurance obtained by the Board pursuant to this Declaration and the Bylaws, neither the Association nor the Board nor Declarant shall be liable for: (i) any failure of any utility or other service to be obtained and paid for by the Board; (ii) injury or damage to person or property caused by the elements; or (iii) inconvenience or discomfort resulting from any action taken to comply with any Legal Requirements. No diminution or abatement of common expense assessments shall be claimed or allowed for any such utility or service failure, or for such injury or damage, or for such inconvenience or discomfort.

28.5 Rule Against Perpetuities. The rule against perpetuities may not be applied to defeat any provisions of this Declaration or the Bylaws or Rules and Regulations.

28.6 Transfer of Declarant's Powers. Declarant, at any time in the exercise of its sole discretion, may sell, assign, transfer, encumber, or otherwise convey to any person, upon such terms and conditions as Declarant may determine, all of Declarant's rights, powers, privileges, and authority arising hereunder by virtue of Declarant's capacity as Declarant (which rights, powers, privileges, and authority are in addition to those arising from Declarant's ownership of one or more Units).

28.7 Sound Transmission Disclosure. The Condominium was designed and built in accordance with local, state and federal building codes regarding insulation and sound transmission. Where condominium units are built either above or below each other, or side by



side, it is normal to experience some transmissions of sound between those units from music, heels on noncarpeted floors, water traveling in drains, cupboard doors, elevators, and similar causes. On occasion these sounds are heard in normal conditions with typical noise levels. Owners should expect some transmission of sound between units, common elements or from outside of the Condominium. Declarant makes no warranty regarding soundproofing of units and transmission of sounds between Units, Common Elements or from outside of the Condominium shall not be considered a construction defect.

28.8 Severability. Each provision of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity of any provision shall not affect the validity or enforceability of the remaining part of that or any other provision of this Declaration. If any term or provision of this Declaration or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, whether under the Act or otherwise, the remainder of this Declaration and the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby.

*(Remainder of Page Intentionally Left Blank;  
Signature Page Follows)*

IN WITNESS WHEREOF, Declarant has caused this Declaration to be executed this  
18 day of March, 2008.

TAYLOR PICKHARDT DEVELOPMENT, LLC,  
an Oregon limited liability company

By: [Signature]  
Name: Jeff Pickhardt  
Title: Member

STATE OF OREGON                     )  
County of Deschutes            ) ss.

This instrument was acknowledged before me on March 18<sup>th</sup>, 2008,  
by Jeff Pickhardt, member of Taylor Pickhardt  
Development, LLC, an Oregon limited liability company, on behalf of and as the act and deed of  
said limited liability company.

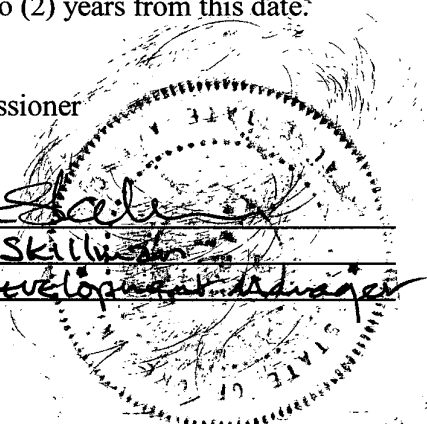


[Signature]  
Notary Public for Oregon  
My Commission Expires: October 25, 2009

The foregoing Declaration is approved pursuant to ORS 100.110 this 3<sup>rd</sup> day of June, 2008, and in accordance with ORS 100.110(7), this approval shall automatically expire if this Declaration is not recorded within two (2) years from this date.

GENE BENTLEY  
Real Estate Commissioner

By: Laurie Skillin  
Name: Laurie Skillin  
Title: Land Development Manager



Sot Britton, Jr.  
County Assessor

Martin Wynn 6-17-08  
County Tax Collector

## **EXHIBIT A**

### **Property Description**

The Property is located in the City of Bend, Deschutes County, Oregon and is described as follows:

Lot Eight (8) and the South Half (being the Southwesterly twenty-five feet) of Lot Nine (9) in Block Ten (10) of the PLAT OF BEND, recorded August 1, 1918, in Cabinet A, Page 2, Deschutes County, Oregon.

## EXHIBIT B-1

### Area of Units and Allocation of Ownership Interests In Common Elements

<u>Unit</u>	<u>Area in Square Feet</u>	<u>Allocation of Ownership Interests in Common Elements</u>
<b><u>Primary Units</u></b>		
101	1,307	6.07%
102	1,215	5.64%
103	911	4.22%
201	2,031	9.43%
202	1,996	9.27%
203	1,936	8.99%
204	1,925	8.94%
301	2,805	13.02%
302	2,561	11.89%
401	2,241	10.40%
402	2,582	11.99%
<b><u>Parking Units</u></b>		
P1	180	0.01%
P2	180	0.01%
P3	180	0.01%
P4	180	0.01%
P5	180	0.01%
P6	180	0.01%
P7	180	0.01%
P8	180	0.01%
P9	180	0.01%
P10	180	0.01%

**Storage Units**

S1	24	0.01%
S2	21	0.01%
S3	21	0.01%
S4	27	0.01%
<hr/>		
Totals:	23,403	100%

## EXHIBIT B-2

### Allocation of Common Profits and Expenses

<u>Primary Unit</u>	<u>Area in Square Feet</u>	<u>Allocation of Common Profits and Expenses</u>
101	1,307	6.08%
102	1,215	5.65%
103	911	4.23%
201	2,031	9.44%
202	1,996	9.28%
203	1,936	9.00%
204	1,925	8.95%
301	2,805	13.04%
302	2,561	11.91%
401	2,241	10.42%
402	2,582	12.00%
Totals	21,510	100.00%

## **EXHIBIT C**

### **Bylaws of 919 Bond Condominiums Owners' Association**



**BYLAWS  
OF  
919 BOND CONDOMINIUMS OWNERS' ASSOCIATION**

## TABLE OF CONTENTS

	<u>Page</u>
1. GENERAL PROVISIONS.....	1
1.1 Identity. ....	1
1.2 Bylaws Subject to Other Documents. ....	1
1.3 Defined Terms. ....	1
1.4 Applicability. ....	1
1.5 Office. ....	1
2. MEETINGS OF OWNERS.....	1
2.1 Administrative Control. ....	1
2.2 Turnover Meeting.....	1
2.3 Annual Meetings. ....	2
2.4 Place of Meetings. ....	2
2.5 Special Meetings. ....	2
2.6 Notice. ....	2
2.7 Voting.....	3
2.8 Proxies and Absentee Ballots. ....	4
2.9 Fiduciary, Corporate and Joint Owners. ....	4
2.10 Quorum.....	4
2.11 Binding Vote. ....	4
2.12 Order of Business.....	5
2.13 Rules of Order.....	5
2.14 Action Without A Meeting.....	5
3. BOARD OF DIRECTORS.....	6
3.1 Number, Term and Qualification. ....	6
3.2 Powers and Duties.....	7
3.3 Limitation.....	10
3.4 Organizational Meeting.....	10
3.5 Regular and Special Meetings.....	10
3.6 Waiver of Notice. ....	11
3.7 Quorum.....	11
3.8 Removal. ....	11
3.9 Resignation.....	12
3.10 Vacancies. ....	12
3.11 Compensation.....	12
3.12 Liability and Indemnification of Directors, Officers, Manager or Managing Agent.....	12
3.13 Insurance. ....	12
3.14 Special Committees.....	12
3.15 Action Without a Meeting.....	13
4. OFFICERS. ....	13

4.1	Designation.....	13
4.2	Election.....	13
4.3	Removal. ....	13
4.4	Chairperson. ....	13
4.5	Vice Chairperson.....	13
4.6	Secretary.....	14
4.7	Treasurer.....	14
4.8	Execution of Instruments. ....	14
4.9	Compensation of Officers. ....	14
5.	BUDGET, EXPENSES AND ASSESSMENTS. ....	14
5.1	Budget. ....	14
5.2	Reserve Fund for Replacing Common Elements. ....	15
5.3	Determination of Common Expenses. ....	16
5.4	Assessment of Common Expenses.....	18
5.5	Special Assessments.....	18
5.6	Violation by Owners; Remedies. ....	19
5.7	Liability of Owners. ....	19
5.8	No Waiver. ....	20
5.9	Receiver.....	20
6.	RECORDS AND AUDITS. ....	20
6.1	General Records. ....	20
6.2	Records of Receipts and Expenditures.....	20
6.3	Assessment Roll. ....	21
6.4	Payment of Vouchers. ....	21
6.5	Reports and Audits. ....	21
6.6	Notice of Sale, Mortgage, Rental or Lease. ....	21
6.7	Statement of Assessments. ....	21
7.	OCCUPATION AND USE.....	21
7.1	Rental. ....	21
7.2	Residential Use.....	23
7.3	Commercial Use.....	23
7.4	Insurance Risk. ....	24
7.5	Compliance.....	24
7.6	Alterations. ....	24
7.7	Occupants of Corporate Unit.....	25
7.8	Non-Interference. ....	25
7.9	Nuisances. ....	25
7.10	Unlawful or Improper Activities. ....	26
7.11	Contested Legal Requirements.....	27
7.12	Improper Discharge.....	27
7.13	Limitation on Storage Areas. ....	27
7.14	Tradesmen. ....	28
7.15	Animals. ....	28

7.16	Signs and Displays..	28
7.17	Sidewalk Areas.....	29
7.18	Trash.....	29
7.19	Auctions or Open House. ....	29
7.20	Overloading.....	29
7.21	Hot Tubs.....	29
7.22	Rooftop Deck. ....	29
7.23	Window Coverings.....	29
7.24	Balconies .....	29
7.25	Over-the-Air Reception Devices .....	30
7.26	Association Rules and Regulations.....	30
7.27	Activities of Declarant. ....	30
7.28	Entry System. ....	31
8.	MAINTENANCE OF CONDOMINIUM PROPERTY; CONDEMNATION. ....	31
8.1	Maintenance and Repair.....	31
8.2	Additions, Alterations, or Improvements .....	32
8.3	Failure to Follow Maintenance Plan. ....	33
9.	INSURANCE.....	33
9.1	Types.....	33
9.2	Mandatory Policy Provisions. ....	34
9.3	Discretionary Provisions .....	35
9.4	Additional Requirements.....	36
9.5	By the Owner. ....	37
10.	AMENDMENTS TO BYLAWS. ....	38
10.1	How Proposed. ....	38
10.2	Adoption.....	38
10.3	Execution and Recording. ....	39
11.	LITIGATION.....	39
11.1	By Less than All Owners .....	39
11.2	Complaints Against.....	39
11.3	Mediation. ....	39
11.4	Limitations on Actions.....	40
11.5	No Attorneys' Fees.....	40
11.6	Suits Against Declarant.....	40
11.7	Initial Dispute Resolution Procedures.....	40
11.8	Reports on Litigation.....	40
12.	MISCELLANEOUS.....	40
12.1	Notices.....	40
12.2	Waiver. ....	41
12.3	Invalidity; Number; Captions.....	41
12.4	Conflicts. ....	41
12.5	Liability Survives Termination. ....	41

12.6	Indexing.....	41
12.7	Declarant as Owner. ....	41

**BYLAWS**  
**OF**  
**919 BOND CONDOMINIUMS OWNERS' ASSOCIATION**

1. **GENERAL PROVISIONS.**

1.1 **Identity.** 919 Bond Condominiums Owners' Association, a nonprofit corporation organized under the laws of the state of Oregon, the Articles of Incorporation of which were filed in the Office of the Corporation Division of the Oregon Secretary of State in or around March, 2008 (the "Association"), has been organized for the purpose of administering the operation and management of 919 Bond Condominiums (the "Condominium"), in accordance with the terms of these Bylaws and the Declaration of Condominium Ownership for 919 Bond Condominiums (the "Declaration"), which is being recorded simultaneously herewith in the official records of Deschutes County, Oregon. The Condominium was established by Taylor Pickhardt Development, LLC, an Oregon limited liability company (the "Declarant"), in accordance with the provisions of Chapter 100 of the Oregon Revised Statutes (the "Act"). The Condominium is located upon property in the City of Bend, Deschutes County, Oregon, as more particularly described in the Declaration.

1.2 **Bylaws Subject to Other Documents.** The provisions of these Bylaws are applicable to the Condominium and are expressly subject to the terms, provisions, and conditions contained in the Articles of Incorporation of the Association (the "Articles") and in the Declaration.

1.3 **Defined Terms.** All capitalized terms used in these Bylaws and not specifically defined herein shall have the meaning given such terms in the Declaration.

1.4 **Applicability.** All Owners, tenants and occupants of any Unit and each of their respective agents, servants, invitees, licensees, and employees that use the Condominium, or any part thereof, are subject to these Bylaws, and all rules and regulations as may be promulgated hereunder from time to time.

1.5 **Office.** The office of the Association shall be at 2059 NW Eastes Street, Bend, Oregon 97701, or at any other place within Bend, Oregon designated by the Board of Directors of the Association.

2. **MEETINGS OF OWNERS.**

2.1 **Administrative Control.** Notwithstanding any other provision of these Bylaws, Declarant shall have the powers and authorities reserved to Declarant in Section 20 of the Declaration until the expiration of Declarant's period of administrative control as described in Section 20 of the Declaration.

2.2 **Turnover Meeting.** The Turnover Meeting, which shall constitute the initial meeting of the Association, shall be called by Declarant within ninety (90) days of the expiration of the period of Declarant's administrative control described in Section 20 of the Declaration.

Declarant shall give notice (as provided in Section 2.6) of the Turnover Meeting to each Owner at least ten (10) but not more than fifty (50) days prior to the meeting. The notice shall state the purpose, time, and place of the meeting. If the meeting is not called by Declarant, the meeting may be called and notice given by any Owner or by any first Mortgagee of a Unit. At the Turnover Meeting, (i) Declarant shall relinquish control of the administration of the Association to the Owners and the latter shall assume control; (ii) the Owners shall elect directors to the Board of Directors of the Association (the "Board") as set forth in these Bylaws; and (iii) Declarant shall deliver to the Association the items specified in Section 100.210(5) of the Act. During the three-month period following the Turnover Meeting, Declarant or an informed representative thereof shall be available to meet with the Board on at least three mutually acceptable dates to review the documents delivered pursuant to Section 100.210(5)(3) of the Act. If Declarant has complied with the terms of Section 100.210 of the Act, then, unless Declarant otherwise has sufficient voting rights as an Owner to control the Association, Declarant shall not be responsible for the failure of the Owners to comply with the provisions of Section 100.210(4) of the Act, and Declarant shall be relieved of any further responsibility for the administration of the Association except as an Owner for any unsold Unit.

