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**CONDOMINIUM DECLARATION
FOR
BEAR CREEK VILLAGE CONDOMINIUM**

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CONDOMINIUM DECLARATION
FOR
BEAR CREEK VILLAGE CONDOMINIUM

This Declaration submits to the provisions, restrictions and limitations of the Oregon Condominium Act, real property hereinafter described and all improvements now existing or to be constructed on such real property, to be known as BEAR CREEK VILLAGE CONDOMINIUM.

Recitals, Intent and Purpose

BLJ Enterprises, LLC, a Nevada limited liability company, ("Declarant"), is the owner in fee simple of the real property described herein below (the "Real Property"), and desires to submit the Real Property to the Condominium form of ownership, to be converted, handled and used in the manner provided by the Oregon Condominium Act.

NOW, THEREFORE,

Declaration

The Declarant hereby declares on behalf of itself, its successors, grantees and assigns, as well as to any and all persons having, acquiring or seeking to have or acquire any interest of any nature whatsoever in and to any part of the Real Property, as follows:

1. **DEFINITIONS.** Except as otherwise provided or modified by this Section 1, the terms contained herein shall have the meaning set forth in the Oregon Condominium Act, ORS 100.005 et seq., and said statute and its definitions are incorporated herein by this reference. As used in this Declaration and in the bylaws (the "Bylaws") of Bear Creek Village Condominium Association ("Association"), the following terms shall have the following meanings:

1.1 Association shall mean and refer to the Bear Creek Village Condominium Association which shall be an Oregon nonprofit corporation.

1.2 Condominium means the Bear Creek Village Condominium, including all land, all buildings constructed thereon and all improvements made thereto, and appurtenant rights and easements.

1.3 Mortgage means a recorded first mortgage, first trust deed or first contract of sale that creates a first lien against a unit, and "Mortgagee" means the holder, beneficiary or vendor of such a mortgage, trust deed or contract of sale, but only when such holder, beneficiary or vendor notifies the Association in writing of the existence of such mortgage and gives the Association a current name and mailing address.

1.4 Unit means the airspace encompassed by the boundaries more specifically described in Section 3.2 of this Declaration.

2. REAL PROPERTY DESCRIPTION. The Real Property that is submitted hereunder to the Oregon Condominium Act is located in the County of Deschutes, State of Oregon, and is more particularly described on Exhibit "A." Each Owner shall hold fee simple title to the Unit and common elements pertaining thereto when such property is conveyed to the Owner by the Declarant. Prior to such conveyance, the Declarant shall hold fee simple title to all Units and the appertaining common elements.

3. NAME AND UNIT DESCRIPTION.

3.1 Name. The Real Property shall be known as Bear Creek Village Condominium.

3.2 Boundaries of Units. Each Unit is the cubic airspace, the boundaries of which are the perimeter of the foundation footprint of the building(s) and running downward six (6) feet below the finished floor elevation of the building(s) and upward twenty-four (24) feet above such finished floor elevation. Provided, however, no part of the Unit shall include the land. Roof overhangs, wing walls, downspouts and other appurtenances to the building(s) are part of the Unit, notwithstanding that they protrude into the general common element area. Units 113, 179 and 245 in Stage I consist of four (4) residential apartments, and the four (4) residential apartments are in two adjacent, but non-contiguous buildings. Accordingly, Units 113, 179 and 245 consist of two separate non-contiguous airspaces. Each Unit contains all portions of the building(s) and no part of any building constitutes common elements.

In interpreting deeds, Mortgages, deeds of trust and other instruments for any purpose whatsoever or in connection with any matter, the existing physical boundaries of the Unit or of a Unit reconstructed in substantial accordance with the original plans hereof shall be conclusively presumed to be the boundaries, regardless of settling, rising or lateral movement of the building and regardless of variances between boundaries as shown on the plat being recorded simultaneously with this Declaration (the "Plat") and those of the actual building or buildings.

3.3 Building Description and Unit Designation. The land submitted by this Declaration has ten (10) buildings thereon, each of which is within the boundaries of a single Unit. The Condominium buildings, which are single story, wood frame construction on concrete foundations with plywood siding and composition shingle roofs contain ten (10) Units in total. The vertical and horizontal boundaries, number designation, location and dimension of each Unit are shown on the Plat. The number designation and square footage area of the Units is also shown below.

The allocation to each Unit in Stage I of an undivided interest in the common elements is a fraction, the numerator of which is the number of residential apartments in each Unit and the denominator of which is the number of residential apartments in all of the Units. The Units in Stage I are on two noncontiguous parcels.

The numerical designation, square footage area and percentage of ownership in common elements of each Unit in Stage I are as follows:

****Note:** The allocation of this expense will not be adjusted upon annexation of Units in subsequent stage(s). However, exterior maintenance (except siding replacement) of Units in subsequent stage(s) shall be allocated only among those Units and shall not be charged to the owners of Units in Stage I.

<u>Unit No.</u>	<u>Square Footage Area*</u>	<u>Number of Residential Apartments</u>	<u>Fractional Ownership in Common Elements as of Stage I</u>	<u>Allocation of Expense to Maintain Exterior Building Surfaces in Stage I**</u>
1	2288	2	2/30 th	2/30 th
75	2456	2	2/30 th	2/30 th
209	2456	2	2/30 th	2/30 th
113	3636	4	4/30 th	4/30 th
179	3648	4	4/30 th	4/30 th
245	3641	4	4/30 th	4/30 th
301A	2588	3	3/30 th	3/30 th
301B	2588	3	3/30 th	3/30 th
341A	2588	3	3/30 th	3/30 th
341B	2588	3	3/30 th	3/30 th

*Note: The square footage for Units 1, 75 and 209 includes the garage portion of the Unit.

****Note:** The allocation of this expense will not be adjusted upon annexation of Units in subsequent stage(s). However, exterior maintenance (except siding replacement) of Units in subsequent stage(s) shall be allocated only among those Units and shall not be charged to the owners of Units in Stage I.

3.4 Description of Staged Development. The Declarant proposes to develop the Condominium in several stages, with the maximum number of Units, additional common elements and election dates to be as follows:

(a) The maximum number of Units to be included in the Condominium development is thirty (30).

(b) The additional general common elements to be annexed at each stage of development shall include the land, roadway, parking areas and landscaping. Neither a building nor a part of any building will be common elements. The limited common elements to be annexed at each stage of development shall include carports, patios and courtyards.

(c) The Declarant hereby reserves the right to construct Units, the floor plans of which differ from those of Units in Stage I or which have larger or smaller floor areas. However, the exterior style of the buildings shall be compatible with, but not identical with, those of buildings in Stage I.

Allocation of undivided interest in the common elements shall be based upon the number of residential apartments in each building.

(d) The Declarant shall have until December 31, 2005 to annex the Real Property in subsequent stages, except that, pursuant to ORS 100.105(3), the Declarant may seek an amendment to the Declaration providing for an extension, not to exceed two (2) years after such date, to annex additional property. All annexations shall be effected, if at all, by Declarant's execution and recordation of one or more Supplemental Condominium Declarations.

(e) The real property that is annexed with Units of subsequent stages need not be contiguous to the Real Property.

(f) Nothing in this Declaration or the Bylaws shall oblige the Declarant to develop any additional Units or to annex any additional real property that it may currently plan to develop or annex to the Condominium. All references in this Declaration and the Bylaws to subsequent development are permissive, not mandatory, and no such reference shall constitute a representation or warranty that such subsequent development actually shall occur. The Declarant reserves all rights of ownership and control with respect to any additional property it may own, including, without limitation, the right to hold, transfer, encumber and develop such property as the Declarant may determine.

4. GENERAL COMMON ELEMENTS/COMMONLY MAINTAINED PROPERTY.

4.1 Definition. The general common elements consist of all portions of the Condominium that are not part of a Unit or a limited common element, including, without limitation, the following:

- (a) The land and landscaping; and
- (b) The parking areas and roadways.

4.2 Maintenance, Repair and Replacement of General Common Elements; Liability for Common Expense. Except as otherwise specifically provided in this Declaration, the cost of maintenance, repair and replacement of the general common elements shall be a common expense allocated among the owners in the same fraction as the fractional ownership in the common elements allocated to such Unit, and the performance of such work shall be the responsibility of the Association, except that any damage caused by the negligence or intentional act of an owner or his invitee, guest, tenant or servant shall be repaired by the Association at such owner's sole cost and expense.

4.3 Income From General Common Elements. All income derived from any coin-operated vending machines and/or any other income derived from the general common elements shall be income of the Association. In its discretion, the Board of Directors may use such income to help meet the expense of maintaining the common elements or for such other purpose as may benefit the Association and the Unit owners in a substantially equal manner.

4.4 Commonly Maintained Property. Notwithstanding that all portions of each building except roof overhangs and other exterior appurtenances are within the boundaries of a single Unit, the exterior painting, landscaping maintenance, minor siding repairs, roof, gutters and downspouts shall be common expenses allocable among all the owners of Units in Stage I in the fractions, the numerators of which are the number of residential apartments in each Unit in Stage I, and the denominator of which is the number of residential apartments in all of the Units in Stage I.

If and when additional Units are annexed as a part of subsequent stages, maintenance, repair and replacement (except siding replacement) of the same external portions of the Units in subsequent stages shall be allocated among the owners of Units in subsequent stages in fractions, the numerators of which are the number of residential apartments in each Unit, and the denominator of which shall be the number of residential apartments in all Units in subsequent stages.

Accordingly, the owners of Units in Stage I shall pay for the exterior maintenance of the exterior of the Units in Stage I and the owner of Units in subsequent stages shall pay for the exterior maintenance of the Units in such subsequent stage.

5. LIMITED COMMON ELEMENTS. The patios and courtyards adjacent to Units in Stage I are limited common elements pertaining to the Units to which they are adjacent, as more particularly shown on the plat. One-half of the courtyards between Units 301A and 301B is a limited common element pertaining to each such Unit and one-half of the courtyards between Units 341A and 341B is a limited common element pertaining to each such Unit. In each case, that one-half portion closest to a Unit shall pertain to that Unit as a limited common element. Maintenance, repair and replacement of these limited common element areas shall be performed by the Association and paid for as a general common expense. Any limited common elements in subsequent stages shall be defined and maintenance responsibility shall be assigned in the Supplemental Declaration annexing such Units to the Condominium.

6. PARKING. Some of the Units in Stage I contain garages. All other parking in Stage I is a general common element to be used to serve all residential apartments. The Board of Directors shall adopt rules regulating the use of the general common element parking areas to assure that each residential apartment has at least one parking space available to it which is reasonably convenient to the apartment. Some of the Units contain garages which are part of the Unit. Owners or their tenants of such Units shall park their vehicles within the garage of the Unit.

7. VOTING. The owner or co-owners of each Unit shall be entitled to one (1) vote for each residential apartment within the Unit. "Majority" or "Majority of Unit Owners" shall

mean the owners of more than fifty percent (50%) of the voting rights allocated to the Units by the Declaration. The calling and conducting of meetings of the Association and the exercise of voting rights shall be controlled by Articles 2 and 3 of the Bylaws.

8. USE OF PROPERTY.

8.1 General. Each Unit shall be used for residential purposes only. The common elements shall be used for the furnishing of services and facilities for the enjoyment of the Unit owners. Subject to the restrictions and regulations set forth in the Bylaws and rules or regulations adopted pursuant to the provisions or the Bylaws of this Declaration, such owner shall have an easement and right to enjoy the general common elements for the manner for which they are intended.

8.2 Rules and Regulations Promulgated by the Association. The Board of Directors shall have the authority from time to time to promulgate such rules and regulations as the Board may deem to be in the best interest of the Association. No person shall use the common elements, the Units or any part thereof in any manner contrary to or inconsistent with such rules and regulations. Without limiting the generality of the foregoing, the Board of Directors shall have the right, but not the obligation, to promulgate rules and regulations limiting the use of the common elements to the members of the Association and their respective families, guests, invitees and servants. Such use may be conditioned upon, among other things: (a) the payment by the Unit owner of assessments for common expenses and such other assessments or fees as may be established by the Association for the purpose of defraying the costs associated with the use of such common elements and the administration and operation of the Condominium property; and (b) the observance by the Unit owner and his guests, tenants, invitees and servants, of the provisions of the Declaration, the Bylaws and the Association's rules and regulations. The Board of Directors shall have the authority to fine such owners who are not in compliance with the rules and regulations. The amount and the procedure to impose such fines shall be established by Board resolution.

8.3 Right of Ingress and Egress. Each Unit owner shall have a perpetual right of ingress and egress to and from the Owner's Unit. This right shall pass to all successors in interest to the Unit when the Unit is transferred voluntarily, involuntarily, or by operation of law. Any attempt to transfer voluntarily or involuntarily any common element ownership interest separately from the transfer of the Unit to which such interest pertains shall be void.

9. CONTRACTS AND LEASES. All contracts or leases that are entered into before the turnover meeting (including any management contract) shall be terminable without penalty by the Association or the Board of Directors upon not less than thirty (30) days' written notice to the other party by the Association given not later than sixty (60) days after the turnover meeting. Provided, however, that any such contracting or leasing party may request the Association to affirm the continuation of any such agreement for the balance of its stated term. Affirmation by the Association after transfer of control shall extinguish all termination rights of the Association under this Section 9.

10. BYLAWS; ASSOCIATION; MANAGEMENT.

10.1 Adoption of Bylaws. On behalf of the Association, the Declarant hereby adopts the Bylaws attached hereto as Exhibit "B" to govern the administration of the Condominium. The Bylaws shall be effective upon the execution and recording of this Declaration.

10.2 Association; Membership. The name of the Association shall be Bear Creek Village Condominium Association. The Association shall operate under the name Bear Creek Village Condominium Association, or a name as close to that name as is permitted by the Oregon Secretary of State. Each owner of a Unit in the Condominium shall be a member of the Association, and membership therein shall be limited to Unit owners only. The Association, which shall be organized upon the recording of the Declaration and the Bylaws, shall serve as a means through which the Unit owners may take action with regard to the administration, management and operation of the Condominium. The Association shall be an Oregon nonprofit corporation.

10.3 Management; Board of Directors. The affairs of the Association shall be governed by a Board of Directors as provided in the Bylaws. The Board of Directors shall elect officers consisting of a chairperson, secretary and treasurer and such other officers as the Board of Directors deems prudent or convenient. Pursuant to the provisions of the Bylaws and the Oregon Condominium Act, the Board of Directors may adopt administrative rules and regulations governing details of the operation, maintenance and use of the Condominium property. The Board of Directors may contract with a professional manager or management firm to manage some or all of the affairs of the Association.

10.4 Interim Board and Officers. The Declarant has reserved control over the administration of the Association by reserving the right in the Bylaws to appoint an interim Board of Directors to manage the Condominium until the turnover meeting. The turnover meeting shall be held within ninety (90) days after the earlier of the following dates: December 31, 2005, or the date on which seventy-five percent (75%) of the total number of Units which the Declarant may annex to the Condominium have been conveyed to persons other than the Declarant. The one (1) to three (3) member(s) of the interim board shall also serve as the interim officers.

10.5 Powers and Duties of the Association. The Association and the Board of Directors shall have the powers and duties granted to them by this Declaration, any applicable Supplemental Condominium Declaration, the Articles of Incorporation, the Bylaws, and ORS 100.405(4) and all other provisions of the Oregon Condominium Act.

10.6 Covenant to Pay Assessments; Liability for Common Expense. Each owner hereby covenants to pay to the Association annual assessments for common expenses as more fully provided in the Bylaws. No owner may avoid liability for assessments by abandonment of his Unit or non-use of the common elements. Except as otherwise provided in this Declaration or the Bylaws, each Unit and the owner thereof shall be liable for the common expense and funding of replacement reserves in the same fraction as the fractional ownership in

the common elements allocated to such Unit. No offset against any assessment shall be permitted for any reason, including, without limitation, any claim that the Association is not properly discharging its duties. Assessments shall be levied against all Units not later than the first day of the month next following the date when the first Unit is conveyed to a person other than the Declarant. Maintenance, repair and replacement (except siding replacement) of the exterior surfaces of the buildings in Stage I is allocated among the Stage I owners and will not be charged to owners of Units in subsequent stages. Conversely, the expense of maintenance, repair and replacement of the exterior surfaces of buildings in subsequent stages will be charged to owners of the Units in those stages and will not be charged to the owners of Units in Stage I. Although minor siding repair shall be included in such allocation, siding replacement shall be the responsibility of the Unit owner.

10.7 Delegation. Nothing in this Declaration shall be construed to prohibit the Association or the Board of Directors from delegating to persons, firms or corporations of its choice the performance of such duties as may be imposed upon the Association or the Board of Directors by this Declaration, any Supplemental Declaration, the Articles of Incorporation, the Bylaws, Association rules or regulations, or applicable law.

11. SERVICE OF PROCESS. The agent designated to receive service of process in cases set forth in ORS 100.550(1) shall be named in the Condominium Information Report, which shall be filed with the Oregon Real Estate Agency in accordance with ORS 100.250(1).

12. MORTGAGEES. In the event of a conflict between this Section 12 and other provisions of this Declaration or any Supplemental Condominium Declaration, the provisions of this Section 12 shall prevail. The terms "Mortgage" and "Mortgagee" are defined in Section 1 of this Declaration.

12.1 Notice of Action. Upon the written request of a Mortgagee to the Association, identifying the name and address of such Mortgagee and the Unit number or address of the Unit on which such Mortgagee holds a Mortgage, such Mortgagee shall be entitled to timely notice of the following:

(a) Any condemnation loss or casualty loss that affects a material portion of the Condominium or any Unit on which such Mortgagee holds, insures, or guarantees a Mortgage;

(b) Any delinquency remaining uncured for sixty (60) or more days in the payment of assessments or charges owed by an owner of a Unit on which such Mortgagee holds, insures or guarantees a Mortgage;

(c) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;

(d) Any proposed action that would require the consent of a specified portion of Mortgagees, as set forth in this Section 12.

12.2 Mortgagee Exempt from Certain Restrictions. Any Mortgagee that comes into possession of the Unit pursuant to the remedies provided in the Mortgage, by foreclosure of the Mortgage, or by deed (or assignment) in lieu of foreclosure, shall be exempt from any "right of first refusal" or other restriction on the sale or rental of the mortgaged Unit, including, but not limited to, restrictions on the age of Unit occupants and restrictions on the posting of signs pertaining to the sale or rental of the Unit. Provided, however, that Mortgagees shall not be exempt from the restriction that Units cannot be rented for periods of fewer than thirty (30) days.

12.3 Subordination of Association Lien to Mortgage; Discharge of Lien Upon Foreclosure. The lien of the Association shall be subordinate to any first Mortgage and to other liens which have priority pursuant to the applicable law except as provided in ORS 100.450. Any Mortgagee that comes into possession of the Unit pursuant to the remedies provided in the Mortgage, by foreclosure of the Mortgage, or by deed (or assignment) in lieu of foreclosure shall take the property free of any claims for unpaid assessments or charges against the mortgaged Unit which accrue before such Mortgagee comes into possession of the Unit (except for claims for a pro rata share of such assessments or charges resulting from a pro rata reallocation of such assessments or charges to all Units, including the mortgaged Unit).

12.4 Professional Management. Upon the written request of the Mortgage holders of at least fifty-one percent (51%) of the Mortgages on Units in the Condominium, the Board of Directors shall employ a professional manager to manage the affairs of the Association. Thereafter, the Association may not terminate professional management and assume self-management of the Condominium without the prior written approval of the holders of fifty-one percent (51%) of the first Mortgages on Units in the Condominium. Additionally, if professional management has been required previously by any Mortgagee, any such decision to establish self-management shall require prior consent of the owners of Units to which sixty-seven percent (67%) of the votes in the Association are allocated. Any agreement for professional management shall provide that the management contract may be terminated for cause on thirty (30) days' written notice.

12.5 Consent of Mortgagees to Change Fractional Ownership in Common Elements. The Unit owners may not reallocate the fractional interest in the common elements attributable to any Unit without the prior written approval of holders of fifty-one percent (51%) of the first Mortgages on Units with respect to which the percentage of ownership is proposed to be altered. Nothing in this Section 12.5 shall be construed to give the owners, the Association, or the Board of Directors any specific authority to alter such percentage of ownership, and, if any attempt is made to do so, full compliance shall be made with the Declaration, any applicable Supplemental Condominium Declaration, Articles of Incorporation, the Bylaws and the Oregon Condominium Act.

12.6 Consent of Mortgagees Required to Terminate Project. Except with respect to termination of the Condominium as a result of destruction, damage or condemnation, any termination of the Condominium shall require the prior written approval of holders of fifty one percent (51%) of the first Mortgages on Units in the Condominium. Additionally, any such termination shall be carried out by the owners pursuant to provisions of the Declaration, any

applicable Supplemental Condominium Declaration, the Articles of Incorporation, the Bylaws and the Oregon Condominium Act and shall be carried out only after a vote of the owners, as provided in such provisions.

12.7 Limited Right of Amendment. Except upon the approval of Mortgagees that hold fifty-one percent (51%) of the first Mortgages on Units in the Condominium, no amendment that adds to or amends any material provision that establishes, provides for, governs or regulates any of the following may be made to the Declaration or the Bylaws:

- (a) Voting;
- (b) Assessments, assessment liens or subordination of liens;
- (c) Reserves for maintenance, repair and replacement of the common elements (or Units, if applicable);
- (d) Insurance or fidelity bonds;
- (e) Rights to use of the common elements;
- (f) Responsibility for maintenance and repair of the several portions of the Condominium;
- (g) Expansion or contraction of the Condominium, or the addition, annexation or withdrawal of property to or from the Condominium except has provided herein;
- (h) Boundaries of any Unit;
- (i) Interests in the general or limited common elements;
- (j) Convertibility of Units into common elements, or of common elements into Units;
- (k) Leasing of Units;
- (l) Imposition of any right of first refusal or similar restriction on the right of a Unit owner to sell, transfer or otherwise convey his or her Unit; and
- (m) Any provisions that are for the express benefit of Mortgagees.

The provisions of this paragraph are intended to limit only the right of Unit owners, the Board of Directors and the Association to amend the Declaration and the Bylaws and are not intended to give any such parties any specific rights to effect any amendments. Any amendments to the Declaration, or any Supplemental Declaration, or the Bylaws shall be made only upon full compliance with the provisions of the Declaration, the Bylaws and the Oregon Condominium Act relating to the procedure and percentage of votes required for such amendment. An addition

or amendment to the Declaration or the Bylaws shall not be considered to be material so as to require the consent or approval of Mortgagees, if its purpose is to correct technical errors or to clarify unclear language.

12.8 Request for Approval of Mortgagees. Any Mortgagee that receives a written request to approve additions or amendments to the Declaration or the Bylaws, or to any other action to be taken by the Board of Directors, the Association or Unit owners shall be considered to have given such approval unless such Mortgagee delivers or posts a negative response within thirty (30) days after receipt of such request.

12.9 Proxy Held by Mortgagee in Certain Cases. If a Mortgagee reasonably believes that the Association has failed to maintain the common elements so as to prevent excessive wear and tear, such Mortgagee may attend a meeting of the Association and may cast the vote of the mortgagor of the Unit on which such Mortgagee holds a Mortgage if the proposal under consideration concerns painting or otherwise maintaining the common elements, including imposing special assessments necessary to pay for such maintenance.

12.10 Right to Examine Documents. The Association shall make available to Unit owners, lenders and Mortgagees current copies of the Declaration, the Articles of Incorporation, the Bylaws, other rules concerning the Condominium, and the books, records and financial statements of the Association. The Association shall have the right to impose a reasonable fee for supplying any copies requested by owners, prospective purchasers, lenders and Mortgagees.

12.11 Right to Receive Annual Reports. The holders of at least fifty-one percent (51%) of the Mortgages on Units in the Condominium shall be entitled to have an audited financial statement prepared at their expense if such statement is not otherwise available. The Association and its officers, directors and manager (if any), shall cooperate with such Mortgage holders and their auditors to facilitate the necessary auditing and review process. Such financial statement shall be furnished within a reasonable time following request.

12.12 Right to Receive Written Notice of Meetings. Upon a Mortgagee's written request, the Association shall give all Mortgagees written notice of all meetings of the Association, and such Mortgagees shall be permitted to designate a representative to attend all such meetings.

12.13 List of Mortgagees. The Association shall maintain at all times a list of Mortgagees, which list shall include their names, addresses, the Units and mortgagors affected, and the matters with respect to which such Mortgagees have requested notice, provided that such information has been furnished to the Association by the owners or their Mortgagees.

13. AMENDMENTS TO DECLARATION. Except where a larger percentage of approval is required by law, this Declaration may be amended from time to time by approval of Unit owners holding seventy-five percent (75%) or more of the voting rights as otherwise set forth in this Declaration. Provided, however, that this Declaration shall not be amended to

reduce or eliminate the right of any Mortgagee without the prior written consent of all such Mortgagees.

13.1 Declarant's Approval Required. The Declarant's prior written consent shall be required for any amendment to the Declaration until the earlier of the following dates: the date on which seventy-five percent (75%) or more of the Units in the last stage of the Condominium have been conveyed to owners other than the Declarant and the date on which seven (7) years have elapsed since the first conveyance of a Unit in the Condominium. Provided, however, that even thereafter, no amendment may limit or reduce any of the Declarant's special rights, whether reserved herein or otherwise provided by law. Except with respect to permitted Supplemental Condominium Declarations annexing additional property to the Condominium, no amendment may change the size, location, percentage of interest in the common elements, method of determining liability for common expenses, right to common profits or voting power of any Unit(s) unless such amendment has been approved by the owners and the Mortgagees of the affected Unit(s).

13.2 Recordation/County Assessor and Commissioner Approval Required. An amendment to the Declaration shall be effective upon recordation in the Deed Records of Deschutes County, Oregon, certified to by the chairperson and secretary of the Association and approved by the County Assessor and the Real Estate Commissioner. Approval by the Commissioner shall not be required for an amendment to a declaration transferring the right of use of a limited common element pursuant to ORS 100.515(5).

13.3 Supplemental Declarations. At the Declarant's sole option, the Declarant may execute and record one or more Supplemental Condominium Declarations, the provisions of which are consistent with Section 3.4 above, without the consent or approval of the Board of Directors, the Association, the Unit owners, or any Mortgagee(s).