2.3 Annual Meetings. In the 12<sup>th</sup> month following the month in which the Turnover Meeting is held, the first annual meeting of the Owners shall be held. At such meeting, the three (3) incumbent directors of the Board (any director of the Board, a "Director") elected at the Turnover Meeting shall resign and three (3) Directors (who may have previously served as Directors) shall be elected by the Owners in accordance with these Bylaws. Thereafter, annual meetings shall be held in the same month as the initial annual meeting or in the month following, at such hour and on such date as the Chairperson of the Board (the "Chairperson") may designate or, if the Chairperson fails to designate such date by the last day of the first month in which the meeting may be held, the meeting shall be held on the second Wednesday of the second month in which the meeting may be held, unless such date is a legal holiday, in which event the meeting shall be held on the next succeeding business day. At the annual meetings, the Owners shall elect Directors to fill vacancies or to succeed retiring Directors as provided in Article 3 of these Bylaws and shall also transact such other business of the Association as may properly come before the meeting.

2.4 Place of Meetings. Meetings of the Owners shall be held at the principal office of the Association or at such other suitable and convenient place in or around Bend, Oregon, as may be designated by the Board.

2.5 Special Meetings. It shall be the duty of the Chairperson to call a special meeting of the Association if the Chairperson so elects or if so directed by resolution of the Board or upon a petition signed and presented to the secretary of the Association (the "Secretary") by the Owners of not less than thirty-five percent (35%) of the Primary Units stating the purpose of the meeting. The notice of any special meeting shall state the purpose, time, and place of such meeting. No business shall be transacted at a special meeting except as stated in the notice.

2.6 Notice. The Chairperson or Secretary shall give written notice of each meeting of the Association, at least ten (10) days but not more than fifty (50) days prior to the date set for such meeting, stating the purpose, time, and place of the meeting and the items on the

agenda to each Owner of record (and to any first Mortgagee of record requesting such notice), at the address of such Owner as listed on the books of the Association, or at such other address as such Owner shall have designated by notice in writing to the Chairperson or Secretary at least ten (10) days prior to the giving of such notice by the Chairperson or Secretary. The giving of a notice in the manner provided in these Bylaws shall be considered notice properly served. Proof of the giving of such notice shall be given by the affidavit of the person giving the notice. Notice of a meeting may be waived by any Owner before or after a meeting. For a period of ten (10) years following the Turnover Meeting, notices of meetings shall also be given to Declarant in the same manner as given to Owners, and Declarant and/or a representative of Declarant shall be entitled to attend such meetings. When a meeting is adjourned for less than thirty (30) days, no notice of the adjourned meeting need be given other than by announcement at the meeting at which such adjournment takes place.

## 2.7 Voting.

2.7.1 The total number of votes of all Owners shall be equal to the total number of Primary Units in the Condominium, and each Owner or group of Owners shall be entitled, subject to the provisions of Section 20 of the Declaration (which grants Declarant five (5) times the votes for each Primary Unit owned by it prior to the Turnover Meeting) and to Section 3.1 of these Bylaws regarding the election of Directors, to a number of votes equal to the number of votes allocated to the Primary Units owned by such Owner or group of Owners in Section 8 of the Declaration. No voting rights shall be allocated to Parking Units or Storage Units. Declarant shall be entitled to vote as the Owner of any Primary Units retained by Declarant, and the Board shall be entitled to vote on behalf of any Primary Unit that has been acquired by or on behalf of the Association; provided, however, that the Board shall not be entitled to vote such Primary Units in any election of Directors.

2.7.2 If an Owner is in default under a first Mortgage on its Primary Unit for sixty (60) consecutive days or more and the Mortgage instrument signed by the Owner provides for such a pledge upon default, the Mortgagee shall automatically be authorized to declare at any time thereafter that the Primary Unit Owner has pledged his or her vote on all issues to the Mortgagee during the continuance of the default. If the Board has been notified of any such pledge to a Mortgagee, or in the event the record Owner or Owners have otherwise pledged their vote regarding special matters to a Mortgagee under a duly recorded Mortgage, only the vote of such Mortgagee or vendor will be recognized in regard to the special matters upon which the vote is so pledged, if a copy of the instrument with this pledge has been filed with the Board. Amendments to this subsection shall only be effective upon the written consent of all the voting Owners and their respective Mortgagees, if any.

2.7.3 If an Owner is in default for payment of assessments or other charges under these Bylaws, the Declaration or the Rules and Regulations for sixty (60) consecutive days or more, the Owner's voting rights shall be suspended until such delinquencies are paid in full, including any interest, penalties or late charges due for such delinquency.

2.7.4 Voting of the Owners may be conducted in person, by proxy, by written or electronic ballot, or by absentee ballot if authorized by the Board, all in accordance with the Act.



2.8 Proxies and Absentee Ballots. A proxy given by an Owner to any person who represents such Owner at meetings of the Association shall be in writing, signed and dated by such Owner, may be given to any person or persons of legal age, and shall be filed with the Secretary. No proxy shall be valid (i) for over one year; (ii) which is undated; (iii) which purports to be revocable without notice; or (iv) after the meeting for which it was solicited (unless otherwise expressly stated in the proxy). Every proxy shall automatically cease upon sale of a Primary Unit by its Owner. An Owner may revoke his or her proxy only as provided in Section 100.427 of the Act. An absentee ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action. All solicitations for absentee ballots shall include instructions for return delivery of the completed absentee ballot and information about whether or not the absentee ballot may be canceled if it is returned in accordance with the instructions. An Owner may pledge or assign such Owner's voting rights to a Mortgagee. In such case, the Mortgagee or its designated representative shall be entitled to receive all notices to which the Owner is entitled hereunder and to exercise the Owner's voting rights from and after the date that the Mortgagee gives written notice of such pledge or assignment to the Board. Any first Mortgagee may designate a representative to attend all or any meetings of the Association.

2.9 Fiduciary, Corporate and Joint Owners. An executor, administrator, conservator, guardian or trustee may exercise the vote with respect to any Primary Unit owned or held by him in such capacity, whether or not the same shall have been transferred to his name; provided, however, that he shall satisfy the Secretary that he is the executor, administrator, conservator, guardian or trustee holding such Unit in such capacity. Any person voting on behalf of a Primary Unit owned by a corporation or other entity shall provide the Secretary with written evidence, satisfactory to the Secretary, that such person is the duly constituted representative thereof. Unless a valid court order establishes the authority of a co-Owner to vote, whenever any Primary Unit is owned by two or more persons jointly, according to the records of the Association, the vote of such Primary Unit may be exercised by any 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 Primary Unit shall be disregarded completely in determining the proportion of votes given with respect to the matter voted upon.

2.10 Quorum. At any meeting of the Association, the presence, in person, by proxy or by absentee ballot (if authorized by the Board) of a number of Owners holding at least thirty-four percent (34%) of the total voting power of the Association shall constitute a quorum unless otherwise provided in these Bylaws. For purposes of the Turnover Meeting, the number of Owners in attendance shall be deemed a quorum. The subsequent joinder of an Owner in the action taken at a meeting, evidenced by that Owner signing and concurring in the minutes thereof, shall constitute the presence of such Owner for the purpose of determining a quorum. When a quorum is once present to organize a meeting, it cannot be broken by the subsequent withdrawal of an Owner or Owners. If any meeting of the Association cannot be organized because of lack of a quorum, the Owners who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present.

2.11 Binding Vote. The vote of more than fifty percent (50%) of the voting power of the Association (i) present in person, by proxy or by absentee ballot (if authorized by the Board) at a meeting at which a quorum is constituted or (ii) by written or electronic ballot pursuant to Section 2.14 below shall be binding upon all Owners for all purposes, except where

a higher percentage vote is required by law, the Declaration or these Bylaws. Notwithstanding the foregoing, any vote on a matter that relates solely to, or that imposes additional burdens upon or takes away rights particular only to, the Residential Units or the Commercial Units shall require the vote of more than fifty percent (50%) of the voting power of the Residential Units Owners, if the Residential Units are so affected and the vote of more than fifty percent (50%) of the voting power of the Commercial Unit Owners, if the Commercial Units are so affected.

2.12 Order of Business. The order of business at an annual meeting of the Association shall be:

- 2.12.1 Calling of the roll and certifying of proxies;
- 2.12.2 Proof of notice of meeting or waiver of notice;
- 2.12.3 Reading of minutes of preceding meeting;
- 2.12.4 Reports of officers;
- 2.12.5 Reports of committees, if any;
- 2.12.6 Election of Directors;
- 2.12.7 Unfinished business;
- 2.12.8 New business; and
- 2.12.9 Adjournment.

2.13 Rules of Order. Unless other rules of order are adopted by resolution of the Association or the Board, 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.

2.14 Action Without A Meeting. Any action which applicable law, the Declaration or these Bylaws require or permit the Owners to take at a meeting may be taken without a meeting by written ballot if the procedures set forth in Section 100.425 of the Act are followed. For votes of the Owners by written ballot, the Board shall provide the Owners with at ten (10) days' notice before written ballots are mailed or otherwise delivered. The notice shall state the general subject matter of the vote by written ballot, the right of Owners to request secrecy procedures as specified in Section 100.425(2)(b) of the Act, the date after which ballots may be distributed, the date and time by which any petition requesting secrecy procedures must be received by the Board, and the address where such a petition may be delivered. If, at least three (3) days before written ballots are scheduled to be mailed or otherwise distributed, at least ten percent (10%) of the Owners petition the Board requesting secrecy procedures, a written ballot must be accompanied by a secrecy envelope, a return identification envelope to be signed by the Member, and instructions for mailing and returning the ballot. The secrecy procedures and the requirement to provide a secrecy envelope and return identification envelope shall not apply to the written ballot of an Owner if the consent or approval of that particular Owner is required under these Bylaws, the Declaration or the Act. Written ballots that are returned in

secrecy envelopes may not be examined or counted before the deadline for returning ballots has passed. All written ballots must set forth each proposed action and provide an opportunity to vote for or against each proposed action. All solicitations for votes by written ballot shall state the number of responses needed to satisfy any applicable quorum requirement, the required percentage of votes needed for approval, and the period during which the Association will accept written ballots for counting. Any vote that may be conducted by written ballot may also be conducted by electronic ballot subject to the procedures and requirements set forth in the Act for electronic ballots. An electronic ballot shall mean any ballot given by electronic mail, facsimile transmission, posting on a website or other means of electronic communication approved by the Board. Approval by written or electronic ballot shall be valid only when the number of votes cast by written or electronic ballot equals or exceeds any quorum required to be present if a meeting was held to authorize the action and the number of approvals equals or exceeds the number of votes required to approve the matter if a meeting was held to authorize the action. Notwithstanding the foregoing, action by written or electronic ballot may not substitute for: (i) the annual meeting of the Owners; (ii) a meeting of the Owners if the agenda includes a proposal to remove a Director; or (iii) a special meeting of the Owners called at the request of the Owners under Section 100.407(2)(a) of the Act.

### 3. BOARD OF DIRECTORS.

3.1 Number, Term and Qualification. The affairs of the Association shall be governed by the Board, which shall consist of one (1) to three (3) Directors prior to the Turnover Meeting and three (3) Directors after the Turnover Meeting. Until the Turnover Meeting (as provided for in Section 2.2 of these Bylaws) is held, the Board shall consist of the Director or Directors named in the Articles, subject to the appointment and removal powers of Declarant described in Section 20 of the Declaration. At the Turnover Meeting, two (2) Directors shall be elected by the Owners of the Commercial Units (each a "Commercial Director" and collectively, the "Commercial Directors") to serve until the first annual meeting of the Association; and one (1) Director shall be elected by the Owners of the Residential Units (the "Residential Director") to serve until the first annual meeting of the Association. At the first annual meeting of the Association, the Commercial Unit Owners shall elect one (1) Commercial Director to serve for a term of two (2) years and one (1) Commercial Director to serve for a term of one (1) year. The Commercial Director receiving the highest number of votes shall serve the two (2) year term. Also at the first annual meeting of the Association, the Residential Unit Owners shall elect the Residential Director to serve for a term of two (2) years. Election of all Directors shall be by plurality and there shall be no cumulative voting. At the expiration of the initial term of office of each Director elected at the first annual meeting of the Association, his or her successor shall be elected as provided in this Section 3.1 to serve for a term of two (2) years. The Directors shall hold office for the term herein fixed and until their successors have been qualified and elected. There shall be no limit on the number of successive terms a Director may serve on the Board, if elected as herein provided. After the Turnover Meeting, the Commercial Directors must be Owners of Commercial Units and the Residential Director must be an Owner of a Residential Unit. No Director shall continue to serve on the Board after he or she ceases to be an Owner of a Commercial Unit or Residential Unit, as applicable. The officers of any corporation, the trustee of any trust, the partners of any partnership, or the members or managers, employees or designees of any limited liability company that owns a Commercial Unit or a Residential Unit shall be eligible to serve as Directors.

3.2 Powers and Duties. The Board shall have the powers and duties necessary for the administration of the affairs of the Association and as provided by the Act and may do all acts in furtherance of and pursuant to such powers and duties, except acts that by or under law, the Declaration or these Bylaws may not be performed by the Board or delegated to the Board by the Owners. The Board shall be governed by Section 100.417 of the Act and applicable provisions of ORS 65.357, 65.361, 65.367, 65.369 and 65.377. Such powers and duties of the Board shall include, without limitation (except as limited elsewhere herein), the following:

3.2.1 Operation, care, inspection, upkeep, repair, replacement and maintenance of the Common Elements, Parking Units and Association Property as required by the Declaration, these Bylaws and the Act. The Board shall prepare contemporaneous written documentation of the foregoing activities, which shall be made available to Owners and Declarant upon request.

3.2.2 Determination of the amounts required for inspection, operation, maintenance and other affairs of the Association, and the making of such expenditures, as may be determined by the Board, in the Board's sole discretion.

3.2.3 Annually conducting a reserve study, or reviewing and updating an existing reserve study, of the Common Elements to determine the reserve fund requirements, in accordance with Section 100.175 of the Act. The reserve study shall: (i) identify all items for which reserves are or will be established; (ii) include the estimated remaining useful life of each item as of the date of the reserve study or update thereof; and (iii) include for each item, as applicable, an estimated cost of maintenance, repair and replacement at the end of the item's useful life.

3.2.4 In conjunction with preparing and updating the reserve study, establish, periodically update, and implement a maintenance plan for the maintenance, repair and replacement of all property for which the Association has maintenance, repair and replacement responsibility under the Declaration, these Bylaws or the Act (the "Maintenance Plan"). The Maintenance Plan shall: (i) describe the maintenance, repair and replacement to be conducted; (ii) include a schedule for the maintenance, repair and replacement; (iii) be appropriate for the size and complexity of the maintenance, repair and replacement responsibility of the Association; and (iv) address issues that include, but are not limited to, warranties and the useful life of the items for which the Association has maintenance, repair and/or replacement responsibility. The Maintenance Plan shall comply with Section 100.175 of the Act and shall provide for not less than annual inspections of the Condominium for evidence of water intrusion or other needed repairs by a knowledgeable independent party or the property manager for the Association, and the Board shall reasonably address any matters revealed by the inspection. For a period of ten (10) years following the Turnover Meeting, Declarant shall be notified prior to the inspections, shall have a right for Declarant or its employees or contractors to be present during the inspections and have a right to receive a copy of the inspection reports promptly upon request. The operating and reserve budgets of the Association shall take into account the costs of complying with the Maintenance Plan. Changes or updates to the Maintenance Plan should be based upon the advice of competent experts or consultants.