14. SUBDIVISION. A Unit may be subdivided into divisions equal to the number of residential apartments within the building (Unit) prior to the subdivision, as long as a complete residential apartment becomes a Unit. The fractional ownership in the common elements held by the Unit (building) before it is subdivided shall be equally allocated among the Units erected after the subdivision. Any subdivision of a Unit shall require division of all residential apartments located within the Unit into separate Units. Each new (subdivided) Unit shall have one vote.

15. AUTHORITY TO GRANT EASEMENTS, RIGHTS-OF-WAY, LICENSES AND OTHER SIMILAR INTERESTS/ENCROACHMENTS.

15.1 General. The Association shall have the authority to execute, acknowledge, deliver and record easements, rights-of-way, licenses and other similar interests affecting the general common elements on behalf of the Unit owners, provided that the granting of any such interest has been approved by at least seventy-five percent (75%) of the Unit owners. An instrument granting any such interest shall be executed by the chairperson and secretary of the Association and acknowledged in the manner provided for acknowledgment of such

instruments by such officers and shall state that such grant was approved by at least seventy-five percent (75%) of the Unit owners.

15.2 Utility Easements; Dedications. Anything in this Declaration to the contrary notwithstanding, the Declarant shall have the right to execute, deliver and record on behalf of the Association and the Unit owners such documents as may be required to grant easements, rights-of-way and licenses over the common elements for the installation, maintenance and repair of public utilities serving the Condominium or adjacent property. The Declarant shall also have the right to execute, deliver and record on behalf of the Association and the Unit owners such deeds and other documents as may be required to convey, dedicate, or grant such easements, rights-of-way or licenses over common elements, as may be required by any government or governmental agency in order to complete development of the Condominium. To effect the intent of this Section 15.2, each Unit owner, by acceptance of a deed or contract to a Unit, whether or not it shall be expressed in such deed or contract, for himself and his successors in interest, irrevocably appoints Matthew Murphy of Tigard, Oregon, or his nominee, as his lawful attorney-in-fact for the purpose of executing any and all documents required or permitted to be executed hereunder. The power of attorney and the rights under this Section shall expire at such time as the Declarant no longer owns a Unit or three (3) years from the date this Declaration or any Supplemental Declaration is recorded, whichever is earlier.

15.3 Encroachments. There shall be an easement for any encroachment of the common elements on any Unit or an encroachment of any Unit on the common elements or another Unit arising from the original construction, reconstruction, authorized repair, shifting, settling or other movement of any portion of the condominium improvements. Specifically, an easement is declared hereby for the encroachment into the general common element areas of the roof overhangs, downspouts and other appurtenances of each building for the benefit Unit within which the building is located, and for the benefit of the owner of such Unit. Such easements shall exist indefinitely and may be terminated only by the voluntary act of the party who benefits from the easement(s).

15.4 Public Path Easement. An easement is being created by the condominium plat which is recorded contemporaneously herewith. The easement is an eight (8) foot public pedestrian bicycle path adjacent to the east and west side of Craven Road and the west side of Issiah Drive. The easements for the public path are being granted in reliance on the protections of ORS 105.672 through 105.696 afforded to land owners who make their land or some portion thereof available for public use.

16. DECLARANT'S SPECIAL RIGHTS. The Declarant shall have the following special rights:

16.1 Sales Office and Model. The Declarant shall have the right to maintain sales and/or rental offices and/or sales or rental models in one or more of the Units that the Declarant owns. The Declarant, its agents and prospective purchasers shall have the right to park automobiles in the parking area on the common elements and to use and occupy the sales and/or rental office and models during reasonable hours any day of the week.

16.2 "For Sale" and "For Rent" Signs. The Declarant may maintain a reasonable number of "For Sale" and/or "For Rent" signs at reasonable locations on the Condominium property.

16.3 No Capital Assessments Without Consent. Neither the Association nor the Board of Directors shall make any assessments for new construction, capital improvements, acquisition or otherwise without the prior written consent of the Declarant, as long as the period for annexing Units has not expired or as long as the Declarant owns the greater of two (2) Units or five percent (5%) of the total number of Units in the Condominium. Nothing contained in this Section 16.3 shall be construed to limit the Declarant's obligation to pay assessments for common expenses on Units owned by the Declarant pursuant to requirements of the Oregon Condominium Act.

16.4 Common Element Maintenance by the Association. The Association shall maintain all common elements in a clean and attractive condition. If the Association fails to do so, the Declarant may perform such maintenance at the expense of the Association.

16.5 Declarant's Easements. The Declarant and its agents and employees shall have an easement on and over the common elements for the completion of any portion of the Condominium, including the furnishing and decoration of any Unit, sales office or model, and the right to store materials on the common elements at reasonable places and for reasonable lengths of time.

16.6 Declarant's Other Special Rights. The rights reserved to the Declarant in this Section 16 shall in no way limit any other special rights that the Declarant, as a declarant, may have, whether pursuant to the Oregon Condominium Act or otherwise. Upon the expiration of any or all such special rights, the Declarant shall have the same rights as any other owner in the Condominium with respect to such ownership.

16.7 Assignment of Declarant's Rights. The Declarant shall have the right to assign any and all of its rights, including, without limitation, Declarant's special rights, as set forth in this Section 16, or to share such rights with one (1) or more other persons exclusively, simultaneously, or consecutively.

16.8 Expiration of Declarant's Special Rights. Unless otherwise provided, the Declarant's special rights, as reserved in this Section 16, shall expire upon the conveyance by the Declarant of the last Unit owned by the Declarant or December 31, 2005, whichever is earlier.

17. RIGHT TO MAKE ADDITIONS TO COMMON ELEMENTS. The Declarant is reserving the right to create additional common elements consisting of land, pavement, landscaping and parking space. However, the Declarant is not reserving the right to create subsequent recreational amenities or any general common element buildings.

18. CROSS EASEMENTS. The following cross easements are hereby declared between the Real Property and other real property which may be, but is not required to be, annexed to the Condominium:

18.1 Access. The Declarant, for itself and its successors and assigns hereby reserves an easement over all roadways and driveways now existing or in the future constructed on the Stage I real property and to construct and maintain new roadways and driveways on such real property if none exist sufficient to serve as a means of ingress and egress to real property that may be annexed in the future to the Condominium all for the benefit of such real property, or any portion thereof. Such easement shall run with the land and shall continue, unless and until the benefited real property is annexed to the Condominium. The benefited real property is described in Exhibit "C." Similar easements are granted to the Association and its members over the roadway, located on the real property described in Exhibit "C", or the same may be relocated or replaced.

18.2 Access Easement Unrestricted. The easements reserved in Section 18.1 may be used by Declarant, its successors and assigns as a means of ingress and egress to the benefited real property for any purposes, including, without limitation, access for construction and service vehicles and access by residents to Condominium Units, apartments or single-family attached or detached homes constructed on all or part of the real property that is annexed in the future to the Condominium.

18.3 Utility Easements. Easements for utility services of all kinds now customarily available or which may become available in the future are reserved over all portions of the Stage I real property, excepting those portions covered by the Condominium buildings for the benefit of the real property described on Exhibit "C." Installation of utility lines shall be done at the expense of the benefited owner and shall be installed, maintained and repaired in a manner such as to interfere with the use of the Stage I real property by the owners of Units in Stage I as little as reasonably practical under the existing circumstances. Similar easements are granted over the real property described on Exhibit "C" for the benefit of the Association and its members in the locations where such utility installations exist on the date this Declaration is recorded.

18.4 Maintenance and Repair Costs. Maintenance, repairs and replacement costs of the roadway and driveway easements described in Section 18.1 shall be apportioned among the users (including owners of Units in Stage I) in an equitable manner. If agreement on an equitable apportionment cannot be reached by the parties benefited, the apportionment shall be done equally among all the residential "living units," i.e., Condominium Units, apartments and single-family attached or detached homes).

18.5 Repair of Damaged Property. Notwithstanding any other expense apportionment set forth in this Section 18, any party damaging any utility installation or roadway/driveway improvement within an easement area shall be responsible for the cost to repair such damage.

18.6 Assignments. The Declarant may assign in whole or in part the reserved easements described in this Section 18 when the Declarant transfers title to such real property or any part thereof.

18.7 Easements Run With the Land. All of the easements reserved in this Section 18 shall run with the land and shall be perpetual.

18.8 No Amendment Without Declarant's Consent. As provided in Section 13.1, the easements reserved in this Section 18 shall not be extinguished or restricted without the written consent of the Declarant and its successors and assigns.

19. GENERAL PROVISIONS.

19.1 Interpretation. The rights and obligations of all members of the Association and any person dealing with the Association or any of its members with respect to matters pertaining to the Declaration, any Supplemental Declaration, the Articles of Incorporation, or the Bylaws shall be interpreted in accordance with and governed by the laws of the State of Oregon.

19.2 Severability. Each provision of the Declaration, any Supplemental Declaration, the Articles of Incorporation, and the Bylaws shall be independent and severable. The invalidity or partial invalidity of any section thereof shall not affect any of the remaining portions of that or any other provision of this Declaration or the Bylaws.

19.3 Waiver of Rights. The failure of the Association, the Board of Directors, an officer or a Unit owner to enforce any right, provision, covenant or condition provided in the Declaration, any Supplemental Declaration, the Articles of Incorporation, or the Bylaws shall not constitute a waiver of the right of any such party to enforce such right, provision, covenant or condition in the future.

19.4 Legal Proceedings. Failure to comply with any of the terms of the Declaration, any Supplemental Condominium Declaration, the Articles of Incorporation, the Bylaws and any rules or regulations adopted thereunder shall be grounds for relief, which may include, without limitation, fining the noncomplying owner, bringing an action to recover money due, damages or a suit for injunctive relief, or an action to foreclose a lien, or any combination thereof. Relief may be sought by the Association, Board of Directors, an officer, a professional manager or management firm, or, if appropriate, by an aggrieved Unit owner.

19.5 Costs and Attorneys' Fees. In any proceeding arising because of an alleged failure by a Unit owner to comply with the terms and provisions of this Declaration (as amended or supplemented), the Bylaws (as amended), Articles of Incorporation, rules and regulations adopted under the Bylaws or the Oregon Condominium Act, the prevailing party shall be entitled to recover the cost of the proceedings and such reasonable attorneys' fees as may be determined by the trial court in any trial or by the appellate court in any appeal thereof. In addition, the Association shall be entitled to recover costs and attorneys fees incurred by it to collect delinquent assessments, or fines or to enforce the terms of the Declaration, Supplemental

Declaration, Articles of Incorporation, Bylaws, or any rules or regulations promulgated thereunder, whether or not any collection or foreclosure action or suit is filed.

19.6 Compliances. Each Unit owner shall comply with the provisions of the Declaration, any Supplemental Condominium Declaration and the Bylaws and with the administrative rules and regulations adopted thereunder, and with all other applicable covenants, conditions and restrictions of record. Failure to comply therewith shall be grounds for suit or action, maintainable by the Association or any Unit owner, in addition to other sanctions that may be provided by the Bylaws or by any existing administrative rules and regulations.

19.7 Conflicting Provisions. In the event of a conflict between or among the provisions of the Declaration, Articles of Incorporation, the Bylaws and any administrative rules and regulations, the provisions of the Declaration shall be paramount to those of the Bylaws and the rules and regulations, and those of the Articles of Incorporation shall be paramount to those of the Bylaws, and the Bylaws shall be paramount to the rules and regulations. For purposes of this Section 19.7, the term "Declaration" shall include all amendments and supplements to this Declaration, and the term "Bylaws" shall include all amendments to the Bylaws.

19.8 Section and Paragraph Captions. Section and paragraph captions shall not be deemed to be a part of this Declaration unless the context otherwise requires. In construing this Declaration, if the context so requires, the singular shall be taken to mean and to include the plural, the masculine shall be taken to mean and to include the feminine and the neuter and, generally, all grammatical changes shall be made, assumed and implied to make the provisions hereof apply equally to individuals, trusts, estates, personal representative, trustees and corporations.

The undersigned Declarant of the subject property has caused this Declaration to be executed this 25 day of June, 2001.

BLJ ENTERPRISES, LLC, a Nevada
limited liability company

By: [Signature]
Margot Cote-Murphy, Member

STATE OF OREGON)

County of Multnomah)

ss. June 25 2001

Personally appeared Margot Cote-Murphy, who, being duly sworn, did say that she is a Member of BLJ Enterprises, LLC, a Nevada limited liability company, and that the foregoing instrument was signed in behalf of said company by authority of its members; and she acknowledged said instrument to be its voluntary act and deed.



[Signature]
NOTARY PUBLIC FOR OREGON

The foregoing Declaration is approved pursuant to ORS 100.110 this 31st day of July, 2001 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.

Scott W. Taylor,
Real Estate Commissioner

By: Brian DeMarco
Brian DeMarco

The foregoing Declaration is approved pursuant to ORS 100.110 this _____ day of _____, 20____.

COUNTY ASSESSOR

By: Kim Worrell, by Greg Bates
Cheryl Cartwright

CONSENT: The undersigned, _____, which currently holds a security interest in the real property being subjected to the Oregon Condominium Act by this Declaration, hereby consents to this Declaration.

By: _____

Its: _____

EXHIBIT A

BEAR CREEK VILLAGE CONDOMINIUM

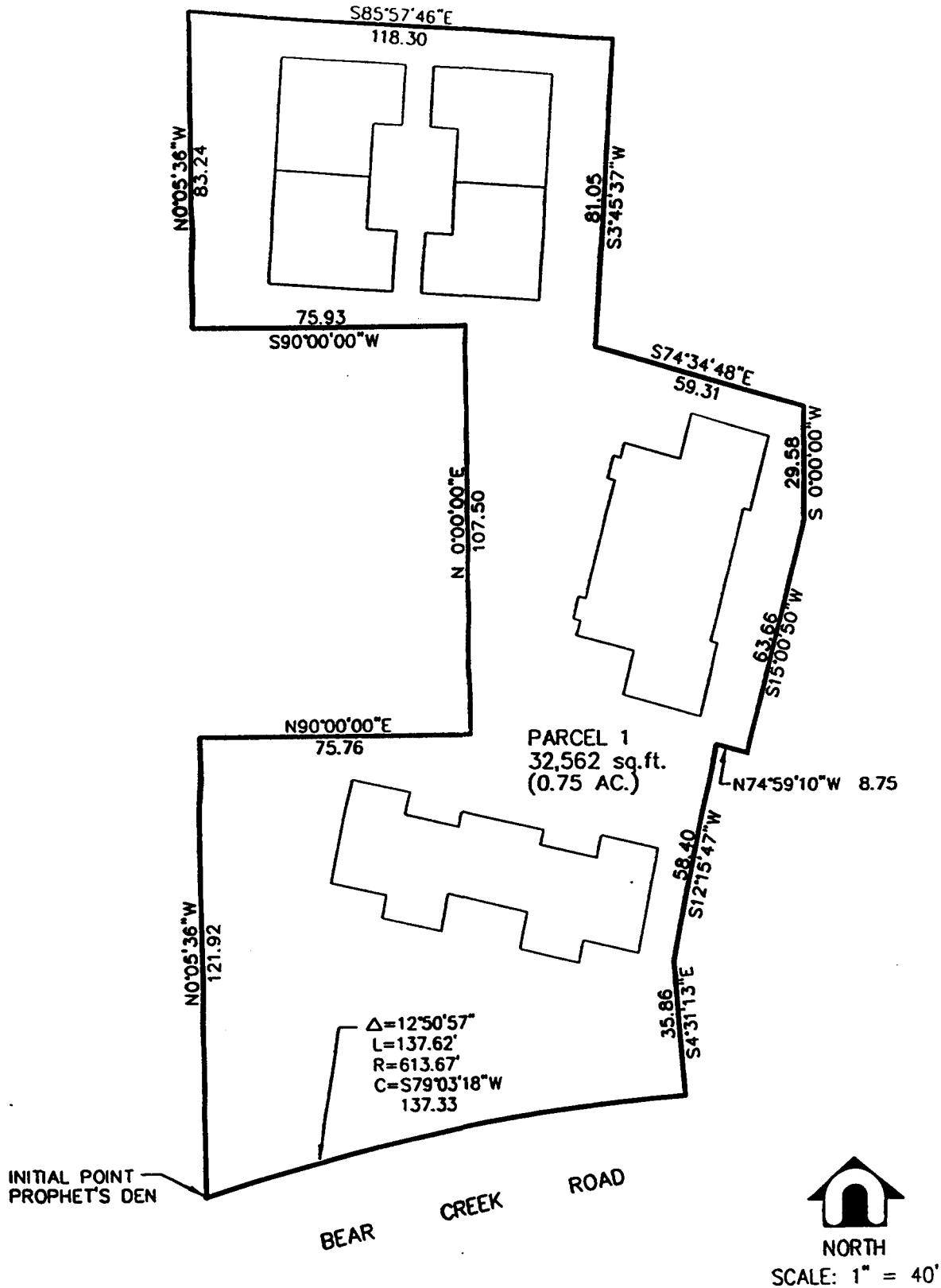
Parcels located in the southeast $\frac{1}{4}$ of the southwest $\frac{1}{4}$ of Section 34 in Township 17 South and Range 12 East of the Willamette Meridian, Deschutes County, Oregon, fully described as follows:

STAGE 1 – PARCEL 1

Beginning at the brass cap marking the Initial Point of **PROPHET'S DEN**; thence North $00^{\circ}05'36''$ West 121.92 feet along the westerly boundary of said plat of **PROPHET'S DEN**; thence leaving said boundary, East 75.76 feet; thence North 107.50 feet; thence West 75.93 feet to said westerly boundary; thence North $00^{\circ}05'36''$ West 83.24 feet; thence leaving said boundary, South $85^{\circ}57'46''$ East 118.30 feet; thence South $03^{\circ}45'37''$ West 81.05 feet; thence South $74^{\circ}34'48''$ East 59.31 feet; thence South 29.58 feet; thence South $15^{\circ}00'50''$ West 63.66 feet; thence North $74^{\circ}59'10''$ West 8.75 feet; thence South $12^{\circ}15'47''$ West 58.40 feet; thence South $04^{\circ}31'13''$ East 35.86 feet to the northerly right-of-way of Bear Creek Road; thence following said right-of-way, 137.62 feet along the arc of a 613.67 foot radius curve left (the long chord of which bears South $79^{\circ}03'18''$ West 137.33 feet) to the point of beginning. Contains 32,562 square feet.

STAGE 1 – PARCEL 2

Commencing at the brass cap marking the Initial Point of **PROPHET'S DEN**; thence North $00^{\circ}05'36''$ West 712.47 feet along the boundary of said plat of **PROPHET'S DEN** to the point of beginning; thence North $00^{\circ}05'36''$ West 227.26 feet to a $\frac{5}{8}$ " iron rod at the northwest corner of said plat; thence North $89^{\circ}59'40''$ East 228.25 feet to the northeast corner of said plat; thence South $00^{\circ}53'17''$ East 130.41 feet to a $\frac{5}{8}$ " iron rod on the boundary of said plat; thence South $00^{\circ}53'17''$ East 29.46 feet to an angle point on the boundary of said plat; thence leaving said plat boundary, South $00^{\circ}53'17''$ East 39.02 feet; thence South $29^{\circ}50'16''$ East 363.53 feet; thence South $43^{\circ}35'31''$ West 101.18 feet; thence North $46^{\circ}42'26''$ West 323.43 feet; thence North $66^{\circ}45'02''$ West 26.18 feet; thence North $20^{\circ}00'43''$ East 91.73 feet; thence North $69^{\circ}49'15''$ West 121.45 feet to the point of beginning. Contains 113,038 square feet, 2.59 acres.

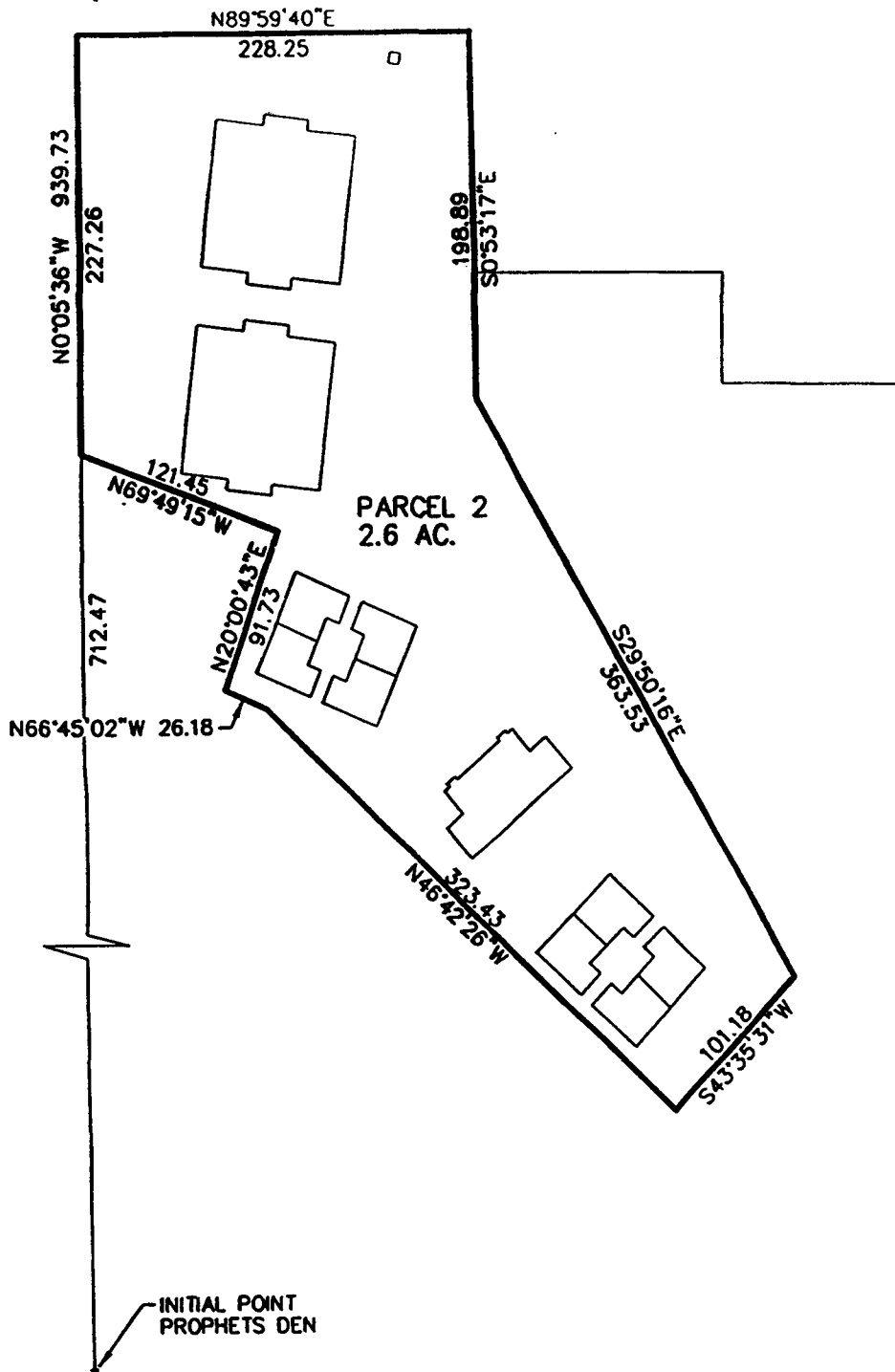


scale 1" = 40' design
 date 2-27-01 drawn SMW
 file P: \BLJE0001\DWG\EXHIBIT2.DWG

DAVID EVANS AND ASSOCIATES, INC.
 709 NW Wall Street, Suite 102
 Bend, Oregon 97701 (541) 389-7614



BEAR CREEK VILLAGE
 CONDOMINIUM
 STAGE 1 - PARCEL 1
 LOCATED IN THE SW 1/4
 SEC. 34, T.17S., R.12E., W.M.
 DESCHUTES COUNTY, OREGON



NORTH
SCALE: 1" = 100'

scale 1"=100' design
date 2-27-01 drawn SMW
file P: \BLJE0001\DWG\EXHIBIT1.DWG

**DAVID EVANS
AND ASSOCIATES, INC.**
709 NW Wall Street, Suite 102
Bend, Oregon 97701 (541) 389-7614



BEAR CREEK VILLAGE
CONDOMINIUM
STAGE 1 - PARCEL 2
LOCATED IN THE SW 1/4
SEC. 34, T.17S., R.12E., W.M. 1
DESCHUTES COUNTY, OREGON
PAGE 2 OF 3

EXHIBIT C

BEAR CREEK VILLAGE CONDOMINIUM

Parcels located in the southeast ¼ of the southwest ¼ of Section 34 in Township 17 South and Range 12 East of the Willamette Meridian, Deschutes County, Oregon, fully described as follows:

PARCEL 3

Commencing at the brass cap marking the Initial Point of **PROPHET'S DEN**; thence North 00°05'36" West 121.92 feet along the westerly boundary of said plat of **PROPHET'S DEN** to the point of beginning; thence North 00°05'36" West 107.50 feet; thence leaving said boundary, East 75.93 feet; thence South 107.50 feet; thence West 75.76 feet to the point of beginning. Contains 8,153 square feet.

PARCEL 4

Commencing at the brass cap marking the Initial Point of **PROPHET'S DEN**; thence North 00°05'36" West 312.67 feet along the boundary of said plat of **PROPHET'S DEN** to the point of beginning; thence North 00°05'36" West 399.80 feet; thence leaving said boundary, South 69°49'15" East 121.45 feet; thence South 20°00'43" West 91.73 feet; thence South 66°45'02" East 26.18 feet; thence South 46°42'26" East 323.43 feet; thence North 43°35'31" East 101.18 feet; thence North 29°50'16" West 363.53 feet; thence North 00°53'17" West 39.02 feet to an angle point on the boundary of said plat of **PROPHET'S DEN**; thence North 00°53'17" West 29.46 feet to a 5/8" iron rod on said boundary; thence leaving said plat boundary, South 89°50'09" East 141.53 feet to a 5/8" iron rod; thence South 00°05'03" West 60.03 feet to a 5/8" iron rod; thence South 89°51'44" East 131.68 feet to a 5/8" iron rod; thence South 00°13'53" East 729.36 feet to a 5/8" iron rod on the northerly right-of-way of Bear Creek Road; thence following said right-of-way, 20.92 feet along the arc of a 5595.50 foot radius curve right (the long chord of which bears North 89°38'43" West 20.92 feet) to a 5/8" iron rod; thence North 88°18'38" West 282.02 feet to a 5/8" iron rod; thence 67.20 feet along the arc of a 613.67 foot radius curve left (the long chord of which bears South 88°37'01" West 67.17 feet); thence leaving said right-of-way, North 04°31'13" West 35.86 feet; thence North 12°15'47" East 58.40 feet; thence South 74°59'10" East 8.75 feet; thence North 15°00'50" East 63.66 feet; thence North 29.58 feet; thence North 74°34'48" West 59.31 feet; thence North 03°45'37" East 81.05 feet; thence North 85°57'46" West 118.30 feet to the point of beginning. Contains 6.08 acres.