3.2.5 Collection of the common expenses from the Owners.

3.2.6 Provision for the designation, hiring and removal of employees and other personnel, including lawyers and accountants and personnel necessary for the inspection, maintenance, upkeep and repair of the Common Elements, Parking Units and Association Property; engagement of or contracting for the services of others; and making purchases for the inspection, maintenance, repair, replacement, administration, management and operation of the Condominium and delegating any such powers to the manager or managing agent (and any such employees or other personnel as may be employees of the managing agent); provided, however, that any management agreement, service contract, or employee contract entered into before the Turnover Meeting shall not be in excess of three (3) years, and shall be terminable by the Association without penalty by giving at least thirty (30) days written notice to the other party no later than sixty (60) days after the Turnover Meeting; and provided further, that any agreement for management services entered into after the Turnover Meeting on behalf of the Association must have a reasonable term not exceeding three (3) years and may only be renewable with the express written consent of the Association and the manager.

3.2.7 Adoption and amendment of reasonable rules and regulations of the Condominium ("Rules and Regulations") pursuant to Section 7.26 hereof.

3.2.8 Maintaining bank accounts on behalf of the Association and designating the signatories required therefor.

3.2.9 Purchasing, leasing or otherwise acquiring, in the name of the Association or its designee, corporate or otherwise, on behalf of the Owners, Units offered for sale or lease or surrendered by their Owners to the Association.

3.2.10 Bidding for and purchasing Units at foreclosure sales (judicial or non-judicial) or other judicial or execution sales, in the name of the Association or its designee, corporate or otherwise, on behalf of all Owners upon the consent or approval of the Owners.

3.2.11 Selling, leasing, mortgaging, voting the votes appurtenant to (other than for the election of directors), or otherwise dealing with Units of the Condominium acquired by the Association or its designee on behalf of all the Owners.

3.2.12 Organizing corporations or limited liability companies to act as designees of the Association in acquiring title to or leasing Units by the Association on behalf of all Owners.

3.2.13 Obtaining and reviewing bonds and insurance, including officers' and directors' liability insurance, for the Association and the Condominium, including the Units, pursuant to the provisions of these Bylaws and in the case of such insurance, reviewing it at least annually.

3.2.14 Making repairs, additions and improvements to, or alterations of, the Condominium and repairs to and restoration of the Condominium in accordance with these Bylaws after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings or settlement under the threat thereof.

3.2.15 Making additions and improvements to, or alterations of, the Common Elements; provided, however, that no such project may be undertaken by the Board if the total cost will exceed the amount of Ten Thousand Dollars (\$10,000), unless the Owners have approved the project by a vote of Owners holding at least seventy-five percent (75%) of the voting power of the Association. The foregoing limitations shall not be applicable to repairs or maintenance undertaken pursuant to Section 3.2.1 or to work that is urgently needed for life, safety or structural integrity reasons.

3.2.16 After giving written notice and an opportunity to be heard, levying reasonable fees, late charges, fines and/or interest against the Owners for violations of the Declaration, these Bylaws, and/or the Rules and Regulations, in addition to exercising any other rights or remedies provided for in the foregoing documents, based on a resolution of the Board that is delivered to each Primary Unit, mailed to the mailing addresses designated in writing by the Owners, or mailed to the mailing address for each Primary Unit.

3.2.17 Borrowing money on behalf of the Association when required in connection with the operation, care, upkeep, and maintenance of the Common Elements, Parking Units and Association Property; provided, however, that (i) the consent of Owners holding at least seventy-five percent (75%) of the voting power of the Association, obtained at a meeting duly called and held for such purpose in accordance with the provisions of these Bylaws, shall be required for the borrowing of any sum in excess of an amount or amounts, aggregated for the calendar year in question, exceeding fifteen percent (15%) of the estimated budget of the Association for that calendar year to cover the operation, care, upkeep and maintenance of the Common Elements, Parking Units and Association Property, and (ii) no lien to secure repayment of any sum borrowed may be created on any Unit or its appurtenant interest in the Common Elements without the consent of the Owner of such Unit. If any sum borrowed by the Board on behalf of the Association pursuant to the authority contained in this Section 3.2.17 is not repaid by the Association, an Owner who pays to the creditor such proportion thereof equal to his or her interest in the Common Elements shall be entitled to obtain from the creditor a release of any judgment or other lien that said creditor shall have filed or shall have the right to file against such Owner's Unit.

3.2.18 Adjusting and settling claims under insurance policies and executing and delivering releases on settlement of such claims on behalf of all Owners, all holders of Mortgages or other liens on the Units, and all Owners of any other interest in the Condominium.

3.2.19 Filing all appropriate income tax returns.

3.2.20 Filing of the Annual Report described in Section 100.260 of the Act with the Real Estate Agency pursuant to Section 100.250 of the Act.

3.2.21 Charging and collecting a fee in connection with an Owner or occupant moving into or out of a Primary Unit.

3.2.22 Enforcement by legal means of the provisions of the Act, the Declaration, these Bylaws and any Rules and Regulations adopted hereunder. Nothing in these

Bylaws shall be construed as requiring the Board to take any specific action to enforce violations.

3.2.23 Investing the funds of the Association in accordance with an investment policy adopted and modified from time to time by the Board.

3.3 Limitation. The powers of the Board enumerated in these Bylaws shall be limited in that the Board shall have no authority to (i) acquire and pay for out of the maintenance fund of the Association any structural alterations or capital improvements of, or capital additions to, the Common Elements (other than for purposes of repairing, replacing or restoring portions of the Common Elements, subject to all the provisions of these Bylaws) requiring an expenditure in excess of an amount or amounts, aggregated for the calendar year in question, exceeding ten percent (10%) of the estimated total budget of the Association for such calendar year, or (ii) enter into service agreements having a term in excess of three years, except agreements specifically authorized in these Bylaws or the Declaration, without, in each case, the prior approval of Owners holding at least seventy-five percent (75%) of the voting power of the Association.

3.4 Organizational Meeting. Within thirty (30) days following the annual meeting of the Association or following any meeting at which an election of Directors has been held, the Board shall hold an organizational meeting at such place and time as shall have been fixed by the Directors at the meeting at which the election was held.

3.5 Regular and Special Meetings. Regular meetings of the Board may be held at such time and place as shall be determined, from time to time, by a majority of the Directors. Special meetings of the Board may be called by the Chairperson and must be called by the Secretary at the written request of at least two (2) Directors. Except in the event of an emergency, notice of Board meetings shall be given to each Director at least two (2) days prior to the date of the meeting, and shall state the time, place and purpose of such meeting, including whether the Board intends to vote to meet in executive session and the general nature of the action to be considered in executive session. All meetings of the Board shall be open to the Owners except that the following matters and any other matters permitted by the Act may be considered in executive session: (a) consulting with legal counsel regarding the rights and duties of the Association in connection with existing or potential litigation, or criminal matters; (b) dealing with personnel matters, including salary negotiations and discipline; (c) negotiation of contracts with third parties; and (d) collection of unpaid assessments pursuant to the Act. Except in the event of an emergency, the Board shall vote in an open meeting on whether to meet in executive session. If the Board votes to meet in executive session, the Chairperson shall announce the general nature of the action being considered and when and under what circumstances the deliberations can be disclosed to the Owners. The statement, motion, or decision to meet in executive session must be included in the minutes of the meeting. A contract or action considered in executive session does not become effective unless the Board, following the executive session, reconvenes in an open meeting and votes on the contract or action, which must be reasonably identified in the open meeting and included in the minutes. Board meetings may be conducted by telephonic communication or by other means authorized under Section 100.420(2) of the Act, except that if a majority of the Primary Units are principal residences of the occupants, then: (i) for other than emergency meetings, notice of each meeting of the Board 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 may be conducted by telephonic communication or in a manner permitted by the Act. The meeting and notice requirements in Section 100.420(1) of the Act may not be circumvented by chance or social meetings or by any other means, including, without limitation, e-mail communication. For purposes of this Section, "meeting" shall have the definition provided in Section 100.420(5) of the Act. Unless other rules of order are adopted by resolution of the Association or the Board, all meetings of the Board shall be conducted according to the latest edition of *Robert's Rules of Order* published by Robert's Rules Association. For a period of ten (10) years following the date of the Turnover Meeting, notices of all Board meetings shall be given to Declarant in the same manner as the Directors and Declarant and/or its representatives shall have the right to attend all Board meetings.

3.6 Waiver of Notice. Any Director may at any time waive notice of any meeting of the Board in writing and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall constitute a waiver of notice of the time and place thereof, except where a Director attends the meeting for the sole purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. If all the Directors are present at any meeting of the Board, however, no notice to Directors shall be required and any business may be transacted at such meeting.

3.7 Quorum. The presence of a majority of the Directors at a meeting of the Board shall constitute a quorum for the transaction of business, and the votes of a majority of the Directors present at a meeting at which a quorum is present shall constitute the act of the Board. Notwithstanding the foregoing, any vote of the Board on a matter that relates solely to, or that imposes additional burdens upon or takes away rights particular only to, the Residential Units or the Commercial Units shall require the vote of the Residential Director, if the Residential Units are so affected, and the vote of both Commercial Directors, if the Commercial Units are so affected. A Director who is present at a meeting of the Board at which action is taken on any Association matter is presumed to have assented to the action unless the Director votes against the action or abstains from voting on the action because the Director claims a conflict of interest. If, at any meeting of the Board, there is less than a quorum present, the Directors present may adjourn the meeting from time to time until a quorum is present. At any adjourned meeting at which a quorum is present, any business that might have been transacted at the meeting originally called may be transacted without further notice.

3.8 Removal. The Commercial Unit Owners may remove either or both of the Commercial Directors with or without cause at any regular meeting of the Owners or at a special meeting of the Commercial Unit Owners called for such purpose. The presence, in person or by proxy, of a majority of the Commercial Unit Owners at a special meeting called for the purpose of removing one or both of the Commercial Directors shall constitute a quorum. The removal of a Commercial Director shall require the approval of a majority of the Commercial Unit Owners. Upon removal of either or both of the Commercial Directors, the Commercial Unit Owners shall immediately hold elections to elect successor Commercial Director(s) to serve the balance of the term(s) of the removed Commercial Director(s). The Residential Unit Owners may remove the Residential Director with or without cause at any regular meeting of the Owners or at a special meeting of the Residential Unit Owners called for such purpose. The presence, in person or by



proxy, of a majority of the Residential Unit Owners at a special meeting called for the purpose of removing the Residential Director shall constitute a quorum. The removal of the Residential Director shall require the approval of a majority of the Residential Unit Owners. Upon removal of the Residential Director, the Residential Unit Owners shall immediately hold elections to elect a successor Residential Director to serve the balance of the term of the removed Residential Director. The Owners may only remove Directors at a meeting as provided herein if the notice of the meeting states that such removal is to be considered, and any Director whose removal has been proposed is given an opportunity to be heard at the meeting.

3.9 Resignation. Any Director may resign at any time by sending a written notice of such resignation to the office of the Association, addressed to the Secretary. Unless otherwise specified therein, such resignation shall take effect upon receipt thereof by the Secretary.

3.10 Vacancies. Vacancies on the Board caused by any reason other than the removal of a Director pursuant to Section 3.8 shall be filled by the affirmative majority vote of the remaining Directors at a meeting of the Board regardless of any quorum requirements, provided that a Commercial Unit Owner shall be appointed to fill any vacancy left by a Commercial Director and a Residential Unit Owner shall be appointed to fill any vacancy left by the Residential Director. Any Director so appointed shall serve the remainder of the replaced Director's term. If the remaining Directors cannot agree on the appointment of a replacement Director, then a special meeting of the Commercial Unit Owners or the Residential Unit Owners, as applicable, shall be called to elect a replacement Director.

3.11 Compensation. No Director shall receive any compensation from the Association for acting in such capacity, but shall be reimbursed for his or her reasonable out-of-pocket expenses.

3.12 Liability and Indemnification of Directors, Officers, Manager or Managing Agent. To the fullest extent authorized by law and the Articles, the personal liability of each Director to the Association or the Owners for monetary damages for conduct as a Director shall be eliminated. Each Director and each officer and the manager or managing agent of the Association, shall be indemnified and held harmless by the Association, to the fullest extent permitted by law, from and against all expenses and liabilities, including attorneys' fees, reasonably incurred or imposed upon such person in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of being or having been a Director, officer, manager or managing agent and shall be indemnified upon any reasonable settlement thereof. The foregoing rights of indemnification shall be in addition to and not exclusive of any and all other rights conferred on such persons under any agreement, vote of the Owners or otherwise.

3.13 Insurance. The Board shall comply with the insurance requirements contained in Article 9 of these Bylaws. In addition, the Board, in its discretion, may obtain such other insurance as it deems necessary to protect the interests of the Association, the Board or the Owners.

3.14 Special Committees. The Board by resolution may designate one or more special committees, each committee to consist of three or more Owners that, to the extent

provided in such resolution, shall have and may exercise the powers set forth in such resolution. Such special committee or committees shall have such name or names as may be determined from time to time by the Board. Such special committee shall keep regular minutes of their proceedings and report the same to the Board when required. The members of such special committee or committees designated shall be appointed by the Board or the Chairperson. The Board or the Chairperson may appoint Owners to fill vacancies on each of any special committees occasioned by death, resignation, removal, or inability to act for any extended period of time.

3.15 Action Without a Meeting. Any action which the Act, the Declaration or the Bylaws require or permit the Board to take at a meeting may be taken without a meeting if a consent in writing setting forth the action so taken is signed by all of the Directors entitled to vote on the matter. The consent, which shall have the same effect as a unanimous vote of the Board, shall be filed in the records of minutes of the Association.

#### 4. OFFICERS.

4.1 Designation. The principal officers of the Association shall be the Chairperson, the Secretary and a treasurer (the "Treasurer"), all of whom shall be elected by the Board. The Board may appoint a vice chairperson (the "Vice Chairperson"), an assistant treasurer (the "Assistant Treasurer"), an assistant secretary (the "Assistant Secretary") and such other officers as in its judgment may be desirable. None of the officers need be Owners until the Board is elected by the Owners at the Turnover Meeting. Thereafter, all officers shall be Owners (or officers, directors, shareholders, partners, employees or beneficiaries, or members of the respective families, of Primary Units owned by corporations, limited liability companies, partnerships, fiduciaries or Mortgagees).

4.2 Election. The officers of the Association shall be elected annually by the Board at the organizational meeting of each new Board and shall hold office at the pleasure of the Board and until their successors are elected and qualified. If any office becomes vacant, the Board shall elect a successor to fill the unexpired term at any regular meeting of the Board, or at any special meeting of the Board called for such purpose.

4.3 Removal. Upon the affirmative vote of a majority of the Board, any officer may be removed, either with or without cause, and his successor may be elected at any regular meeting of the Board or at any special meeting of the Board called for such purpose.

4.4 Chairperson. The Chairperson shall be the chief executive officer of the Association. The Chairperson shall preside at all meetings of the Owners and of the Board. The Chairperson shall have all of the general powers and duties that are usually incident to the office of the chief executive officer of an association, including, but not limited to, the power to appoint committees from among the Owners from time to time as the Chairperson may in his or her discretion decide are appropriate to assist in the conduct of the affairs of the Association.

4.5 Vice Chairperson. The Vice Chairperson, if any, shall take the place of the Chairperson and perform his or her duties whenever the Chairperson shall be absent or unable to act. If neither the Chairperson nor the Vice Chairperson is able to act, the Board shall appoint some other member of the Board to act in the place of the Chairperson on an interim

basis. The Vice Chairperson shall also perform such other duties as shall from time to time be prescribed by the Board or by the Chairperson.

4.6 Secretary. The Secretary shall keep the minutes of all proceedings of the Board and the minutes of all meetings of the Association. He or she shall attend to the giving and serving of all notices to the Owners and Directors and other notices required by law. The Secretary shall keep the records of the Association, except for those of the Treasurer, and shall perform all other duties incident to the office of secretary of an association and as may be required by the Directors or the Chairperson. In addition, the Secretary shall act as Vice Chairperson, taking the place of the Vice Chairperson and performing his or her duties whenever the Vice Chairperson is absent or unable to act, unless the Directors have appointed another Vice Chairperson.

4.7 Treasurer. The Treasurer shall be responsible for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements necessary for the preparation of all required financial data. He or she shall be responsible for the deposit of all funds and other valuable effects in such depositories as may from time to time be designated by the Board, and he shall disburse funds of the Association upon properly authorized vouchers. The Treasurer shall in general perform all other duties incident to the office of treasurer of an association and such other duties as may be assigned to him or her by the Board.

4.8 Execution of Instruments. All agreements, contracts, deeds, leases and other instruments of the Association, shall be executed by such person or persons as may be designated by general or special resolution of the Board, including the execution of checks of up to Five Thousand Dollars (\$5,000) by the professional property management company for the Condominium, and, in the absence of any general or special resolution applicable to any such instruments, then such instruments shall be signed by the Chairperson. All checks in excess of Five Thousand Dollars (\$5,000) shall be signed by the Treasurer and at least one other officer of the Association.

4.9 Compensation of Officers. No officer who is a Director, other than the Secretary and Treasurer, shall receive any compensation from the Association for acting as an officer, unless such compensation is approved by the Owners. The Board may fix any reasonable compensation to be paid to the Secretary, Treasurer and any officers who are not also Directors.

## 5. BUDGET, EXPENSES AND ASSESSMENTS.

5.1 Budget. The Board shall from time to time, at least annually, prepare a budget for the Association, estimate the common expenses expected to be incurred, less any previous overassessment, and assess the common expenses to each Owner in the manner set forth in the Declaration. The budget shall provide for an adequate reserve fund for maintenance, repairs and replacement of those Common Elements that must be maintained, repaired or replaced on a periodic basis by the Association in accordance with Section 5.2 of these Bylaws. The Board shall advise each Owner in writing of the amount of common expenses payable by him or her, and furnish a summary of each budget and amended budget on which such common

expenses are based to all Owners and, if requested, to their Mortgagees, within thirty (30) days after adoption of the budget. Failure to deliver a summary of any budget or amended budget to each Owner shall not affect the liability of any Owner for any such assessment. Nothing herein contained shall be construed as restricting the right of the Board to, at any time, in their sole discretion, levy any additional assessment in the event that the budget originally adopted shall appear to be insufficient to pay costs and expenses of operation and management of the Condominium, or in the event of emergencies. Any budget for the Association prepared by Declarant or during the period of Declarant's administrative control of the Association pursuant to Section 20 of the Declaration shall be based on Declarant's reserve study, but such projection may vary substantially from the actual requirements of the Association for such period. **The reserve study assumes that the Board conducts normal, routine maintenance for the elements reserved for and that the Board is required to perform pursuant to this Declaration, the Bylaws, the Maintenance Plan and the Act. If the Board fails to perform required maintenance, the reserve fund may be inadequate at the time of the required replacement for one or more elements included in the reserve study.** After the Turnover Meeting, the Board shall be responsible, in its sole discretion, for preparation of the budget of the Association and shall not rely upon prior budgets or projections prepared by Declarant. The budget shall take into account the requirements of the Maintenance Plan adopted pursuant to Section 3.2.4 above.

5.2 Reserve Fund for Replacing Common Elements. Declarant shall conduct a reserve study as required by the Act and shall establish in the name of the Association a reserve fund for funding major maintenance, repair and replacement of the Common Elements that will normally require major maintenance, repair or replacement in more than one (1) year and fewer than thirty (30) years and for the painting of exterior painted surfaces of the Common Elements, if any. The common expenses of the Condominium shall be calculated on the basis of expected maintenance, repair and replacement costs and life expectancy of the items comprising the Common Elements that will normally require major maintenance, repair or replacement in more than one (1) year and fewer than thirty (30) years and for the painting of exterior painted surfaces of the Common Elements, if any, such that the reserve fund is reasonably expected to provide sufficient funds for the major maintenance, repair and replacement of such Common Elements. Declarant in establishing the reserve fund shall obtain and rely on a reserve study from a professional property manager or reserve study provider, but such projection may vary substantially from the actual requirements of the Association. Declarant may elect to defer payment of the assessments for the reserve fund with respect to each Primary Unit until the time of conveyance of the Primary Unit to an Owner other than Declarant; provided that Declarant may not defer payment of such reserve assessments beyond the date of the Turnover Meeting, or, if no Turnover Meeting is held, the date the Owners assume administrative control of the Association. The Board shall administer the reserve fund and shall adjust at regular intervals, but no less than annually, the amount of the periodic payments into it to reflect changes in current maintenance, repair and replacement costs over time. The Board shall annually conduct a reserve study or review and update an existing reserve study of the Common Elements to determine reserve account requirements. The Board shall, within thirty (30) days after conducting the reserve study, provide to each Owner a written summary of the reserve study and any revisions to the Maintenance Plan. The reserve study shall include all information required by the Act. For a period of ten (10) years following the Turnover Meeting, the Board shall also

provide copies of the reserve study and Maintenance Plan, including any updates or revisions thereto, to Declarant and its successors and assigns

The Board shall administer the reserve fund and may reduce or increase the amount of the reserve fund assessments without the consent of the Owners to reflect changes in current maintenance, repair or replacement costs over time as indicated by the reserve study or update and to provide for other reserve items that the Board, in its discretion, deems appropriate. In addition to the authority granted to the Board in the preceding sentence, following the second year after the Turnover Meeting, the Association may, by an affirmative vote of at least seventy-five percent (75%) percent of the voting power of the Association, elect to reduce or increase future assessments for the reserve funds; provided, however, for a period of ten (10) years following the Turnover Meeting, the Association shall notify Declarant and its successors and assigns in writing of any proposed action to reduce future reserve assessments. Any funds established for any of the purposes mentioned in this Section shall be deemed to be a reserve fund notwithstanding that it may not be so designated by the Board. The amount of the reserve fund shall constitute an asset of the Association and shall not be distributed to any Owner except on termination of the Condominium and the Association. The reserve fund is to be used only for major maintenance, repair or replacement of the Common Elements that will normally require major maintenance, repair or replacement in more than one (1) year and fewer than thirty (30) years and for the painting of exterior painted surfaces of the Common Elements, if any, and is to be kept separate from all other the assessments. After the Turnover Meeting, however, the Board may borrow amounts from the reserve fund to meet high seasonal demands on funds obtained from regular assessments or to meet other unexpected increases in expenses that will later be paid from special or regular assessments, if the Board has adopted a resolution, which may be an annual continuing resolution, authorizing the borrowing of funds and, prior to adopting such a resolution, has provided advance notice of the pending resolution to all Owners and, for ten (10) years following the Turnover Meeting, to Declarant and its successors and assigns. Not later than the adoption of the budget for the following year, the Board shall adopt by resolution a repayment plan providing for repayment of the borrowed funds within a reasonable period. Repayment of such amounts borrowed from the reserve fund shall include any interest that would otherwise have been earned on such amounts.

5.3 Determination of Common Expenses. Common expenses shall include:

5.3.1 Expenses of administration.

5.3.2 Cost of insurance or bonds obtained in accordance with these

Bylaws.

5.3.3 A general operating reserve, sufficient to pay the amount of the deductible on any insurance policy held by the Association under Section 9.1.1.

5.3.4 Reserves for major maintenance, repair and replacements of the Common Elements and the painting of any exterior painted surfaces of the Common Elements, as needed.

5.3.5 The cost of the annual reserve study and Maintenance Plan as required by the Act, or the review and update thereof, as applicable.

5.3.6 Any deficit in common expenses for any prior period, and any accrued interest or late charges thereon.

5.3.7 Utilities for the Common Elements and other utilities not separately metered or charged.

5.3.8 Services of any person or firm to act on behalf of the Owners in connection with any other matter where the respective interests of the Owners are deemed by the Board to be similar and nonadverse to each other.

5.3.9 Professional management services, landscaping, snow removal, waste removal (subject to the provisions of the Declaration relating thereto), painting, cleaning, outside window washing and inspection, maintenance, repair and replacement of the exterior of the structures within the Condominium and inspection, maintenance, decorating, repair and replacement of the Common Elements and Parking Units by the Association and such furnishings and equipment for the Common Elements, Parking Units and Association Property as the Board shall determine are necessary and proper, which the Board shall have the exclusive right and duty to acquire for the Common Elements, Parking Units and Association Property.

5.3.10 Any other materials, supplies, furniture, labor, services, maintenance, repairs, structural alterations or assessments that the Board is required to secure or pay for, pursuant to the terms of the Declaration or these Bylaws or that in its opinion shall be necessary or proper for the maintenance and operation of the Condominium as a first-class Condominium or for the enforcement of these restrictions, and that the Board determines should be assessed to the Owners under Section 5.4.

5.3.11 Paving, resurfacing, or restriping of Parking Units.

5.3.12 The discharge of any mechanic's lien or other encumbrance levied against the entire Condominium or against the Common Elements or Association Property, rather than merely against the interests therein of particular Owners. Where one or more Owners are responsible for the existence of such lien, they shall be jointly and severally liable for the cost of discharging it and any costs incurred by the Board by reason of such lien or liens shall be specifically assessed to the responsible Owners.

5.3.13 Inspection, maintenance and repair of any Unit, Association Property or Common Element if the Board determines that such inspection, maintenance or repair is necessary to protect the Common Elements, Association Property or any other portion of the Property, and the Owner of such Unit (or the Owner responsible for maintenance of such Common Element, as applicable) has failed or refused to perform such maintenance or repair within a reasonable time after written notice of the necessity of such maintenance or repair delivered by the Board to such Owner, provided that the Board shall levy a special assessment against such Owner for the cost of such maintenance or repair.

5.3.14 Any other items properly chargeable as an expense of the Association, including, without limitation, those items described in the exhibits to the Declaration.

5.4 Assessment of Common Expenses. All Owners shall be obliged to pay on a monthly basis in advance common expenses assessed to them by the Board on behalf of the Association pursuant to these Bylaws and the Declaration, including amounts applicable to the reserve fund described in Section 5.2 of these Bylaws; provided, however, that such reserve assessments may be collected on a monthly, quarterly, or biannual basis, and at least annually, and may be assessed prospectively or in arrears. Assessments for common expenses shall be allocated in accordance with Section 7.1 of the Declaration. Assessments may not be waived due to limited use or nonuse of Common Elements. Declarant shall be assessed as the Owner of any unsold Primary Unit, but such assessment shall be prorated to the date of sale of the Primary Unit. Assessments shall commence in accordance with Section 7.2 of the Declaration. At the time of closing of the initial sale of each Primary Unit, the purchaser shall make the contribution described in Section 5.5.3 to the working capital fund. The Board, on behalf of the Association, shall assess the common expenses against the Owners from time to time, and at least annually, and shall take prompt action to collect from an Owner any common expense due that remains unpaid for more than thirty (30) days from the due date for its payment.

5.5 Special Assessments.

5.5.1 Capital Improvements. In the case of any duly authorized capital improvement to the Common Elements, the Board may by resolution establish separate assessments for the same, which may be treated as capital contributions by the Owners, and the proceeds of which shall be used only for the special capital improvements described in the resolution.

5.5.2 Other Reserve Trust Funds. The Board may also build up and maintain a reasonable reserve for contingencies and replacements not covered by Section 5.2 of these Bylaws. Extraordinary expenditures not originally included in the annual estimate that may become necessary during the year may be charged against such reserve. If the estimated cash requirement proves inadequate for any reason, including nonpayment of any Owner's assessment, the Board may at any time levy a further assessment, which shall be assessed to the Owners according to the allocations set forth in Section 7.1 of the Declaration. The Board shall serve notice of such further assessment on all Owners by a statement in writing giving the amount and reasons therefor, and such further assessment shall become effective with the first monthly assessment of common expenses that is due more than thirty (30) days after the delivery or mailing of such notice of further assessment. Any reserve fund established by Declarant shall be based upon Declarant's reserve study and Maintenance Plan of the applicable reserve requirements of the Association, but such projection may vary substantially from the actual requirements of the Association.

5.5.3 Working Capital Fund. Declarant shall establish in the name of the Association a working capital fund for the Association. Amounts paid into this fund shall not be considered advance payments of the monthly assessments for common expenses described in Section 5.4. At the time of closing of the initial sale of each Primary Unit, the purchaser shall make an initial contribution to the working capital fund equal to two months of Association assessments for such Primary Unit. At or prior to the Turnover Meeting, Declarant shall transfer the amount of the working capital reserve fund to the Association for deposit in a segregated fund and administration in accordance with Section 5.5.2. During the period of administrative

control described in Section 20 of the Declaration, Declarant shall not use any funds contained in the working capital fund to defray Declarant's expenses, contributions to reserves, or construction costs, or to compensate for any deficits in the operating budget of the Condominium.

5.6 Violation by Owners; Remedies. The violation of any of the Rules and Regulations or other determination duly adopted by the Board, or the breach of any covenant or provision contained in the Declaration or these Bylaws, shall give the Association the right: (i) to enter upon that part of the Condominium where such violation or breach exists and summarily abate and remove, at the expense of the defaulting Owner, any structure, thing or condition that may exist thereon contrary to the intent and meaning of the provisions so violated, and the Association, or its agents, shall not thereby be deemed guilty in any manner of trespass; provided, however, that the Association must institute legal proceedings before any item of construction may be altered or demolished in remedying such violation, and (ii) to enjoin, abate or remedy by appropriate legal proceedings the continuance of any breach. Any Owner aggrieved by such a violation shall also have the right, on behalf of the Association, to enjoin, abate, or remedy by appropriate legal proceedings any such violation and to recover its expenses in accordance with Section 11.1. All expenses of the Association in connection with such violation and such action or proceedings (including any action or proceeding brought on behalf of the Association), including engineering, architectural and other professional fees and costs, court costs and attorneys' fees and any other fees and expenses (including fees, fines, late charges and interest imposed pursuant to these Bylaws), and all damages, liquidated or otherwise, together with interest thereon at the rate provided in Section 7.4 of the Declaration until the amount outstanding is paid, shall be charged to and assessed against such defaulting Owner and shall be added to and deemed part of his respective share of the common expenses. The Association shall have a lien for all of the same upon the Units of such defaulting Owner and upon all of his or her additions and improvements thereto and upon all of his or her personal property located in such Units or elsewhere in the Condominium. Any and all of such rights and remedies may be exercised at any time and from time to time, cumulatively or otherwise, by the Board. Any violations by an Owner of the Declaration, these Bylaws or any Rules and Regulations that are deemed by the Board to be a hazard to public health or safety may be corrected immediately as an emergency matter by the Association, and the cost thereof shall be charged to the offending Owner as a specific item, which shall be a lien against the offending Owner's Unit or Units with the same force and effect as if the charge were a part of the normal common expenses attributable to such Unit or Units.