INITIAL POINT
PROPHET'S DEN

BEAR CREEK ROAD



NORTH
SCALE: 1" = 40'

75.93
N90°00'00"E

N0°05'36"W
107.50

PARCEL 3
8,153 sq.ft.

S0°00'00"W
107.50

S90°00'00"W
75.76

PARCEL 1
32,562 sq.ft.
(0.75 AC.)

N0°05'36"W
121.92

scale 1"=40' design

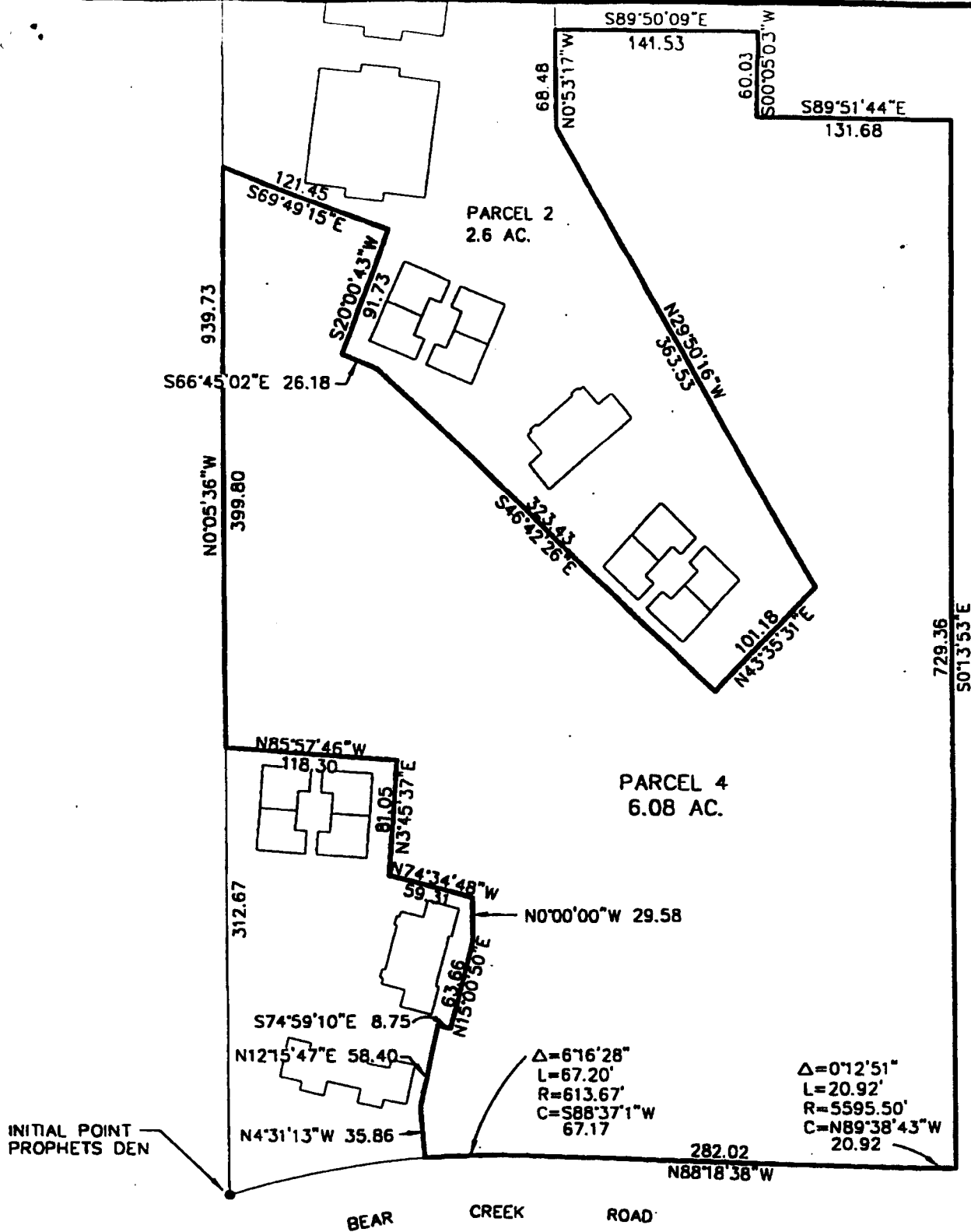
date 2-27-01 drawn SMW

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**DAVID EVANS
AND ASSOCIATES, INC.**
709 NW Wall Street, Suite 102
Bend, Oregon 97701 (541) 389-7614



BEAR CREEK VILLAGE
CONDOMINIUM
STAGE 2 - PARCEL 3
LOCATED IN THE SW 1/4
SEC. 34, T.17S., R.12E., W.M.
DESCHUTES COUNTY, OREGON
PAGE 2 OF 2



scale 1"=100' design
date 2-27-01 drawn SMW
file P:\BLJE0001\DWG\EXHIBIT4.DWG

DAVID EVANS AND ASSOCIATES, INC.
709 NW Wall Street, Suite 102
Bend, Oregon 97701 (541) 389-7614

BEAR CREEK VILLAGE CONDOMINIUM
STAGE 2 - PARCEL 4
LOCATED IN THE SW 1/4
SEC. 34, T.17S., R.12E., W.M.
DESCHUTES COUNTY, OREGON

EXHIBIT
PAGE 3 OF 3

After Recording Return To:
Landye Bennett Blumstein LLP
3500 Wells Fargo Center
1300 SW Fifth Avenue
Portland, Oregon 97201

BYLAWS OF BEAR CREEK VILLAGE CONDOMINIUM

Exhibit "B" to Condominium Declaration for Bear Creek Village Condominium

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BYLAWS
OF
BEAR CREEK VILLAGE CONDOMINIUM

Exhibit "B" to Condominium Declaration for Bear Creek Village Condominium

ARTICLE 1
PLAN OF UNIT OWNERSHIP

1.1 Unit Ownership. The Condominium, located in the City of Bend, County of Deschutes, State of Oregon, known as Bear Creek Village Condominium, is submitted to the provisions of Oregon Revised Statutes, Sections 100.005 et seq. ("Oregon Condominium Act").

1.2 Bylaws Applicability. The provisions of these Bylaws are applicable to the Condominium, the Bear Creek Village Condominium Owners' Association (the "Association") and the entire management structure thereof and the Declarant and its successor and assigns. (The term "Condominium," as used herein, shall include the land).

1.3 Personal Application. All present or future owners, tenants, future tenants or their employees, or any other person that might use the facilities of the Condominium in any manner are subject to the regulations set forth in these Bylaws. The acquisition, rental or mere occupancy of any of the Units of the Condominium shall constitute acceptance and ratification of and agreement to comply with all of the provisions hereof.

1.4 Definitions. Except as otherwise provided below, the terms herein shall have the meaning set forth in the Oregon Condominium Act, ORS 100.005 et seq., as supplemented by the Condominium Declaration for Bear Creek Village Condominium (the "Declaration"), and said statute and definitions are incorporated herein by this reference.

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

2.1 Membership in the Association. Upon recordation of a conveyance or contract to convey a Unit, the grantee or purchaser named in such conveyance or contract shall automatically be a member of the Association and shall remain a member of the Association until such person's ownership ceases for any reason. For all purposes of the Declaration and the administration of the Condominium, Unit ownership shall be determined on the basis of the records maintained by the Association. The record shall be established by the Unit owner filing with the Association a copy of the deed to or land sale contract for his Unit, to which shall be affixed the certificate of the recording officer of the County of Deschutes, Oregon, showing the

date and place of recording of such deed or contract. No person shall be recognized as a Unit owner unless a copy of the deed or contract showing him to be the current owner or contract purchaser of a Unit has been filed with the Association as provided above. Notwithstanding the foregoing, the Declarant shall be the owner of all previously unsold Units, although no deed or land sale contract, with respect to such Units, has been filed with the Association.

2.2 Voting. The owner or co-owner of each Unit shall be entitled to one vote for each residential apartment located in such owner's Unit (which is the numerator in the fractional ownership of the common elements pertaining to their Unit). The calling and conducting of meetings of the Association and the exercise of voting rights shall be controlled by Articles 2 and 3 of the Bylaws.

2.3 Majority of Owners. As used in these Bylaws, the term "majority of owners" shall mean those owners holding over fifty percent (50%) of the voting rights allocated to the Unit owners in accordance with the Declaration and Section 2.2 above. "Majority of owners present" shall mean owners holding over fifty percent (50%) of the votes present at any legal meeting, as defined in Section 2.8 hereof.

2.4 Quorum. Except as otherwise provided in these Bylaws, the presence in person, by proxy or by ballot of owners holding forty percent (40%) or more of the outstanding votes in the Condominium, as defined in Section 2.2 hereof, shall constitute a quorum.

2.5 Proxies; Ballots. Votes may be cast in person, by proxy or by written ballot. Proxies must be filed with the secretary of the Association (the "Secretary") before or during the appointed meeting. The proxies may require the holder to cast a vote for or against any special proposal set out in the notice calling the meeting. In the sole discretion of the Board of Directors, a meeting of the Association may be held by ballot rather than at a formal gathering. Ballots for such meeting must be properly executed and returned in sufficient quantity to constitute a quorum and/or to pass the proposal(s) specifically propounded on the ballot. Unless withdrawn, a proxy given to another person to vote at a specific meeting also shall be valid at an adjourned meeting called under the provisions of Section 3.8 hereof.

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

2.7 Fiduciaries and Joint Owners. An executor, administrator, guardian or trustee may vote, in person, by proxy or by ballot, at any meeting of the Association with respect to any Unit owned or held by him in such capacity, whether or not the same shall have been transferred to his name; provided, that he shall satisfy the Secretary that he is the executor, administrator, guardian or trustee, holding such Unit in such capacity. Whenever any Unit is owned by two (2) or more persons jointly according to the records of the Association, the vote of such Unit may be exercised by any one (1) of the owners then present, in the absence of protest by a co-owner. In the event of such protest, no one (1) co-owner shall be entitled to vote without the approval of all

co-owners. In the event of such disagreement and such protest, the vote of such Unit shall be disregarded completely in determining the proportion of votes given with respect to such matter.

2.8 Actions by Association; Legal Meeting. Except as otherwise provided in the Declaration, the Articles of Incorporation, these Bylaws, the Oregon Condominium Act or the Oregon Nonprofit Corporation Act, decisions and resolutions of the Association shall require approval by a majority of owners present at any legal meeting. For the purposes of these Bylaws, a legal meeting is one duly called pursuant to these Bylaws at which a quorum is present in person or by proxy at a formal gathering, or, if a vote is taken by written ballot, when ballots are returned representing more than forty percent (40%) of the vote.

ARTICLE 3 **ADMINISTRATION**

3.1 Association Responsibilities. The owners of the Units constitute the members Association, which has the responsibility of administering the project, approving the annual budget, establishing and collecting assessments and arranging for the operation, management and maintenance of the Condominium, including negotiating and contracting with and supervising any person, persons or business entity with respect to such matters. The Association shall be an Oregon nonprofit corporation.

3.2 Place of Meetings. Formal meetings of the Association shall be held at the principal office of the Condominium or such other place that is convenient to the owners as may be designated by the Board of Directors. The outcome of a ballot meeting shall be determined by the Board of Directors within forty-eight (48) hours of the deadline for return of ballots or, in the event the ballot return date is postponed, within forty-eight (48) hours of the postponed date. Each Unit owner shall be notified within ten (10) days after the ballots have been counted, by mail or other delivery of written notice, of the results of the ballot meeting or that a quorum of ballots was not returned.

3.3 Turnover Meeting. The turnover meeting (which shall constitute the initial organizational meeting) shall be held within ninety (90) days after the earlier of the following: the date on which seventy-five percent (75%) of the Units that the Declarant has reserved the right to create have been conveyed to persons other than the Declarant or December 31, 2005. The turnover meeting shall be called by notice to all Unit owners of the time, place and purpose thereof not less than seven (7) nor more than fifty (50) days before the meeting. If such meeting is not called by the Declarant within the time specified, the meeting may be called and notice given by a Unit owner.

At the turnover meeting the Declarant shall relinquish control of the administration of the Association and shall assume such control and the Unit owners shall elect a board of directors (the "Board of Directors") in accordance with the provisions of Article 4 of these Bylaws. Additionally, the Declarant shall deliver to the Association those items specified in the Oregon Condominium Act to be turned over by the Declarant at the turnover meeting. To facilitate an orderly transition, during the three (3) month period following the turnover meeting,

the Declarant or an informed representative, shall be available to meet with the Board of Directors on at least three (3) mutually acceptable dates to review the documents delivered to the Association as required by the Oregon Condominium Act and as referred to above.