5.7 Liability of Owners. An Owner shall be liable for the expenses of any maintenance, repair or replacement rendered necessary by his act, neglect or carelessness or by that of any member of his family, or his or their pets, guests, employees, servants, invitees, agents or lessees, but only to the extent that such expense is not met by the proceeds of insurance carried by the Association. Such liability shall include any increase in insurance rates occasioned by use, misuse, occupancy or abandonment of any Unit or its appurtenances. Nothing in these Bylaws, however, shall be construed to modify any waiver by insurance companies of rights of subrogation. The expense of any such maintenance, repair or replacement shall be charged to the responsible Owner as a specific item, which shall be a lien against such Owner's Unit or Units with the same force and effect as if the charge were a part of the normal common expenses attributable to such Owner's Unit or Units.



5.8 No Waiver. The failure of the Association or of an Owner to enforce any right, provision, covenant or condition that may be granted by any of the provisions of the Declaration, these Bylaws or any Rules or Regulations shall not constitute a waiver of the right of the Association or an Owner to enforce such right, provision, covenant or condition in the future.

5.9 Receiver. From the time of commencement of an action by the Association to foreclose a lien for nonpayment of delinquent assessments regarding a Unit that is not occupied by the Owner thereof, the Association shall be entitled to the appointment of a receiver to collect from the lessee thereof the rent for the Unit as and when due. If the rental is not paid, the receiver may obtain possession of the Unit, refurbish it for rental up to a reasonable standard for rental units in this type of Condominium, rent the Unit or permit its rental to others, and apply the rents first to the cost of the receivership and attorneys' fees thereof, then to the cost of refurbishing the Unit, then to applicable charges, then to costs, fees, and charges of the foreclosure action, and then to the payment of the delinquent assessments. Only a receiver may take possession and collect rents under this Section, and a receiver shall not be appointed less than 90 days after the delinquency. The exercise by the Association of the foregoing rights shall not affect the priority of preexisting liens on the Unit.

## 6. RECORDS AND AUDITS.

6.1 General Records. The Board and the managing agent or manager, if any, shall keep detailed records of the actions of the Board and the managing agent or manager, minutes of the meetings of the Board, minutes of the meetings of the Association and contemporaneous written documentation of the Association's inspection, operation, care, upkeep, repair, replacement and maintenance of the Common Elements, Parking Units and Association Property. The Board shall maintain a list of Owners entitled to vote at meetings of the Association and a list of all Mortgagees of Units to the extent the Board has been notified of such Mortgagees. The Association shall maintain within the state of Oregon a copy, suitable for duplication, of: (i) the Declaration, these Bylaws, the Rules and Regulations, the recorded plat(s) and any amendments or supplements thereto; (ii) the most recent annual financial statement of the Association described in Section 6.5 hereof; (iii) the current operating budget, reserve study and Maintenance Plan of the Association; and (iv) all documents, information and records delivered to the Association at the Turnover Meeting. Such documents shall be available for inspection within the state of Oregon and upon written request, available for duplication by Declarant or its successors and assigns, Owners, Mortgagees of Units, insurers and guarantors of such Mortgages, and prospective purchasers of Units during normal business hours. The Board shall retain the documents required by Section 100.480(1) of the Act for the time period required by such statute. Records kept by or on behalf of the Association may be withheld from examination as permitted by the Act.

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

6.3 Assessment Roll. The assessment roll shall be maintained in a set of accounting books in which there shall be an account for each Unit. Such account shall designate the name and address of the Owner or Owners, the amount of each assessment against the Owners, the dates and amounts in which the assessment comes due, the amounts paid upon the account and the balance due on the assessments.

6.4 Payment of Vouchers. The Treasurer shall pay all vouchers up to Five Thousand Dollars (\$5,000) signed by the Chairperson, managing agent, manager or other person authorized by the Board. Any voucher in excess of Five Thousand Dollars (\$5,000) shall require the signature of the Chairperson and one other officer of the Association.

6.5 Reports and Audits. An annual financial statement of the Association, consisting of at least a balance sheet and income and expense statement for the preceding fiscal year, shall be rendered by the Board to all Owners, and to all Mortgagees of Primary Units who have requested the same, within ninety (90) days after the end of each fiscal year. If required by Section 100.480 of the Act, the Board shall have the financial statement reviewed by an independent certified public accountant licensed in the state of Oregon in accordance with the requirements of Section 100.480(4) of the Act within one hundred eighty (180) days after the end of the fiscal year. Pursuant to Section 100.480(6) of the Act, the Association may elect on an annual basis not to comply with Section 100.480(4) of the Act by an affirmative vote of at least sixty percent (60%) of the Owners, not including the votes of Declarant with respect to Primary Units owned by Declarant. Upon written request, any holder, insurer or guarantor of a first Mortgage shall be entitled to a copy of the audited financial statement for the immediately preceding fiscal year at the expense of the Association and shall be made available within one hundred twenty (120) days after the end of such fiscal year. At any time any Owner or Mortgagee of a Primary Unit may, at his own expense, cause an audit or inspection to be made of the books and records of the Association.

6.6 Notice of Sale, Mortgage, Rental or Lease. Immediately upon the closing of any sale, Mortgage, rental or lease of any Unit, the Owner shall promptly inform the Secretary or manager of the name and address of the purchaser, Mortgagee, lessee, or tenant.

6.7 Statement of Assessments. Within ten (10) business days after receipt of a written request from an Owner or Owner's agent for the benefit of a prospective purchaser of such Owner's Unit(s), the Association shall provide a written statement detailing 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, late payment charges; the percentage rate at which interest accrues on assessments not paid when due; and the percentage rate used to calculate the late payment charges or the amount of a fixed charge for late payment. The Association is not required to comply with the foregoing request 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.

## 7. OCCUPATION AND USE.

7.1 Rental. The Leasing or Renting of a Unit by its Owner shall be governed by the provisions of this Section 7.1. "Leasing or Renting" a Unit means the granting of a right to use

or occupy a Unit, for a specified term or indefinite term (with rent reserved on a periodic basis), whether in exchange for the payment of rent (that is, money, property or other goods or services of value) or not; but shall not mean and include joint ownership of a Unit by means of joint tenancy, tenancy-in-common or other forms of co-ownership. With the exception of a lender in possession of a Unit following a default in a Mortgage, a foreclosure proceeding or any deed or other arrangement in lieu of a foreclosure, no Owner shall be permitted to Lease his Unit for hotel or transient purposes, which shall be defined as Renting for any period less than thirty (30) days.

7.1.1 No Partial Leases. No Owner of a Residential Unit, Parking Unit or Storage Unit may Lease less than the entire Residential Unit, Parking Unit or Storage Unit, except for a Residential Unit when the Owner remains in occupancy of at least a portion of his or her Residential Unit. The foregoing prohibition on partial leases shall not apply to the Rental of Commercial Units.

7.1.2 Written Leases. All Leasing, Rental or other occupancy agreements shall be in writing and be subject to this Declaration and the Bylaws (with a default by the tenant or occupant in complying with this Declaration and/or Bylaws constituting a default under the Lease, Rental or occupancy agreements).

7.1.3 Payments by Tenant or Lessee to Association. If a Residential Unit is Rented by its Owner, the Board may collect, and the tenant, lessee or occupant shall pay over to the Board, any amounts due to the Association hereunder for such Residential Unit, plus interest and costs if the same are in default over thirty (30) days. The renter, lessee or occupant shall not have the right to question payment over to the Board. Such payment will discharge the lessee's, renter's or occupant's duty of payment to the Owner for rent, to the extent such payment is made to the Association, but will not discharge the liability of the Owner and the Residential Unit under this Declaration for assessments and charges, or operate as an approval of the lease or occupancy agreement. The Board shall not exercise this power where a receiver has been appointed with respect to the Unit or its Owner, nor in derogation of any right which a Mortgagee of such Unit may have with respect to such rents.

7.1.4 Identification of Tenants. Each Owner electing to rent or grant occupancy of his or her Unit shall, within thirty (30) days after the rental or occupancy of such Unit, submit to the Board in writing the identity of and contact information for such tenant or occupant

7.1.5 Limitation on Number of Units. At no time shall more than fifty percent (50%) of the Residential Units be rented or occupied by non-Owner occupants. In order to insure that the foregoing limitation is not exceeded, Owners who intend to rent or grant occupancy rights to their Residential Units shall provide thirty (30) days written notice to the Board of their intentions. Each such Owner may proceed to rent or grant occupancy to non-Owner occupants for his or her Residential Unit unless such Owner is provided written notice of the Board's refusal to allow such rental or non-Owner occupancy because such rental or non-Owner occupancy would exceed the limitation of the foregoing sentence. In the event of such Board refusal, the requesting Owner shall not rent or grant non-occupancy to any person until the Board notifies him or her that such rental or occupancy would not violate the limitation on non-Owner occupied Primary Units. The Board shall maintain a list of Owners who requested and

were denied the ability to rent or grant non-Owner occupancy of their Residential Units, on a first-come, first-served basis and shall promptly notify each Owner on such list as it becomes permissible to rent or grant non-Owner occupancy of such Owner's Residential Unit. The foregoing limitations shall not apply to the Rental of Commercial Units.

7.1.6 Restrictions on Rental of Parking Units and Storage Units. No Owner may Rent a Parking Unit or Storage Unit to any person or entity unless such person or entity simultaneously owns or Rents a Primary Unit.

7.1.7 No Other Restrictions. Other than as stated in this Section 7.1, there is no restriction on the right of any Owner to Lease or otherwise Rent his or her Unit(s).

7.1.8 Declarant's Activities. The restrictions contained in this Section 7.1 shall not apply to the Leasing or Renting of Units owned by Declarant.

7.2 Residential Use. Except as expressly permitted in these Bylaws or the Declaration, or as otherwise approved by the Board in writing (with such conditions as the Board may establish), each Residential Unit shall be occupied and used only as a private residence and for no other purpose. The number of persons living in a Residential Unit on a permanent basis shall at no time exceed the maximum number permitted under any applicable law, ordinance or regulation adopted by the City of Bend, Oregon. Nothing contained in the Declaration or these Bylaws shall preclude an Owner from having a "home office" from which the Owner conducts some of his or her business affairs, provided (a) the average number of daily trips attributable to the Residential Unit does not exceed six, (b) the number of nonresidential occupants such as employees using the Residential Unit does not exceed two, (c) there are no signs visible from outside of the Residential Unit, and (d) the home office use does not cause any infiltration of noise, radiation, vibration, fumes or the like into other Residential Units to any degree that would constitute an unreasonable impediment to the residential use of other Units. Residential Units may not be used exclusively for office use even if the use would comply with the limitations stated above for home offices. Units of the Condominium may be used for operating the Association and for management of the Condominium. Timesharing of Units is prohibited. Except as permitted by the foregoing, no industry, business, trade, occupation or profession of any kind shall be conducted, maintained or permitted in any Unit (other than as set forth in Section 7.3). Nothing contained in this Section 7.2 shall prevent Declarant or Declarant's successors and assigns from completing the Units and the building they are in, maintaining Units as models for display purposes, and otherwise maintaining construction or sales offices, displays and signs.

7.3 Commercial Use. The Commercial Units may be used for commercial purposes, including, without limitation, restaurant use, but only if the commercial use of such Unit (i) is conducted such that daily business hours commence no earlier than 6:00 a.m. and end no later than 12:00 a.m., unless, in connection with special occasions, the Board approves in writing other hours of business for a specified date or dates, (ii) is conducted in accordance with all applicable zoning and land use regulations, if any, (iii) does not cause objectionable noise to emanate out of or arise from such Commercial Units, (iv) does not produce objectionable odors, (iv) is not an adult entertainment, adult studio, adult arcade or any other type of adult business, and (v) does not involve the storage of material amounts of highly combustible materials or other materials that

would pose an unreasonable threat to the Condominium or well-being of the Owners. In no event shall a dry cleaning facility be permitted in the Condominium. For purposes of construing the foregoing provisions, the term "adult" shall mean, without limitation and for purposes of illustration, pornographic or sexual items or activities, the term "objectionable noise" shall mean, without limitation and for the purpose of illustration, persistent loud noises made by (i) machinery or equipment, (ii) a gathering of disorderly persons, or (iii) music that can be heard or felt outside the Commercial Unit in which such music is played, and the term "objectionable odors" shall mean, without limitation and for the purpose of illustration, strong or unpleasant odors such as odors produced by (i) gas-powered or diesel-powered machinery or equipment, (ii) refuse or garbage, (iii) brewed or fermented liquids (other than coffee or similar beverages), or (iv) any number of chemicals or solvents. "Objectionable odors" shall not include cooking and food smells associated with restaurant use of the Commercial Units, provided, however, that a restaurant user shall use reasonable efforts to mitigate odors from its use that would otherwise be offensive to a reasonable person, such as, for example, rotting food waste. The word "objectionable" shall be construed in every instance in accordance with the sensibilities of an ordinary and reasonable person residing in attached condominiums with associated restaurant use in the condominium in an urban environment. The Owner of each Commercial Unit shall have the sole authority, in its sole discretion, to determine whether the proposed commercial use is permitted under this Section. The Owner of each Commercial Unit may assign this authority to the Board. In the event of such an assignment, the determination of the Board with respect to the restrictions imposed by this Section 7.3 shall be final and conclusive, unless a special meeting for the purpose of reviewing the propriety of such decision is called pursuant to Section 2.5 and at that meeting, providing a quorum is certified, at least seventy-five percent (75%) of the voting power of the Association vote, either in person or by proxy, to overturn the decision of the Board, in which case the written determination of the Owners at such meeting shall be final and conclusive. Notwithstanding anything to the contrary in this Section 7.3, the Board shall have the authority to enforce the restrictions set forth in this Section 7.3 against the Owners and occupants of the Commercial Units.

7.4 Insurance Risk. No Unit or Common Elements shall be occupied or used by anyone in such a manner as to result in an increase in the cost of casualty or liability insurance on the Condominium or the risk of cancellation, or threat of cancellation, of any policy of insurance on the Condominium or any Unit or any part of the Common Elements.

7.5 Compliance. Each Owner shall comply and shall require all residents, servants, invitees, employees and visitors to his or her Unit to comply with the Act, the Declaration, these Bylaws and the Rules and Regulations adopted pursuant thereto.

7.6 Alterations. Except as otherwise permitted by these Bylaws or the Declaration, no Owner shall make or allow any structural alterations in or to any of his or her Units, or make or allow any alteration or installation on or to the Common Elements or allow others to do so, or maintain, decorate, alter or repair any part of the Common Elements, without the prior consent in writing of the Board. The Board shall consider the granting of such consent only after the Owner shall submit a complete set of architectural, mechanical, electrical or other relevant plans and specifications, which submission shall be reviewed by such architects and engineers as the Board shall deem appropriate. The Board shall provide a copy of such submission materials to Declarant or its successors and assigns upon receipt. Whether or not such consent is granted, the Owner shall pay, upon demand and in advance, if so required by the Board, for such

professional review. During the course of construction and after completion of same, the Board may cause its professional advisors to inspect the work to ensure that it is performed in compliance with the approved plans. The costs of such inspection(s) shall be paid by the Owner to the Board, upon demand. The Board shall provide reasonable advance notice to Declarant or its successors and assigns of its inspection to Declarant and Declarant or its contractors or agents may, but shall not be obligated to, inspect the work concurrently with the Board's professional advisors. Prior to commencement of construction, the Owner shall provide the Board with copies of all relevant building permits and evidence of due compliance with any other requirements of government bodies having jurisdiction regarding such work. Except as otherwise permitted by Section 7.16, no signage or graffiti visible from the exterior of a Unit, window display, window attachment, or lighting directed from a Unit to its exterior shall be permitted without the prior written approval of the Board; provided that this sentence shall not apply to draperies, blinds, and similar window coverings. An Owner may have removed by the Association, at such Owner's expense, a part of the partition wall separating contiguous Primary Units owned by an Owner provided that (i) such removal shall not interfere with any structural support elements or loadbearing partitions or columns or with any pipes, wires, cables, conduits or ducts or other mechanical systems and (ii) such Owner agrees in writing to have the Association restore such wall at such Owner's expense in the event that the ownership of the Units is subsequently divided. Before proceeding with any approved alterations or improvements, the Owner shall, if the Board so requires, provide to the Association, at the expense of the Owner, a performance bond and a labor and materials bond, issued by a surety satisfactory to the Board, each in the amount of at least one hundred twenty-five percent (125%) of the estimated cost of such alterations or improvements or such other security as shall be satisfactory to the Association. In order to prevent damage to the structural integrity of any building forming part of the Condominium, in no event may any Owner, the Association, the Board or any other entity or any agents, employees, permittees, or licensees of the foregoing, drill, bore, or cut any holes into any floor or ceiling of the Condominium more than 3/4" in depth, and the Board shall not consent to any such actions unless engineering studies confirm to the Board in the Board's sole discretion that such drilling, boring or cutting shall not compromise the structural integrity of the Condominium. In no event shall an Owner or occupant install a molly bolt in perimeter or demising walls or penetrate such walls beyond the sheetrock.

7.7 Occupants of Corporate Unit. Whenever a Residential Unit is owned in whole or in part by a partnership, corporation, trust, or other entity, such an entity shall designate at the closing of the acquisition of its ownership interest one particular person or family that shall be entitled to be the primary occupant of the Residential Unit. Only such designated person or family, its servants and non-paying guests may occupy such Residential Unit. A different person or family may be so designated as the named user of a Residential Unit by written notice to the Association; provided, however, that no more than two such changes may be made in any calendar year.

7.8 Non-Interference. Each Unit shall be used only for such purpose and to such extent as will not overload or interfere with any Common Elements or the enjoyment thereof by the other Owners or occupants.

7.9 Nuisances. No nuisances or noxious or offensive activities shall be allowed in the Condominium nor shall any use or practice be allowed that is improper or offensive in the opinion of the Board or that unreasonably interferes with or is an unreasonable

annoyance to the peaceful possession or proper use of the Condominium by other Owners or occupants or requires any alteration of or addition to any Common Element. The determination of acceptable commercial uses within the Condominium shall be made in accordance with Section 7.3. Residential Unit occupants and their guests shall exercise extreme care not to make or allow noises that may disturb other occupants or guests, including the use of musical instruments, radios, televisions, speakers and amplifiers. Televisions and speakers for audio equipment may not be mounted on or against perimeter walls or on floors of a Residential Unit without an adequate sound barrier to prevent vibration and transmission of bass sounds outside the Unit. Road noise, noise from mechanical systems of the Condominium, the elevators, air compressors and other incidental noises from a multi-family building, including, without limitation, from residents' use of the balconies and rooftop deck, in accordance with these Bylaws and the Rules and Regulations, shall not be considered nuisances. In addition, smells from the use of permitted barbecues on balconies shall not be considered nuisances. Owners shall not discard or throw, or allow to be discarded or thrown, intentionally or otherwise, any items from the windows or the balconies adjacent to their Units, including, without limitation, cigarettes or ashes. Owners shall not allow the storage or use of hazardous substances in their Units other than normal cleaning materials stored and used in accordance with applicable law. Owners and other occupants shall not engage in any abusive or harassing behavior, either verbal or physical, or any form of intimidation or aggression directed at other Owners, occupants, guests, or invitees, or directed at the manager, its agents or employees, or vendors.

7.10 Unlawful or Improper Activities. No unlawful use shall be made of the Condominium or any part thereof, and all Legal Requirements shall be strictly complied with. Compliance with any Legal Requirements shall be accomplished by and at the sole expense of the Owner or Association, as the case may be, whichever is allowing or conducting the unlawful use or whichever shall have the obligation to maintain and repair the portion of the Condominium affected by any such Legal Requirement. Each Owner shall give prompt notice to the Board of any written notice received of the violation of any Legal Requirement affecting the Owner's Unit or Units or the Condominium. Notwithstanding the foregoing provisions, an Owner may, at such Owner's expense, defer compliance with and contest, by appropriate proceedings prosecuted diligently and in good faith, the validity or applicability of any Legal Requirement affecting any portion of the Condominium that such Owner is obligated to maintain and repair, and the Board shall cooperate with such Owner in such proceedings, provided that:

7.10.1 Such Owner shall pay and shall defend, save harmless, and indemnify the Board, the Association, and each other Owner against all liability, loss or damage that any of them respectively shall suffer by reason of such contest and any noncompliance with such Legal Requirement, including attorneys' fees and other expenses incurred;

7.10.2 Such Owner shall keep the Board advised as to the status of such proceedings; and

7.10.3 If any Owner conducts any activity or fails to comply with any Legal Requirement that increases the insurance premiums on insurance carried by the Association, or for which the Association is directly or indirectly responsible, such Owner shall pay such increased premium to the Association, upon demand, and if not so paid, such amount

shall bear interest after the date of such demand at the rate provided in Section 7.3 of the Declaration.

7.11 Contested Legal Requirements. An Owner need not comply with any Legal Requirement so long as the Owner is contesting the validity or applicability thereof as provided in Section 7.10, provided that noncompliance shall not create a dangerous condition or constitute a crime or an offense punishable by fine or imprisonment, and that no part of the Condominium shall be subject to being condemned or vacated by reason of noncompliance or otherwise by reason of such contest. The Board may also contest any Legal Requirement without being subject to the conditions described in Section 7.10 as to the contest and may also defer compliance with any Legal Requirement, subject to the conditions contained in this Section 7.10 as to deferral of compliance by an Owner, and the costs and expenses of any contest by the Board shall be a common expense.

7.12 Improper Discharge. No Owner or occupant shall discharge, or permit to be discharged, anything into water lines, vents or flues of the Condominium that may violate applicable laws or regulations or might reasonably be anticipated to cause damage thereto or reduce the life expectancy thereof (excepting normal wear and tear), spread odors or otherwise be harmful or offensive.

7.13 Limitation on Storage Areas.

7.13.1 Other than items placed by Declarant or the Association, no furniture, packages or objects of any kind shall be placed in the lobbies, corridors, hallways, stairways, or any other part of the Parking Units or Common Elements (other than the balconies adjoining the Residential Units, if any), except as allowed in this Section 7. The lobbies, corridors, hallway and stairs shall be used only for normal passage. The provisions hereof shall not apply to Declarant until such time as all Primary Units have been initially sold and conveyed by Declarant; however, Declarant shall not use the Common Elements in such a manner as will unreasonably interfere with the use of the Residential Units for dwelling purposes.

7.13.2 Notwithstanding the provisions of Section 7.13.1, an Owner or occupant may place a doormat directly in front of the door to his or her Primary Unit, subject to limitations adopted by the Board from time to time regarding the dimensions, colors, design, materials, and similar matters.

7.13.3 An Owner who places or whose tenant or occupant places a doormat outside such Owner's Unit shall defend, indemnify and hold harmless the Association, its officers and directors, from any and all loss, liability or damages arising out of or relating to the presence or existence of such doormat.

7.13.4 Regardless of whether a doormat matches the dimensional or other objective requirements established by rule or regulation from time to time, the Board may order the removal of any doormat which it finds, in the sole and unfettered discretion of the Board, to be offensive or aesthetically objectionable, or which it finds to create a nuisance, obstruction or unreasonable risk to users of the Common Elements. The right of the Board so to order the removal of any doormat shall not place any legal obligation upon the Board to monitor doormats for safety or other purposes.



7.14 Tradesmen. Owners shall require their tradesmen to utilize exclusively the entrance, if any, designated by the Board for transporting packages, merchandise or any other objects.

7.15 Animals. A maximum of two (2) domestic household pets, limited to dogs, cats, birds and fish unless another type of domestic animal is permitted by the Board of Directors, may be kept within a Primary Unit; provided, however, that no two pets may be kept if together they exceed or are likely to exceed 65 pounds at full growth in combined weight; and provided further, no dog exceeding or likely to exceed 65 pounds in weight at full growth shall be kept under any circumstances unless allowed in writing by the Board of Directors on a case-by-case basis. Furthermore, in the case of dogs exceeding or likely to exceed 25 pounds in weight at full growth the following particular rules apply: (1) no dog may be kept within a Primary Unit unless its owner possesses for such dog a Canine Good Citizen Award issued by the American Kennel Clubs, and the owner presents to the Board, either at the closing of the Primary Unit or, in the case of such a dog acquired subsequent to closing, prior to bringing such dog into the Condominium, a copy of such award; and (2) no dog shall be kept unless its owner presents to the Board of Directors, either at the closing of the Primary Unit or, in the case of such a dog acquired subsequent to closing, prior to bringing such dog into the Condominium, documentation evidencing that such dog has been spayed or neutered, as the case may be, and that all customary inoculations for such dog, including, without limitation, vaccine for rabies, are current and regularly maintained. In any case, no dogs, cats, or other pets shall be kept unless they are currently licensed in accordance with municipal or governmental ordinance, rule or regulation, as applicable. No dogs, cats or pets shall be permitted to run at large. No livestock, poultry, rabbits or other animals whatsoever shall be allowed or kept, bred or raised for commercial purposes in any part of the residential areas of the Condominium, including, without limitation, the Residential Units. Any damage caused by such pets shall be the responsibility of the respective Owners thereof. At all times the Common Elements shall be free from pet debris, including food and fecal matter. Pets will not be allowed on any Common Element unless they are on a leash or being carried and are being walked to or from the Unit to a street or sidewalk. The Board may require the removal of any animal that the Board in the exercise of reasonable discretion determines to be disturbing other Owners unreasonably, and may exercise this authority for specific animals even though other animals are permitted to remain. The keeping of pets shall be subject to such other reasonable rules and regulations as the Board may adopt from time to time.

7.16 Signs and Displays. All signage displayed to public view, whether from a Unit or Common Element, shall be subject to rules and regulations thereon adopted by the Board pursuant to Section 7.26 except as otherwise provided herein. In no event shall any "for sale" or similar sign be placed in a window that is displayed to public view or any sign be placed on or in the vicinity of a common entry door of the Condominium, other than signs used by Declarant or the Owners of the Commercial Units to advertise Units for sale or lease, without the prior written approval of the Board, which shall not be unreasonably withheld, delayed or conditioned. The Owners of the Commercial Units may, and may allow their tenants to, post signs for commercial purposes within their Primary Unit or elsewhere at a location on the exterior of the Commercial Units, subject to the requirements of Section 7.6 above and any other Legal Requirements. The Owners of the Commercial Units may, and may permit their tenants to, also install window displays, window signs and display lighting for commercial purposes within the Commercial

Units, subject only to compliance with all Legal Requirements and the approval of the Board, which shall not be unreasonably withheld, conditioned or delayed. No sign shall be illuminated in a manner that unreasonably interferes with the enjoyment of any Unit.

7.17 Sidewalk Areas. Notwithstanding anything to the contrary in these Bylaws or the Declaration, the Owners of the Commercial Units may, and may permit its tenants to, use and place items on the sidewalks in front of the Commercial Units for uses consistent with such Owners' or tenants' business, provided that such use (i) complies with all Legal Requirements, (ii) does not materially obstruct pedestrian access, and (iii) such Owner or tenant shall indemnify the Association for all claims, cost, expense or liability arising out of such use.

7.18 Trash. No part of any Unit or the Common Elements shall be used or maintained as a dumping area for rubbish, trash, garbage or other waste, other than designated common trash disposal areas. No such items shall be kept or maintained excepting sanitary containers in areas designated therefor.

7.19 Auctions or Open House. No Owner shall, when attempting to sell, lease or otherwise dispose of his Unit, or any personal property located therein, hold an "open house" or "auction" without the prior written approval of the Board of an access security management plan for the event. The Board shall approve any reasonable access security management plan.

7.20 Overloading. No Owner shall do anything to overload any part of a Unit or any part of the Common Elements.

7.21 Hot Tubs. No hot tubs or Jacuzzis may be installed on any porches, decks, balconies or patios.

7.22 Rooftop Deck. The Owners, occupants and tenants of the Commercial Units may, subject to availability, rent the rooftop deck from the Association for private parties and other special events. The Board shall establish the amount of rental fees, cleaning charges, rental hours and all other terms of such rental arrangements in the Board's sole discretion. During unreserved periods the rooftop deck shall be available for use on a shared basis by all Owners, tenants and occupants of the Residential Units. Use of the Rooftop deck shall be subject to the Rules and Regulations.

7.23 Window Coverings. All window coverings visible from the exterior of the Condominium shall be of the same color palette as specified by Declarant, samples of which are in the homeowner specification books provided to the Association by Declarant.

7.24 Balconies. Owners and occupants may use only natural gas barbeques on the balconies. In no event may charcoal or propane barbeques be used on the balconies. In no event may deep fryers be used on any part of the Condominium. In no event may speakers or other audible audio devices be placed or used on the balconies. Owners and occupants may place well-maintained patio furniture and potted plants with drip containers on the balcony reserved for their use, provided that in no event may drip irrigation systems be used for such plants and so long as none of the foregoing items protrude from or overhang the balcony. No bicycles shall be stored on the balconies. Other items may be allowed to be placed on balconies or hung from balcony walls or railings only with the prior written consent of the Board or

pursuant to Rules and Regulations adopted by the Board pursuant to Section 7.26. In no event shall items be placed on a balcony that collectively exceed 60 pounds per square foot of space occupied by such item, including the weight of plants immediately after watering. Owners and occupants shall promptly clean up debris and water on their balcony.