3.4 Transitional Committee. Within not less than seven (7) nor more than fifty (50) days of conveyance to persons other than the Declarant of fifty percent (50%) of the Units in the Condominium (unless the turnover meeting has been held), the Declarant shall call a meeting of the Unit owners for the purpose of forming a transitional committee in accordance with the Oregon Condominium Act and these Bylaws. The transitional committee shall be advisory only and shall consist of two (2) or more members selected by Unit owners other than the Declarant and may include not more than one (1) representative of the Declarant. The members shall serve until the turnover meeting.

The function of the transitional committee shall be that of enabling ease of transition from control of the administration of the Association by the Declarant to control by the Unit owners. The committee shall have access to the information, documents and records which the Declarant must turn over to the Unit owners under the Oregon Condominium Act and Section 3.3 of these Bylaws.

The Declarant shall give notice of the meeting required under this Section 3.4 to each Unit owner at least seven (7) , but not more than fifty (50), days prior to the meeting. The notice shall state the purpose of the meeting and the time and place where it is to be held. If such meeting is not called by the Declarant within the time specified, the meeting may be called and notice given by a Unit owner. If the owners, other than the Declarant, do not select members for the committee under this Section 3.4, the Declarant shall have no further responsibility to form the committee.

3.5 Annual Meetings. The first annual meeting of the Association shall be held during the calendar year following the calendar year during which the turnover meeting is held, and its date shall be set by action of the Board of Directors. This meeting, the date of which may be changed from time to time, at the discretion of the Board of Directors, must be held annually under the rules and regulations as set out in these Bylaws. At such meetings, new members of the Board of Directors shall be elected by the owners in accordance with the requirements of Section 4.6 of these Bylaws, to replace those directors whose terms have expired. The owners may also transact such other business of the Association as may properly come before them.

3.6 Special Meetings. Special meetings of the Association may be called by the chairperson of the Association ("Chairperson"), a majority of the Board of Directors, or upon the presentation to the Secretary of a petition signed by twenty-five percent (25%) or more of the owners. All meetings called because of petition of Unit owners shall be held at a formal gathering and not by ballot, and shall be held within sixty (60) days after receipt of the petition. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business, except as stated in the notice, shall be transacted at a special meeting, unless by consent of all the owners of the Units or as otherwise set out in these Bylaws.

3.7 Notice of Meetings. The Secretary shall mail by first class or certified mail or shall hand deliver a notice of each annual or special meeting, stating the purpose thereof and the time and place where it is to be held, to each owner of record at least ten (10) but not more than fifty (50) days prior to such meeting or the date when ballots for a ballot meeting are required to be returned. The Secretary shall hand deliver or mail by first class or certified mail written ballots for ballot meetings to each owner of record not less than twenty (20) days prior to the date on which ballots must be received by the Association in order to be counted. The mailing shall be to the owner's address last given to the Secretary in writing by the Unit owner or his vendee. If Unit ownership is split or the Unit has been sold on a contract, notice shall be sent to a single address, of which the Secretary has been notified in writing by such parties. If no address has been given to the Secretary in writing, then mailing to the Condominium Unit shall be sufficient. The mailing of a notice in the manner provided in this Section shall be considered notice served.

3.8 Adjourned Meetings. If any gathering of owners is not a legal meeting because a quorum has not attended, the owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours nor more than twenty (20) days from the time the original meeting was called. The Board of Directors may postpone the date for counting the ballots of a ballot meeting, in one or more postponements, for up to ninety (90) days after the originally scheduled ballot return date if a quorum of ballots has not been returned and/or for matters on which a certain percentage approval is required and that vote has not been received nor have sufficient votes in opposition have not been received to negate such approval.

3.9 Ballot Meetings. Unless prohibited or limited by the Articles of Incorporation of the Association, any action that may be taken at any annual or special meeting of the Unit owners may be taken without a meeting if the Association delivers a written ballot to every Unit owner entitled to vote on the matter. Such ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action. A proposed action shall be deemed to be approved by written ballot when the number of votes cast by ballot equals or exceeds any quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

3.10 Order of Business. The order of business at all meetings of the owners of Units shall be as follows unless the Board of Directors sets a different agenda:

- 3.10.1 Roll call.
- 3.10.2 Proof of notice of meeting or waiver of notice.
- 3.10.3 Reading of minutes of the preceding meeting.
- 3.10.4 Reports of officers.
- 3.10.5 Reports of committees.
- 3.10.6 Election of inspectors of election.
- 3.10.7 Election of directors.
- 3.10.8 Unfinished business.
- 3.10.9 New business.

ARTICLE 4

BOARD OF DIRECTORS

4.1 Number and Qualification. The affairs of the Association shall be governed by a Board of Directors composed of three (3) persons, each of whom must be an owner or a co-owner of a Unit. Provided, however, that if a Unit is owned by more than one (1) owner, only one (1) owner of that Unit may serve on the Board of Directors at any one time. An officer or employee of a corporation, a trustee of a trust, a personal representative of an estate, or an employee of a trust or estate, may serve on the Board of Directors, if such corporation, trust or estate owns a Unit.

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

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

4.3.1 Caring for, maintaining and supervising the management of the Condominium, Association property, and the general common elements and the limited common elements for which the Association has maintenance responsibilities, and assigning, supervising assignments or approving any assignment of the use of any common element, general or limited, as may be required by the Declaration.

4.3.2 Establishing and maintaining replacement reserve accounts and other reserves, as required by the Oregon Condominium Act or these Bylaws and such other reserve accounts as are permitted by these Bylaws.

4.3.3 Designating and collecting of regular and special assessments from the owners, in accordance with these Bylaws, the Declaration and the Oregon Condominium Act.

4.3.4 Establishing a budget for payment of all common expenses of the Association and instituting and maintaining a system for such payment as may be reasonably necessary to prevent any misuse of Association funds.

4.3.5 Obtaining and maintaining insurance policies and paying premiums therefor out of the common expense funds with respect to both the common elements and individual Units as more specifically provided in Article 8 of these Bylaws.

4.3.6 Designating and dismissing the personnel necessary for the maintenance and operation of the Condominium, the general common elements and the limited common elements, if any.

4.3.7 Causing the preparation and distribution of annual financial statements of the Condominium to each of the Unit owners, as more specifically provided in Article 12 of these Bylaws.

4.3.8 Adopting and amending administrative rules and regulations governing the details of operation and use of the common elements, including a fine structure for violations of these Bylaws, the Declaration or any rules or regulations promulgated thereunder. Provided, however, that any such rules or regulations always shall be subject to rescission or amendment by the Association upon a majority vote of owners present at any properly called meeting at which a quorum is present.

4.3.9 Causing the Association to comply with ORS 100.480 relating to maintenance of documents delivered to the Association by the Declarant, depositing all assessments in a separate bank account in the name of the Association, payment of all expenses from the Association's bank account, and maintenance and distribution of financial statements, and to maintain copies suitable for duplication of the following: the Declaration, the Articles of Incorporation, the Bylaws, the Association rules and regulations and any amendments thereto, the most recent annual financial statement and the current operating budget of the Association.

4.3.10 Causing the Association to file an Annual Report as provided in ORS 100.250 and ORS 100.260.

4.3.11 Causing the Association to file the necessary tax returns of the Association.

4.4 Management Agent. The Board of Directors may employ a management agent, to be compensated in an amount established by the Board, to perform such duties and services as the Board shall authorize, including, but not limited to, the duties listed in Section 4.3 hereof. Any such management contract must be cancelable without cause or penalty upon ninety (90) days' written notice. Any management contract entered into by the Declarant before the turnover meeting may be cancelled by the Board of Directors elected at the turnover meeting upon thirty (30) days' written notice given not later than sixty (60) days after the turnover meeting.

4.5 Interim Directors. Upon the filing of the Declaration submitting the Condominium to the Oregon Condominium Act, the Declarant shall appoint an interim board of one (1) to three (3) directors (who need not be owners of Units), who shall serve until replaced by the Declarant or their successors have been elected by the Unit owners at the turnover meeting as hereinafter provided. The interim board shall work closely with the transitional committee, once appointed, to acquaint the members of the transitional committee with the procedures and operations of the condominium.

4.6 Election and Term of Office. At the turnover meeting, upon agreement by vote of the owners, the Board of Directors may be elected by a single ballot with each owner permitted to vote for three (3) nominees. In such event, the nominee receiving the highest number of votes shall be a Director serving a three (3) year term, the nominee receiving the second highest number of votes shall be a Director serving a two (2) year term, and the nominee receiving the fewest number of votes shall be a Director serving a one (1) year term. At the

expiration of the initial term of office of each respective Director, a successor shall be elected to a term of three (3) years. The Association may increase or decrease the number of Directors and length of terms for which each is elected upon amendment of this Section 4.7.

4.7 Vacancies. Vacancies on the Board of Directors caused by any reason other than the removal of a Director by a vote of the Association shall be filled for the balance of the term of each directorship by vote of a majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until his successor is elected upon expiration of the term for which such person was elected by the other Directors to serve.

4.8 Removal of Directors. At any legal annual or special meeting, other than a meeting by ballot, any one (1) or more of the Directors may be removed with or without cause, by a majority vote of owners and a successor may be then and there elected to fill the vacancy thus created. Any Director whose removal has been proposed by the owners shall be given an opportunity to be heard at the meeting. Any Director or Directors who fail(s) to attend three (3) successive meetings of the Board of Directors which have been properly called, or who has failed to attend more than one third (1/3) of the Board of Directors meetings during a twelve (12) month period which have been properly called, may be removed by a majority of the remaining Directors.

4.9 Organizational Meeting. The first meeting of a newly elected Board of Directors shall be held within ten (10) days after its election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice need be given to the newly elected Directors to hold such meeting legally, providing that a majority of the newly elected Directors are present.

4.10 Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors, but shall be held no less often than quarterly. Notice of regular meetings of the Board of Directors may be called by the Chairperson on three (3) days' notice to each Director, given personally or by mail, telephone, facsimile, telegraph or other similarly reliable method, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

4.11 Special Meetings. Special meetings of the Board of Directors may be called by the Chairperson or Secretary or on the written request of at least three (3) Directors. Special meetings of the Board of Directors may be called on three (3) days' notice to each Director, given personally or by mail, telephone, facsimile or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

4.12 Waiver of Notice to Directors. Before, at or after any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice to Directors shall be required and any business may be transacted at such meeting.

4.13 Board of Directors' Quorum. At all meetings of the Board of Directors, a majority of the existing Directors shall constitute a quorum for the transaction of business, and the acts of a majority of the Directors shall be the acts of the Board of Directors. A majority of those present at a Board meeting with less than a quorum present may adjourn the meeting from time to time. At any such adjourned meeting, any business that might have been transacted at the meeting as originally called may be transacted without further notice.

4.14 Board of Directors' Meetings Open to All Association Members. All meetings of the Board of Directors shall be open to all members of the Association. No Association member shall have a right to participate in the Board of Directors' meetings unless such member is also a member of the Board of Directors.

4.15 Executive Sessions. The Chairperson shall have authority to exclude any Association member who disrupts the proceedings at a meeting of the Board of Directors. At the discretion of the Board, the following matters may be considered in executive sessions:

- (a) Consultation with legal counsel concerning rights and duties of the Association regarding existing or potential litigation or criminal matters;
- (b) Personnel matters, including salary negotiations and employee discipline;
- (c) Negotiations of contracts with third parties; and
- (d) Any other matters for which the Oregon Condominium Act permits.

4.16 Notice to Association Members of Board of Directors' Meetings. For other than emergency meetings, notice of Board of Directors' meetings shall be posted at a place on the Condominium property at least three (3) days prior to the meeting or notice otherwise shall be provided to each member of the Association in a manner that is reasonably calculated to inform each member of such meetings. The posting of such notices shall be at a reasonable location which has been generally publicized to the Unit owners.

4.17 Telephonic Meetings. Unless a majority of the Units are the principal residences of the occupants, regular meetings of the Board may be held telephonically by means of a "conference call" in which each Director may speak with any of the other Directors. The Directors shall keep telephone numbers on file with the Chairperson to be used for telephonic meetings. No notice to either Directors or Association members shall be required for a telephonic meeting of the Board of Directors to be held for any emergency action. Provided, however, that no such telephonic meeting shall occur unless at least seventy-five percent (75%) of the Board of Directors participate in the same and after an attempt has been made to call each Director at the telephone number maintained on file with the Board of Directors for such purpose.

4.18 Compensation of Directors. No Director shall be compensated in any manner, except for out-of-pocket expenses, unless such compensation is approved by vote of a majority of the Unit owners.

ARTICLE 5 **OFFICERS**

5.1 Designation. The principal officers of the Association shall be a chairperson, a secretary and a treasurer, all of whom shall be elected by the Directors. The Directors may appoint an assistant treasurer and an assistant secretary and any such other officers as in their judgment may be necessary.

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

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

5.4 Chairperson. The chairperson of the Association (the "Chairperson") shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties that are usually vested in the office of president of an association, including, but not limited to, the power to appoint committees from among the owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

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

5.6 Treasurer. The treasurer of the Association (the "Treasurer") shall have responsibility for Association funds and securities not otherwise held by the managing agent and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board of Directors.