7.25 Over-the-Air Reception Devices. Radio and television dishes and antennas and other over-the-air reception devices ("OTARDs") that are subject to the FCC's Over-the-Air Reception Devices Rule may be installed on an Owner's Limited Common Elements to the extent feasible and painted so as to camouflage the OTARD. If such a location is not feasible then the Owner may apply to the Board for an acceptable location on the General Common Elements for the OTARD. In the event of such lack of feasibility, the Board shall permit the Owner to install the OTARD on the General Common Elements in a specific location where it is feasible to obtain the desired service as is reasonably determined by the Board. Prior to installation of any OTARD, the Owner shall submit to the Board detailed plans and specifications for any OTARD that the Owner wishes to install on the Common Elements (General Common Elements or Limited Common Elements), and shall not commence any construction, installation or operation of any such OTARD until the plans and specifications have been approved in writing by the Board. The Board may condition its approval upon, among other things, the provision of reasonable security to insure the performance of the Owner's obligations under this Section 7.25. Any such OTARD shall be painted as directed by the Board so as to camouflage the installation if that will not interfere with the desired service. The Board shall have the right to supervise the installation and removal of any such OTARD. The Board shall also have the right to require landscaping or other materials be installed at the Owner's expense to reasonably screen any such OTARD from view and to enforce reasonable OTARD safety and maintenance requirements. Board approval shall also be required for any OTARD mast installation that would be more than 12 feet in height or any OTARD dish that would be more than three feet in diameter.

7.26 Association Rules and Regulations. In addition to the foregoing requirements, the Board from time to time may adopt, modify, or revoke such Rules and Regulations governing the conduct of persons and the operation and use of the Units and the Common Elements as it may deem necessary or appropriate in order to assure the peaceful and orderly use and enjoyment of the Condominium including, without limitation, establishment of reasonable administrative fees, such as fees for new owner set-up and owner's packet, move-in and move-out fees, etc. Any such Rules and Regulations may be amended, modified or revoked by the Owners in the same manner as these Bylaws. Any rules or regulations affecting the use of the Commercial Units must be approved by a majority of the Owners of the Commercial Units. Any such Rules and Regulations may be amended, modified or revoked by the Owners in the same manner as these Bylaws. A copy of the Rules and Regulations, upon adoption, and a copy of each amendment, modification or revocation thereof, shall be delivered by the Board promptly to each Owner and shall be binding upon all Owners and occupants of all Units from the date of delivery.

7.27 Activities of Declarant. Nothing in this Article 7 or in the other provisions of these Bylaws shall be construed to limit, modify, or otherwise restrict the rights of Declarant pursuant to the Declaration with respect to the planning, designing, developing, constructing, and sale of improvements on the Property.

7.28 Entry System. The entry system for the Condominium may utilize a channel of the cable television service serving the Condominium unless modified by the Board or the service provider.

8. MAINTENANCE OF CONDOMINIUM PROPERTY; CONDEMNATION.

8.1 Maintenance and Repair. Except as otherwise provided in the Declaration for damage or destruction caused by casualty:

8.1.1 Units. All maintenance of and repairs to any Primary Unit and any Storage Unit shall be made by the Owner of such Unit, who shall keep the same in good order, condition, and repair and shall do all redecorating, painting, and staining which at any time may be necessary to maintain the good appearance and condition of his Unit or Units. In addition, each Owner of a Primary Unit shall be responsible for the maintenance, repair, or replacement of any plumbing, heating or air conditioning fixtures, telephones, water heaters, fans, lighting fixtures and lamps, refrigerators, dishwashers, ranges, or other appliances and accessories that may be in his or her Primary Unit, and each Owner of a Storage Unit shall be responsible for the maintenance, repair and replacement of the exterior doorway or face panel of any Storage Unit and any fixtures thereon, such as knobs, handles and hinges, the interior surfaces of the Storage Unit, and any lighting fixtures or other fixtures located within, or attached to the interior of the Storage Unit. Each Owner of a Commercial Unit shall maintain, repair and replace the heating, ventilation and air conditioning equipment exclusively serving such Owner's Unit, regardless that such equipment may be located outside such Unit. In conducting such maintenance, the Owner must coordinate, in advance, the repair, maintenance and replacement of any such equipment located outside the Unit with the Board or the Association's managing agent. Each Owner shall maintain the interior doors which provide the means of ingress and egress to and from his or her Primary Unit (including the repair of any damage thereto). Each Owner of a Residential Unit shall keep the balcony located adjacent to such Owner's Unit, if any, clean and free of water and debris, notwithstanding that such balcony is a Common Element.

8.1.2 Common Elements, Parking Units and Association Property. Except as otherwise provided in these Bylaws, the necessary work to inspect, maintain, repair, or replace the Common Elements, including the Parking Units (notwithstanding that such Parking Units are not Common Elements) shall be the responsibility of the Association and shall be carried out as provided in these Bylaws and the Maintenance Plan. Without limitation of the foregoing, the Association shall be responsible for the painting, staining, repair and replacement of the exterior surfaces of all Units (including, without limitation, the repair and replacement of the roof, exterior doors and door frames, windows and window frames); cleaning of the exterior surfaces of all window and door glass; and the cutting, pruning, trimming, and watering of all landscaping. The Association is responsible for maintaining warranties in effect for all portions of the Common Elements and Parking Units, to the fullest extent possible. If the Mortgagee of any Primary Unit determines that the Board is not providing an adequate inspection, maintenance, repair, and replacement program for the Common Elements and Parking Units, such Mortgagee, at its option, may deliver a notice to the registered agent of the Association, as required pursuant to Section 100.550 of the Act, setting forth the particular defect(s) which it believes exists in the maintenance, repair, and replacement program. If the specified defect(s) are not corrected within sixty (60) days after receipt of such notice, then the Mortgagee, upon

written notice to the registered agent that it is exercising its proxy rights thereunder, shall have the right to attend succeeding annual or special meetings of the Association and to cast a vote for each Primary Unit on which it holds a Mortgage on all business coming before such meeting, which proxy rights shall continue until the defect(s) described in the notice are corrected.

8.1.3 Repairs by Association. The Association may make repairs that an Owner is obligated to make and that he or she does not make within a reasonable time. If such repairs are of an emergency nature (in that the repairs must be promptly made to prevent further or imminent potential damage to the Unit involved, other Units or any Common Element), the Association may make such repairs immediately, without notice to the Owner, if he or she is not available for reasonable notification within the time frame that the nature of the emergency shall reasonably afford. The Association shall indemnify its agents, employees and other of its representatives from any and all liability to any Owner incurred by reason of any reasonable exercise of the right of entry afforded in the Declaration or these Bylaws to effect emergency repairs. The Association shall have no liability to an Owner for any use of its right of entry or right to make emergency repairs if it shall have reasonable cause to believe that such action is required. An Owner shall be deemed to have consented to having such repairs done to his or her Unit by the Association. An Owner shall reimburse the Association in full for the cost of such repairs, except to the extent covered by insurance proceeds received by the Association, including any legal or collection costs incurred by the Association in order to collect the costs of such repairs. All such sums of money shall bear interest from the due date therefor at the rate provided in Section 7.4 of the Declaration. The Association may collect all such sums of money in such installments as the Board may determine, which installments shall be added to the monthly contributions towards the common expenses of such Owner, after the Owner's receipt of notice thereof. All such payments are deemed to be additional contributions towards the common expenses and recoverable as such.

8.2 Additions, Alterations, or Improvements. Except as otherwise permitted by the Declaration or these Bylaws, an Owner shall not, without first obtaining the written consent of the Board (if so required by Section 7.6) and satisfying the other requirements provided for in Section 7.6, as applicable, make or permit to be made any structural alteration, improvement, or addition in or to his or her Unit or Units, or in or to the exterior of any building forming part of the Condominium or any Common Element. An Owner shall make no repair or alteration or perform any other work on his or her Unit or Units that would jeopardize the soundness or safety of the Condominium, or reduce the value thereof or impair any easement or other right, unless the written consent of all Owners affected is also obtained. Other than as permitted by the Declaration or these Bylaws, an Owner shall not modify, alter, add to, paint or decorate any portion of the exterior of any building forming part of the Condominium or any Common Element without first obtaining the written consent of the Board and satisfying the other requirements of Section 7.6. In order to prevent damage to the structural integrity of any building forming part of the Condominium, in no event may any Owner, the Association, the Board or any other entity or any agents, employees, permittees, or licensees of the foregoing, drill, bore, or cut any holes into any floor or ceiling of the Condominium more than 3/4" in depth, and the Board shall not consent to any such actions unless engineering studies confirm to the Board in the Board's sole discretion that such drilling, boring or cutting shall not compromise the structural integrity of the Condominium.

8.3 Failure to Follow Maintenance Plan. If the Association fails to follow the maintenance and inspection requirements contained in the Maintenance Plan described in Section 3.2.4 above, then the Association hereby waives any claim it might otherwise have against Declarant and its design professionals, contractors and subcontractors and their consultants, including without limitation, all of their officers, members, directors, employees, agents, brokers and affiliates, for loss or damage to the extent the same results from such failure to follow the Maintenance Plan, and shall indemnify such persons and entities from and against claims by Owners or other persons or entities for loss or damage resulting from such failure.

## 9. INSURANCE.

9.1 Types. Each Owner shall be responsible for obtaining, at his own expense, insurance covering his property not insured under Section 9.1.1 below and against his liability not covered under Section 9.1.2 below, unless the Association agrees otherwise. For the benefit of the Association and the Owners, the Board shall obtain and maintain at all times, and shall pay for out of the common expense funds, the following insurance:

9.1.1 Insurance covering loss or damage under an all-risk replacement cost policy, which coverage must include fire, extended coverage, vandalism and malicious mischief (but need not include flooding and earthquake coverages), and such other coverages, including "all-risk" coverage, which the Association may deem desirable, for not less than the full insurable replacement value, including the cost of replacement in compliance with the then applicable building codes, of the Units and Common Elements, including any fixtures (including built-in kitchen appliances), building service equipment, and common personal property, Association Property and supplies belonging to the Association. Such policy or policies shall name the Association and the Owners as insureds, as their interests may appear, and shall provide for a separate loss payable endorsement in favor of the Mortgagee of each Unit, if any. No such policy shall contain a deductible exceeding five percent (5%) of the face amount of the policy.

9.1.2 A policy or policies insuring the Association, the Board, the Owners and the managing agent, against liability to the public or to the Owners, and their employees, invitees, or tenants, incident to the supervision, control, operation, inspection, maintenance, or use of the Condominium, including all Common Elements, public ways, and any other areas under the supervision 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) 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 Condominium as to which such Owner has the exclusive use or occupancy. Limits of liability under such insurance shall not be less than One Million Dollars (\$1,000,000.00) on a combined single limit basis. In addition to the indexing provided under Section 12.7 of these Bylaws, the foregoing policy limits of liability shall be increased, in the sole discretion of the Board. Such policy or policies shall be issued on a comprehensive liability basis and shall provide cross liability endorsement wherein the rights of the named insured under the policy or policies shall not be prejudiced as respects any action against another named insured.

9.1.3 Worker's compensation insurance to the extent necessary to comply with any applicable laws.

9.1.4 Directors' and officers' liability insurance with coverage in an amount of not less than One Million Dollars (\$1,000,000), subject to a reasonable deductible which shall be determined by the Board.

9.1.5 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 the Association has retained a manager, such manager shall maintain fidelity insurance for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Association. The cost of such insurance shall be at the expense of the Association. The total amount of fidelity insurance coverage required shall be based upon the best business judgment of the Board. In no event, however, may the aggregate amount of such insurance be less than the sum equal to three months' aggregate assessments on all units plus reserve funds. Such fidelity insurance shall name the Association as obligee and shall contain waivers by the issuers of the insurance 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 it 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.

9.2 Mandatory Policy Provisions. Insurance obtained by the Association shall be governed by the following provisions:

9.2.1 All policies shall be written with the State of Oregon or a company licensed to do business in the State of Oregon which falls into a "B" or better general policyholder's rating or a "6" or better financial performance index rating in Best's *Insurance Reports*, an "A" or better general policyholder's rating and a financial size category of "VIII" or better in Best's *Insurance Reports – International Edition*, an "A" or better rating in Demotech's *Hazard Insurance Financial Stability Ratings*, a "BBBq" qualified solvency rating or a "BBB" or better claims-paying ability rating in Standard and Poor's *Insurer Solvency Review*, or a "BBB" or better claims-paying ability in Standard and Poor's *International Confidential Rating Service*. Should reinsurance be involved, the Board shall use its best efforts to obtain such coverage from a reinsurer having a size rating of at least "AAA".

9.2.2 All losses under policies hereafter in force placed by the Association regarding the Condominium shall be settled exclusively by the Board or its authorized representative. The Board may give such releases as are required, and any claimant, including the Owner of a damaged Unit, shall be bound by such adjustment; provided, however, that the Board may, in writing, authorize an Owner to adjust any loss to his or her Unit or Units.

9.2.3 Any Owner who obtains individual insurance policies covering any portion of the Condominium other than his or her personal property and fixtures (other than built-in kitchen appliances) shall file a copy of such individual policy or policies with the Association within thirty (30) days after the purchase of such insurance.

9.2.4 Notwithstanding the provisions of these Bylaws, there may be named as an insured, on behalf of the Association, the Association's authorized representative, including any trustee with whom the Association may enter into any Insurance Trust Agreement, or any successor to such trustee. Such insurance trustee shall have exclusive authority to negotiate losses under any property or liability insurance policy. Each Owner appoints the Association, or any insurance trustee or substitute trustee designated by the Association, as attorney-in-fact for the purpose of purchasing and maintaining such insurance including: the collection and appropriate disposition of the proceeds thereof, the negotiation of losses and execution of releases of liability, the execution of all documents, and the performance of all other acts necessary to accomplish such purchase. The Association or insurance trustee shall receive hold, or otherwise properly dispose of any proceeds of insurance in trust for Owners and their first mortgage holders, as their interests may appear.

9.2.5 All property insurance policies shall contain a "Special Condominium Endorsement" or its equivalent providing for the following: recognition of any Insurance Trust Agreement, a waiver of the right of subrogation against Owners individually, that the insurance is not prejudiced by any act or neglect of individual Owners that is not in the control of such Owners collectively, and that the policy is primary in the event the Owner has other insurance covering the same loss.

9.2.6 For purposes of this Section 9, insurance policies are unacceptable where (i) under the terms of the insurance carrier's charter, bylaws or policy, contributions or assessments may be made against the Association Owners, or (ii) by the terms of the carrier's charter, bylaws or policy, loss payments are contingent upon action by the carrier's board of directors, policyholders or members, or (iii) policy includes any limiting clauses (other than insurance conditions) that could prevent collecting insurance proceeds.

9.2.7 All policies required by this Section 9 shall provide that they may not be canceled or substantially modified without at least ten (10) days' prior written notice to the Association and to each holder of a first mortgage which is listed as a scheduled holder of a first Mortgage in the insurance policy. Evidence of insurance shall be issued to each Owner and Mortgagee upon request.