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

ARTICLE 6

OBLIGATIONS OF THE OWNERS

6.1 Assessments. All owners shall be obligated to pay annual assessments imposed by the Association to meet all the Condominiums' common expenses, which shall include premiums for insurance required or permitted under Article 8 of these Bylaws. In the discretion of the Board of Directors, the annual assessment may be made payable semi-annually, quarterly or monthly. An assessment shall be charged, beginning when the Declarant first conveys a Unit to a Unit owner. Prior to such time, the Declarant shall pay all operating expenses of the Condominium. All of the reserve accounts set up pursuant to these Bylaws shall be funded by allocation and payment from the assessment of Unit owners. The assessment of all Unit owners who may be benefited by expenditure of reserve funds may be increased as necessary, so the reserve fund in question can be maintained in an amount sufficient to meet the needs for which such fund was established.

Except as otherwise provided in the Declaration or these Bylaws, each Unit shall be liable for the common expense in the same fraction as the fractional ownership in the common elements allocated to such Unit. However, maintenance, repair and replacement (except for siding replacement) of the exterior surfaces of the buildings in Stage I is allocated among the Stage I owners and will not be charged to owners of Units in subsequent stages. Conversely, the expense of maintenance, repair and replacement of the exterior surfaces of buildings in subsequent stages will be charged to owners of the Units in those stages and will not be charged to the owners of Units in Stage I. Although minor siding repair shall be included in such allocation, siding replacement shall be the responsibility of the Unit owner.

The assessment of Units shall include the following items, which shall be common expenses:

6.1.1 Expense Items:

6.1.1.1 Expenses of administration.

6.1.1.2 Expenses of maintenance, repair or replacement of the common elements and commonly maintained property.

6.1.1.3 Any deficit in common expenses for any prior period.

6.1.1.4 The costs of utilities for the common elements and other utilities that have a common meter or that are commonly billed, such as water and sewer.

6.1.1.5 At the discretion of the Board of Directors, the expense of basic cable television or satellite service to all Units, together with maintenance and repair expenses for such system and service.

6.1.1.6 The cost of insurance or bonds obtained in accordance with these Bylaws.

6.1.1.7 The cost of any professional management if required by Mortgagees or desired by the Board of Directors.

6.1.1.8 Legal, accounting and other professional fees.

6.1.1.9 Any other items that are properly chargeable as an expense of the Association.

6.1.2 Reserve Items:

6.1.2.1 Reserve Account. A reserve account shall be established for the purpose of effecting replacements of the roof, gutters, downspouts and exterior painting. Payment into this account shall be deemed a contribution to capital improvement as and when made. Pursuant to provisions of the Oregon Condominium Act, the Declarant has established a reserve account for replacement of such common elements. The reserve accounts for replacement shall be funded by assessment against the same Units that are assessed for the maintenance of the items for which the reserve account is established. Accordingly, the reserve account for replacement of those general common elements and limited common elements, the maintenance of which is provided by assessment against all owners shall be created by assessment against all owners. The reserve account for replacement of the commonly maintained property and those limited common elements (if any), the maintenance of which is provided by assessment of fewer than all Units shall be created by assessment only against the specific Units responsible for the maintenance of any such limited common elements.

Notwithstanding the few, if any, owners who may occupy one of the residential apartments within their Units as their primary residence, the Board of Directors of the Association annually shall conduct a reserve study, or review and update an existing study, of the common elements to determine the reserve account requirements for those items for which the Association is required to create and maintain a reserve account. The reserve account need not include items that could reasonably be funded from operating assessments. The reserve study shall include:

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

Except as otherwise provided in the Oregon Condominium Act, the reserve account shall be used only for maintenance, repair, and replacement of common elements and commonly maintained property for which reserves have been established and shall be kept separate from other accounts.

6.1.2.2 General Operating Reserve. The Board of Directors shall create a general operating reserve account by allocation and payment thereto monthly of an amount determined by the Board of Directors. The initial working capital required by Section 6.2.1 shall be deposited into such operating reserve account.

6.1.2.3 Special Reserves. Such other special reserve funds as may be set up by the Directors by special assessments of the Unit owners who benefit thereby as may be required by the Declaration or otherwise determined by the Association to be appropriate.

Each reserve account shall be kept in an account with a safe and responsible depository, shall be accounted for separately and, if invested, the obligation or security shall be fully guaranteed as to principal by the United States of America or one of its agencies. Assessments paid into the reserve accounts are the property of the Association and are not refundable to sellers of Units. Provided, however, that nothing contained herein shall prevent sellers of Units from treating their outstanding allocable share of reserve accounts as a separate or reimbursable item in a sales agreement. No Unit owner shall have any individual rights in any of these reserves, although it is understood that the value of their respective Units may increase in proportion to each Unit's right to receive repair, maintenance and replacement therefrom.

6.1.3 Commonly Maintained Property Expense/Reserve. The commonly maintained property expenses and reserves shall be apportioned among and held for the benefit of the Units which share such expenses. Accordingly, the Association shall allocate these expenses and hold the reserves separately among and for the Units in Stage I and the Units in subsequent stages.

6.2 Initial Assessment. The amount of the initial assessment due from Unit owners other than the Declarant shall be determined by the Declarant. The amount of the annual assessment thereafter shall be subject to review and modification by the Board of Directors. Except as otherwise provided below, the assessment for all Units shall be payable from the date on which the Declaration is recorded.

6.2.1 Contribution to Working Capital. At closing, each purchaser shall contribute to the Association a sum equal to one sixth (1/6th) of the annual assessment, with respect to the Unit being purchased, as a one-time contribution to the working capital of the Association. Within sixty (60) days after the first conveyance of a Unit by the Declarant, the Declarant shall make such contribution with respect to all Units in the Condominium that have not yet been conveyed to a purchaser. If the Declarant has made such contribution, no further contribution shall be required to the Association, but each purchaser shall reimburse the Declarant at closing for the amount of the contribution made by the Declarant with respect to the Unit conveyed to the purchaser. If the amount of the assessment is reduced pursuant to the

authority granted to the Declarant herein, the initial deposit to the Association budget equal to one sixth (1/6th) of the annual assessment, shall be based on the projected amount of such assessment after substantial or full occupancy of the Units rather than on the reduced amount. The working capital contribution shall be allocated to the general operating reserve provided in Section 6.1.2.2 of these Bylaws. The working capital contribution is in addition to regular assessments and shall not be used as a prepayment of assessments by any Owner. The Declarant may not use the working capital funds to defray any of its expenses, reserve contributions, or construction costs, or to make up any budget deficits while the Declarant is in control of the Association. All working capital contributions shall be disbursed to the Association at or prior to the turnover meeting and shall be credited to the operating reserve account.

6.2.2 Procedures. If the Declarant or any other person pays all of the operating expenses of the Condominium or subsidizes such expenses, the assessment shall be reduced by such amount, but shall not be reduced to a sum less than the total amount of the replacement reserve items. With respect to Units not yet conveyed by the Declarant, the Declarant may accrue the replacement reserve items. At the time of conveyance of the Unit for which the replacement reserve has been accrued, the accrued reserves must be paid to the Association.

The Declarant, or such other person paying all operating expenses or subsidizing such expenses, shall give ten (10) days' written notice to individual Unit owners prior to their obligation to pay the full assessment begins. Thereafter, each owner, including the Declarant or such other person, shall pay the assessments to the Association. In the event that the Declarant has collected initial assessments from Unit purchasers at closing and thereafter elects to pay or subsidize the operating expenses, thereby causing the amount of the assessment to be reduced, the one time initial contribution collected from Unit purchasers for Units in Stage I shall be held by the Declarant in a separate Association account. The initial contribution for purchasers of Units in subsequent stages shall be paid directly to the Association. On the date on which Unit owners are required to pay full assessments, the aggregate sums held in such separate account shall be deposited to the Association's general account to be used as working capital.

6.2.3 Temporary Reduction of Assessment Amount. If the Association expenses are temporarily less than projected by the Declarant because some or most of the Units are not yet sold or occupied, the Declarant shall have the authority to reduce temporarily the amount of the assessment to reflect the lower expenses of the project.

6.3 Initial Assessment of Units in Future Stages. The initial assessment for owners of Units in stages annexed to the Condominium subsequent to the submission of Units in Stage I to Unit ownership shall be an amount equal to one sixth (1/6th) of the annual assessment then in effect for similar Units in the Condominium, plus a prorated portion of the assessment for the assessment installment period during which the Units in such stages are annexed to the Condominium. Thereafter, the owners of Units in such stage shall be assessed directly by the Association. The initial assessment equal to one sixth (1/6th) of the current annual assessment shall be a one-time contribution to the budget of the Condominium. The total initial assessment of Units in subsequent stages shall be collected by the Declarant and delivered to the Association within thirty (30) days after the date on which Units in each stage are annexed to the Condominium. Upon the annexation of additional Units to the Condominium in future stages,

the Board of Directors shall promptly prepare a new budget reflecting the addition to the Condominium and shall recompute any previous assessment covering any period after the annexation.

6.4 Special Assessments. The Board of Directors shall have the power to levy special assessments against an owner or all owners for the following purposes in the following manner:

6.4.1 To correct a deficit in the operating budget by vote of a majority of the Board;

6.4.2 To collect amounts due to the Association from an owner for breach of the owner's obligations under the Declaration, these Bylaws, or the Association's rules and regulations, by vote of a majority of the Board;

6.4.3 To make repairs or renovations to the common elements or commonly maintained property if sufficient funds are not available from the operating budget or replacement reserve accounts vote of a majority of the Board; or

6.4.4 To make capital acquisitions, additions or improvements, by vote of at least seventy-five percent (75%) of all votes allocated to Units in the Condominium.

6.5 Payment of Assessments. Subject to the provisions of Sections 6.2 and 6.3 of this Article 6, from the date on which the Declaration is recorded, the Declarant shall:

6.5.1 Pay assessments due for operating expenses on all unsold Units; and

6.5.2 Pay assessments due for reserves on all unsold Units, or, at the Declarant's option, pay or require the Unit owner to pay all accrued reserve assessments against the Unit at the time of the initial sale to the Unit owner. Provided, however, such reserve accrual shall not be for a period longer than two (2) years after the Declaration is recorded.

6.6 Payment of Assessments After Damage to Unit. The assessment of an owner shall not be abated or reduced because the owner's Unit has been partially or totally destroyed. Assessments shall continue after such damage and during the period of reconstruction, repair or restoration.

6.7 Adoption of Budget; Filing Income Tax Returns; Determination of Fiscal Year.

6.7.1 **Determination of Fiscal Year.** The fiscal year of the Association shall be the calendar year unless otherwise determined by the Board of Directors.

6.7.2 **Filing of Tax Returns.** The Board of Directors, in its sole discretion, shall select the person, persons or entity to prepare such tax returns and determine the manner in which all necessary income tax returns are filed.

6.7.3 Adoption of Budget. At least sixty (60) days before the beginning of each fiscal year, the Board of Directors shall adopt a budget for the Association containing an estimate of the total amount considered necessary to pay the cost of maintenance, management, operation, repair and replacement of the common elements and those parts of the Units as to which it is the responsibility of the Association to maintain, repair and replace, and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be common expenses pursuant to the Oregon Condominium Act, the Condominium instruments or a resolution of the Association and that shall be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Condominium and the rendering to the Unit owners of all related services.

Such budget also shall include such reasonable amounts as the Board of Directors considers necessary to provide working capital and such general operating reserve accounts, contingency and other reserve accounts as the Board shall determine. The amount designated for replacement reserves shall be adjusted annually to reflect current replacement cost and remaining useful life. At least thirty (30) days before the beginning of each fiscal year, the Board of Directors shall send to each Unit owner a copy of the budget in a reasonably itemized form which sets forth the amount of the common expenses and any special assessment payable by each Unit owner. Such budget shall constitute the basis for determining each Unit owner's assessment for the common expenses of the Condominium.

6.7.4 Failure to Prepare Budget. The failure of the Board of Directors to timely prepare and/or to present, in a timely manner, a budget to the Unit owners shall not be cause for any owner to fail or refuse to pay assessments. Assessments shall continue, based upon the last adopted or accepted budget, until a new budget is created and announced. Retroactive increases and/or special assessments may be made by the Board of Directors to make up for any deficiency.

6.7.5 Failure to Adopt Budget. In the event the Board of Directors fails to adopt, in a timely manner, a budget for a new fiscal year, Unit owners holding a majority of the votes of the entire Association, at any general or specially called meeting, may adopt such a budget, announce it to the Unit owners and immediately commence assessments based on the newly adopted budget. Additionally, at any general or specially called meeting, Unit owners holding a majority of the votes of the entire Association may amend any budget adopted by the Board of Directors. Thereafter, the amount of assessments due from Unit owners shall be based on the budget as so amended until a new budget is adopted in accordance with this Section 6.6.

6.8 Default. The failure of an owner to pay any assessment of the Association shall be a default by such owner of his obligations pursuant to these Bylaws and the Oregon Condominium Act and, in addition to the Association's other remedies provided in the Declaration, these Bylaws shall entitle the Association to declare the balance of such owner's annual assessment otherwise being paid in installments to be immediately due and payable in full. Interest shall be charged on delinquent assessments at such rate as may be set by the Board of Directors, from time to time, not to exceed the lower of eighteen percent (18%) per annum or the highest rate permitted by applicable law. Before the imposition of or a change in the interest

rate charged on delinquent assessments, the Board of Directors shall give thirty (30) days' written notice to all owners.