9.2.8 Each Owner shall be required to notify the Board of all improvements made by the Owner to his or her Unit, the value of which is in excess of Two Thousand Dollars (\$2,000). Nothing in this paragraph shall permit an Owner to make improvements without first obtaining the approval of the Board pursuant to these Bylaws.

9.3 Discretionary Provisions. The Board shall make every effort to secure insurance policies that will provide for the following:

9.3.1 A waiver of subrogation by the insurer as to any claims against the Association, the Board, the manager, the Owners and their respective servants, agents, household members, and guests, except for arson and fraud;

9.3.2 A provision that any master policy on the Condominium cannot be canceled, invalidated, or suspended, nor coverage denied thereunder, on account of the conduct of any one or more individual Owners;



9.3.3 A provision that any master policy on the Condominium cannot be canceled, invalidated, or suspended on account of the conduct of any officer or employee of the Board or the manager without prior demand in writing that the Board or manager cure the defect;

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

9.3.5 A provision that the insurer issue subpolicies specifying the portion of any master policy earmarked for each Owner's interest and that until the insurer furnishes written notice and a grace period to the Mortgagee insured under the loss payable clause thereof, the Mortgagee's coverage is neither jeopardized by the conduct of the mortgagor-Owner, the Association, or other Owners, nor canceled for nonpayment of premiums;

9.3.6 A rider on any master policy patterned after "Use and Occupancy" insurance which will provide relief from monthly assessments while a Unit is uninhabitable by the payment of the Condominium expenses thereof and any other fixed costs, including, but without being limited to, taxes, rent, insurance, and Mortgage payments. The proceeds from any casualty policy, whether held by the Association or an Owner, payable with respect to any loss or damage to the Common Elements, shall be held in trust for the benefit of all insureds as their interests may appear;

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

9.3.8 Waivers of any defense based on co-insurance or of invalidity arising from the conduct or any act or omission or breach of a statutory condition of or by any insured;

9.3.9 A provision that the same shall be primary insurance in respect of any other insurance carried by any Owner;

9.3.10 An "inflation guard" endorsement;

9.3.11 An endorsement providing coverage with respect to changes that may be required under applicable codes or ordinances to undamaged portions of the Condominium in the event of a casualty affecting a portion of the Condominium; and

9.3.12 A provision that any insurance trust agreement will be recognized.

#### 9.4 Additional Requirements.

9.4.1 Prior to obtaining any policy or policies of insurance under Section 9.1.1, or any renewal or renewals thereof and if any first Mortgagee holding Mortgages on at least seventy-five percent (75%) of the Primary Units so requires, or at such other times as the Board may deem advisable, the Board shall obtain an appraisal from an independent qualified

appraiser, of the "full replacement cost" of the Condominium, for the purpose of determining the amount of insurance to be obtained pursuant to Section 9.1.1, and the cost of such appraisal shall be a common expense to be allocated in accordance with Section 7.1 of the Declaration; provided, however, that the full replacement cost of the Condominium for the policy or policies of insurance placed in force upon recording of these Bylaws or the Declaration shall be determined by Declarant.

9.4.2 No Mortgage may be placed against any Unit unless the Mortgagee agrees to waive any contractual or statutory provision giving the Mortgagee the right to have the proceeds of any insurance policy or policies applied on account of the Mortgage and thereby prevent application of the proceeds of any insurance policy or policies towards the repair of the property pursuant to the provisions of these Bylaws. This Section 9.4.2 shall be read without prejudice to the right of a Mortgagee to vote on or to consent to certain matters, if the Mortgage itself contains a provision giving the Mortgagee that right, and also to the right of any Mortgagee to receive the proceeds of any insurance policy, if the insured property is not repaired.

9.4.3 A certificate or memorandum of all insurance policies and endorsements thereto shall be issued as soon as possible to each Owner and a duplicate original or certified copy of the policy or policies to each Mortgagee. Renewal certificates or certificates of new insurance policies shall be furnished to each Owner and Mortgagee not later than 10 days before the expiration of any current insurance policy. The master policy (or a copy thereof) for any insurance coverage shall be kept by the Association in its office, available for inspection by an Owner or Mortgagee on reasonable notice to the Association.

9.4.4 No insured, other than the Association, shall be entitled to amend any policy or policies of insurance obtained and maintained by the Association, or to direct that loss shall be payable in any manner other than as provided in these Bylaws.

9.5 By the Owner. It is acknowledged that the foregoing provisions specify the only insurance required to be obtained and maintained by the Association and that the following insurance shall be obtained and maintained by each Owner, as specified.

9.5.1 Insurance on any additions or improvements made by the Owner to his or her Unit or Units shall be purchased and maintained for the full insurable value thereof, to the extent not covered by the Association's insurance policy, unless the Owner presents in writing to the Board evidence that the additions or improvements made by the Owner to his or her Unit are insurable under the insurance issued pursuant to Section 9.1.1 and the Board, after consultation with the Association's insurer, concurs that such additions or improvements are insured under such insurance and, if necessary, the Association's insurer undertakes the requisite action to cause the additions or improvements to be added to the policy issued pursuant to Section 9.1.1. Insurance also shall be purchased by the Owner for furnishings, fixtures (other than built-in kitchen appliances), equipment, decorating and personal property and chattels of the Owner contained within his or her Unit or Units, and his or her personal property and chattels stored elsewhere on the Property, including his or her automobile or automobiles, and for loss of use and occupancy of his Unit or Units in the event of damage. Owners shall be responsible for insuring the deductible amount under the Association's policies. The Association shall notify all Owners of the amount of the deductible under the Association policies, and to the extent

reasonably practicable, the Association shall give at least thirty (30) days' notice to the Owners of any increase in the deductible proposed in renewal or replacement insurance policies. Any such policy or policies of insurance shall contain waivers of subrogation against the Association, its manager, agents, employees and servants, and against the other Owners and any members of their households, except for vehicle impact, arson and fraud.

9.5.2 Public liability insurance in the amount reasonably set by the Board no more often than every three years, covering any liability of any Owner to the extent not covered by any public liability and property damage insurance obtained and maintained by the Association, including, without limitation, damages caused by fixtures, equipment, or personal property under the custody, care, or control of the Owner; provided that the Board may require the Commercial Unit Owners to maintain public liability insurance in an amount greater than the amount required of the Owners of the Residential Units.

9.5.3 If the Board is unable to obtain the rider specified in Section 9.3.6, then the Owner shall obtain and pay the expense of such rider.

9.5.4 In the case of the Commercial Units being used for commercial purposes as permitted in Section 9 of the Declaration, such other insurance coverages as are customarily maintained by owners of businesses comparable to those operated within such Unit.

## 10. AMENDMENTS TO BYLAWS.

10.1 How Proposed. Amendments to the Bylaws shall be proposed by either a majority of the Board or by Owners holding at least thirty-four percent (34%) of the voting power of the Association. 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.

10.2 Adoption. A resolution adopting a proposed amendment may be proposed by either the Board or by the Owners and may be approved by a majority of the Owners at a meeting called for this purpose. Owners not present at the meeting considering such amendment may express their approval in writing or by proxy delivered to the Board at or prior to such a meeting. Any resolution shall be approved by at least a majority of the Owners, except that any resolution containing an amendment relating to age restrictions, pet restrictions, limitations on the number of persons who may occupy a Primary Unit and limitations on leasing or rental of Primary Units shall be approved by at least seventy-five percent (75%) of the voting power of the Association, and except that any provision of these Bylaws that is required to be in the Declaration may be amended only in accordance with the requirements governing amendment of the Declaration. Notwithstanding the foregoing, these Bylaws may not be amended in a manner that imposes additional burdens upon or takes away or impairs rights particular only to, the Residential Units or the Commercial Units without the approval of a majority of the Residential Units Owners, if the Residential Units are so affected and without the approval of the Commercial Unit Owners, if the Commercial Units are so affected. Any amendment to these Bylaws shall also require the consent of Declarant for so long as Declarant owns a Primary Unit or for a period of ten (10) years following the Turnover Meeting, whichever is later. In addition to the foregoing approval requirements, amendment of the following provisions of these Bylaws shall require the prior written approval of at least fifty-one percent (51%) of holders of first

Mortgages on Primary Units (based upon one vote for each first Mortgage held): (i) Section 8.1, which addresses maintenance and repair; (ii) Article 9, which addresses insurance requirements; and (iii) any other provision of these Bylaws which expressly benefits Mortgagees of Units or insurers or guarantors of such Mortgages. Any approval of a Mortgagee required under this Section 10.2 may be presumed by the Association if the Mortgagee fails to submit a response to a written proposal for an amendment to these Bylaws within sixty (60) days after it receives notice of such proposal by certified or registered mail, return receipt requested. These Bylaws may not be modified, added to, amended or repealed so as to eliminate, change, or impair any rights, privileges, easements, licenses or exemptions granted therein or herein to Declarant or its designee, or otherwise adversely affect Declarant or such designee, without Declarant's or such designee's prior written consent in each instance.

10.3 Execution and Recording. An amendment shall not be effective until certified by the Chairperson and Secretary of the Association, approved by the Real Estate Commissioner of the State of Oregon if required by law, and recorded in the deed records of Deschutes County, Oregon as required by law.

## 11. LITIGATION.

11.1 By Less than All Owners. If any action is brought by one or more but less than all Owners on behalf of the Association and recovery is obtained, the plaintiff's expenses, including reasonable counsel's fees, shall be a common expense; provided, however, that if such action is brought against all of the Owners or against the Board, the officers, employees, or agents thereof, in their capacities as such, with the result that the ultimate liability asserted would, if proved, be borne by all the Owners, the plaintiff's expenses, including counsel's fees, shall not be charged to or borne by the other Owners, as a common expense or otherwise.

11.2 Complaints Against. Complaints brought against the Association, the Board or the officers, employees, or agents thereof, in their respective capacities as such, or against the Property as a whole, shall be directed to the Board, which shall promptly give written notice thereof to the Owners and any Mortgagees who have requested notice thereof and shall be defended by the Board, and the Owners and Mortgagees shall have no right to participate other than through the Board in such defense. One or more Owners shall have the right to enjoin, abate, or remedy by appropriate legal proceedings any failure by the Association or the Board to comply with the provisions of the Declaration, these Bylaws, or any Rule or Regulation. Complaints against one or more, but less than all of the Owners, shall be directed to such Owners, who shall promptly give written notice thereof to the Board and to the Mortgagees having an interest in such Units, and shall be defended by such Owners.

11.3 Mediation. Prior to initiating litigation, arbitration or an administrative proceeding in which the Association and a Unit Owner have an adversarial relationship, all claims shall first be submitted to mediation within Deschutes County, Oregon with any dispute resolution program available that is in substantial compliance with the standards and guidelines adopted under ORS 36.175, as it may be amended. The foregoing requirement does not apply to circumstances in which irreparable harm to a party will occur due to delay or litigation or an administrative proceeding initiated to collect assessments, other than assessments attributable to fines.

11.4 Limitations on Actions. Notwithstanding any other provision of the Declaration or these Bylaws, the Association shall not expend or commit to expend in excess of \$2,500 for attorneys' fees and costs unless first approved by at least seventy-five percent (75%) of the voting power of the Association. The foregoing limitation shall not apply to: (i) actions for delinquent assessments or other charges under the Declaration or these Bylaws; (ii) actions initiated by the Association during Declarant's period of administrative control pursuant to Section 20 of the Declaration; (iii) actions challenging ad valorem taxation or condemnation proceedings; (iv) actions initiated against any contractor or vendor hired by the Association or supplier of goods and services to the Association; (v) the defense of claims filed against the Association or the assertion of counterclaims in proceedings instituted against the Association (except for non-mandatory counterclaims); (vi) actions to appoint a receiver pursuant to Section 5.9 of these Bylaws; or (vii) actions to summarily abate and remove a structure or condition that violates the Declaration or these Bylaws.

11.5 No Attorneys' Fees. Except as specifically provided for in the Declaration or these Bylaws, no party in an arbitration, mediation or other proceeding shall be entitled to recover costs and attorneys' fees in connection therewith.

11.6 Suits Against Declarant. Declarant shall have the right to be present at any meeting of the Association during which the Board or the Owners vote on whether to initiate legal action against Declarant. The Board shall provide Declarant with at least ten (10) days written notice of the time and place of any such meeting.

11.7 Initial Dispute Resolution Procedures. In the event of a claim by the Association or any Owner against Declarant or any contractor, subcontractor, or supplier for a construction defect, the parties shall first comply with the provisions contained in ORS 701.550 to 701.595. In the event the claim is not for a construction defect, but relates to a claimed defect in the condition of the project, the parties shall follow the same procedures as set forth in such provisions, except that the notice of defect shall include a statement of the basis upon which the recipient is claimed to be liable for the defect. Compliance with the procedures contained in this Section 11.7 shall be a condition precedent to mediation, arbitration or litigation of any such claims.

11.8 Reports on Litigation. The Board shall provide written reports to the Owners and Declarant, its successors and assigns from time to time (but in any event no less often than every six (6) months explaining the status of any pending claim, litigation, mediation or arbitration in which the Association is involved.

## 12. MISCELLANEOUS.

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

12.2 Waiver. No restriction, condition, obligation, or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

12.3 Invalidity; Number; Captions. The invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the remainder of these Bylaws. As used herein, the singular shall include the plural, and the plural the singular. The masculine and neuter shall each include the masculine, feminine and neuter, as the context requires. All captions used herein are intended solely for convenience of reference and shall in no way limit any of the provisions of these Bylaws.

12.4 Conflicts. These Bylaws are intended to comply with the Act and the Declaration. In case of any irreconcilable conflict, the Act and Declaration shall control over these Bylaws, any amendments hereto or any Rules and Regulations adopted hereunder.

12.5 Liability Survives Termination. The sale or other disposition of his Unit or Units shall not relieve or release any former Owner from any liability or obligation incurred or in any way connected to such ownership, nor shall such termination impair any rights or remedies that the Association may have against such former Owner arising out of or in any way connected with such ownership and the covenants and obligations incident thereto.

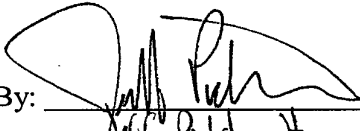
12.6 Indexing. Whenever any dollar amount is specified in these Bylaws, such amount shall be automatically adjusted each January 1 based upon any changes in the Consumer Price Index - All Items - for all urban consumers published by the U.S. Bureau of Labor Statistics (or any generally accepted substitute for such index, if such index shall be discontinued) using the index for January, 2008 as the base year.

12.7 Declarant as Owner. Except as expressly provided in these Bylaws and the Declaration, Declarant shall, with respect to any Units owned by Declarant, enjoy any and all rights, and assume any and all obligations, enjoyed or assumed by an Owner.

*(Remainder of Page Intentionally Left Blank;  
Signature Page Follows)*

The undersigned Declarant hereby adopts the foregoing Bylaws on behalf of the Association as of this 10 day of March, 2008.

TAYLOR PICKHARDT DEVELOPMENT, LLC,  
an Oregon limited liability company

By:   
Name: Jeff Pickhardt  
Title: Member