In addition, the Board of Directors, at its option, may impose a late charge penalty and/or administrative fee on any assessment or installment thereof that is delinquent for ten (10) or more days. Such penalty or fee shall not exceed the sum of twenty-five percent (25%) of the delinquent assessment or installment thereof and shall be imposed only once on each regular or special assessment or installment of such assessments.

The Association shall be entitled to a lien that may be enforced upon compliance with the provisions of ORS 100.450. In any foreclosure suit by the Association with respect to such lien, the Association shall be entitled to collect reasonable rent from the defaulting owner for the use of his Unit or shall be entitled to the appointment of a receiver pursuant to ORS 100.460. Liability for all assessments, fines, charges, interest, fees (including attorneys' fees, whether or not a suit or an action is commenced) and other sums owing by the Unit owner pursuant to the Declaration, these Bylaws, the Oregon Condominium Act and rules and regulations of the Association shall be the personal obligation of the Unit owner and may be enforced by suit for a money judgment, in addition to all other remedies of the Association. Any default by the owner of any provisions of these Bylaws or of the Oregon Condominium Act shall be deemed to be a default by the owner of any Mortgage to which the owner is a party or to which the Unit is subject.

6.9 Maintenance and Repair.

6.9.1 Owner's Duty to Maintain. Every owner shall perform promptly all maintenance and repair work that is needed within his own Unit, to prevent any negative effect on the common elements of the Condominium or a part thereof belonging to other owners, and every owner shall be responsible for the damages and liabilities that his failure to maintain and repair may cause, including, but not limited to, damage caused by plugged toilets and bath drains, overloaded electrical outlets, and clothes washer and dishwasher overflow. Owners shall also be responsible for the performance and expense of replacing the siding on their Unit.

6.9.2 Owner's Expenses. All repairs of internal installations of each Unit, such as water, lights, gas, power, sewage, telephones, air conditioners, heaters, sanitary installations, doors, windows, lamps and all other accessories and appliances belonging to the Unit area shall be at the sole expense of the Owner of such Unit.

6.9.3 Reimbursement of Association. An owner shall reimburse the Association for any expenditures incurred in repairing or replacing any common elements and/or facility that was damaged through such owner's fault and that is not otherwise covered by insurance policies carried by the owner or the Association for owner's and the Association's benefit. In such circumstances, the insurance obtained by the owner shall be deemed the primary coverage.

6.10 Right of Entry: Encroachments; Easements for Maintenance.

6.10.1 Association's Right of Entry. In case of an emergency originating in or threatening his Unit, an owner shall grant the right of entry to the management agent or to any other person authorized by the Board of Directors or the Association, whether the owner is present at the time or not.

6.10.2 Association's Easement. An easement for the benefit of the Association is hereby reserved in and through all Units and the common elements, providing access at reasonable times and with reasonable notice for purposes of maintenance, repair and replacement of the common elements and commonly maintained property. If, in the process of such repair and maintenance by the Association, it is necessary to alter or damage any Unit or common elements, such alterations or damages shall be permitted without compensation, provided that the Unit and/or common elements are promptly restored to substantially their prior condition by the Association.

6.10.3 Encroachment. If any portion of the common elements encroaches upon a Unit, or a Unit encroaches upon any portion of the common elements, a valid easement for the encroachment and for the maintenance of the same, so long as the affected Unit or common element stands, shall and does exist. In the event that the affected Unit or common element or either is partially or totally destroyed, and then rebuilt, the owners of the Units agree that minor encroachment of parts of the common elements due to such rebuilding shall be allowed and an easement shall exist for such purpose.

ARTICLE 7

USE AND OCCUPANCY RESTRICTIONS; RULES OF CONDUCT

The failure of an owner (his family, invitees or lessees) to comply with the rules of conduct and restrictions set forth hereinafter or others promulgated by the Board of Directors shall be cause for which the Board of Directors may deny or restrict such owner's right to use any common element facility with respect to which such owner otherwise had a right of use.

7.1 Use as Private Dwelling Only. Each of the residential apartments within the Units shall be occupied as a single family private dwelling by its owner or his tenants, visitors and guests and for no other purpose. Subject to compliance with applicable local ordinances and other restrictions of record, an occupant of a residential apartment may use his apartment as a "home office," provided that clients, customers, and employees do not regularly visit the "home office." All common elements shall be used in a manner conducive to such purpose. No Unit owner shall be permitted to lease a residential apartment within his Unit for a period of fewer than thirty (30) days. No Unit owner may lease less than an entire residential apartment within a Unit. Any agreement to lease an apartment shall provide that the terms of the lease shall be subject in all respects to the provisions of the Declaration and the Bylaws and that any failure by the lessee to comply with the terms of such documents shall be a default under the lease.

7.2 Restriction on Alteration to Unit. No owner shall make any modification to the exterior of his Unit without approval of the Board of Directors and compliance with all architectural restrictions, covenants and conditions and rules and regulations adopted by the Board of Directors to carry out compliance with the architectural restrictions. The Board of Directors shall have the obligation to answer within thirty (30) days of receipt of such notice, and failure to do so within the stipulated time shall mean that it does not object to the proposed alteration or installations. Provided, however, that nothing herein contained shall waive or limit an owner's obligation to comply with the provisions of ORS 100.535.

7.3 Use of Exterior of Units. No owner shall place or cause to be placed on the patios, decks of the Units or the common elements of the Condominium, any furniture, packages or objects of any kind, except that suitable furniture may be placed on the decks and patios without the prior written consent of the Board of Directors. Such areas shall not be used for any purpose that is not appropriate, customary and acceptable to the Board of Directors.

7.4 Pets. No pets except dogs and cats shall be permitted on the condominium property and no more than a total of two (2) pets shall be permitted within a residential apartment. Provided, however, no occupant may keep a pet in a residential apartment without the prior written consent of the Board of Directors. Any occupant who is given such authorization and who maintains any pet upon any portion of the Condominium shall be deemed to have indemnified and agreed to hold the Association, each of its members and the Declarant free and harmless from any loss, claim or liability of any kind or character whatever arising by reason of keeping or maintaining such pet within the Condominium. All pets shall be registered with the Board of Directors and shall be registered and inoculated as required by law. Further such owner shall abide by the Municipal Sanitary Regulations, leash laws and rules or regulations of the Association created by the Board of Directors. The Board of Directors shall have the power to require any Unit owner or occupant whose pet is a nuisance to remove such pet from the premises.

7.5 Appearance of Condominium Building(s). No Unit owner shall cause anything to be hung, displayed, or placed on the walls, doors, windows, walkways, ceilings of walkways or roof of the Condominium building(s) or any other common element or otherwise change the appearance of any portion of the common elements without the prior written consent of the Board of Directors. Each Unit owner shall provide draperies, mini-blinds or other window coverings at all windows, which window coverings shall be lined with white materials, sufficiently opaque so as to not disclose the color of the interior portion of such window coverings. No clothes lines or similar devices, and no "For Sale" or "For Rent" signs shall be allowed on any part of the Condominium property without the prior written consent of the Board of Directors, except that the Declarant may post reasonable signs advertising any Unit for sale or for rent in reasonable places on the Condominium property.

7.6 Nuisances. No nuisances nor any use or practice that is the source of annoyance to residents or that interferes with the peaceful possession and proper use of the property by its residents shall be allowed upon the Condominium property. Residents shall exercise extreme care about creating disturbances, making noises or using musical instruments, radios, televisions and amplifiers that may disturb other residents. All parts of the Condominium shall be kept in a

clean and sanitary condition; no rubbish, refuse or garbage shall be allowed to accumulate; and no fire or environmental hazard shall be allowed to exist. All garbage and trash shall be placed inside disposal containers. No Unit owner shall make or permit any use of his Unit or make any use of the common elements that would increase the cost of insurance upon the Condominium property.

No owner or occupant shall hang garments, towels, rugs or similar items from any window, facade, deck, patio, fence, balcony or terrace of the Condominium, hang or shake dust rags, mops or similar items from any window, porch, terrace or patio or clean such items by beating them on an exterior part of the Condominium.

7.7 Improper, Offensive or Unlawful Use. No improper, offensive or unlawful use shall be made of the Condominium property or any part of it; all valid laws, zoning ordinances and regulations of governmental bodies having jurisdiction shall be observed. The responsibility for meeting the requirements of governmental bodies for maintenance, modification or repair of the Condominium property shall be carried out and paid for in the same manner as the responsibility for the maintenance and repair of the property concerned.

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

7.9 Parking. The parking spaces designated as general common elements in the Declaration are intended for use of automobiles of owners and guests. The Directors may make such rules as may be necessary to govern the use of any general or any limited common element parking areas by which all owners and other users shall be bound. Some of the Units contain garages which are part of the Unit. Owners or tenants of such Units shall park their vehicles within the garage of the Unit.

7.10 Vehicle Restrictions. The speed of vehicular traffic on the parking areas and driveways on Condominium property shall be limited to five (5) miles per hour as a safety precaution. This speed limit shall apply to bicycles, motor scooters, motorcycles, automobiles and trucks. No recreational vehicles, campers, trailers, boats, boat trailers, vehicles in disrepair or similar things may be parked or kept on Condominium property without the prior written consent of the Board of Directors.

7.11 Leasing/Renting Units. A Unit owner may rent or lease any residential apartment, provided the entire apartment is leased, and for a period of not less than thirty (30) days. No rooms may be rented and no transient tenants may be accommodated. Provided, however, that such tenants shall always be under the control of and subject to the Declaration, any Supplemental Declaration, the Articles of Incorporation, the Bylaws, rules and regulations of the Association and the Board of Directors. At any time during the tenancy, the Board of

Directors may cause its termination and evict such tenants for cause with or without joining the Unit owner of such Unit in any such action. All such leases shall be in writing.

7.12 Additional Rules. Rules and regulations concerning other use of the Condominium property may be made and amended from time to time by the Association or the Board of Directors. Copies of such rules and regulations shall be furnished to all Unit owners and residents of the Condominium, upon request.

7.13 Covenants, Conditions, Restrictions, and Easements in Other Documents. In addition to the provisions of the Declaration, any Supplemental Declaration, the Articles of Incorporation, the Bylaws and any rules or regulations promulgated thereunder, each owner of a Unit in the Condominium is subject to covenants, conditions, restrictions, easements and assessments as set forth in the following instruments:

Reservations, as disclosed in State Deed

Dated: July 24, 1917
Recorded: August 10, 1917
Volume: 21
Page: 304, Deed Records

An easement created by instrument, including the terms and provisions thereof,

Dated: December 9, 1977
Recorded: December 14, 1977
Volume: 264
Page: 145, Deed Records
In favor of: Pacific Power & Light Company, a corporation

Easements as shown on the official plat and dedication of Prophet's Den.

Agreement for Easement, including the terms and provisions thereof,

Dated: May 1978
Recorded: June 5, 1978
Volume: 275
Page: 141, Deed Records
Between: Claude Powell, Jr. and Marilyn Powell
And: Dotson T. Merritt and Wilma L. Merritt and Mary N. Smith

Sewer service agreement, including the terms and provisions thereof,

Dated: September 25, 1997
Recorded: October 21, 1997
Volume: 466
Page: 1589, Official Records
Between: City of Bend
And: A. L. Lancet

License, including the terms and provisions thereof,
Dated: May 9, 2001
Recorded: June 7, 2001
Volume: 2001
Page: 26906, Official Records
Between: City of Bend, an Oregon municipal corporation
And: BLJ Enterprises, LLC

Sewer Easement Deed, including the terms and provisions thereof,
Dated: September 25, 1997
Recorded: October 2, 1997
Volume: 464
Page: 1477, Official Records

An easement created by instrument, including the terms and provisions thereof,
Recorded: October 2, 1997
Volume: 464
Page: 1480, Official Records
In favor of: City of Bend, an Oregon municipal corporation

Reservation of public utility easements, as disclosed in Statutory Warranty Deed,
including the terms and provisions thereof,
Dated: May 28, 1999
Recorded: June 1, 1999
Volume: 1999
Page: 27135, Official Records

ARTICLE 8 **INSURANCE**

The Board of Directors shall obtain and maintain at all times insurance of the type and kind and in the amounts hereinafter provided.

8.1 Types of Insurance Policies. For the benefit of the Association and the owners, the Board of Directors shall obtain and maintain at all times, and shall pay for out of the common expense funds, the following insurance to the extent that it is available at reasonable cost:

8.1.1 A policy or policies insuring the Association, its Board of Directors, the Unit owners individually, and the manager against any liability to the public or the owners of Units and their invitees or tenants, incident to the ownership, supervision, control or use of the project. Limits of liability under such insurance shall be not less than One Million Dollars (\$1,000,000) per occurrence for bodily injuries and property damage. Such limit and coverage shall be reviewed at least annually by the Board of Directors which, in its discretion, may increase the limit of and/or coverage. Said policy or policies shall be issued on a comprehensive liability basis and shall provide cross liability endorsements wherein the rights a named insured under the policy or policies shall not be prejudiced with respect to his action against another named insured.

8.1.2 Workmen's compensation insurance to the extent necessary to comply with any applicable laws.

8.1.3 A fidelity bond naming such persons as may be designated by the Board of Directors as principals and the Association and the owners as obligees, for the amount determined by the Board of Directors. Provided, however, that the Board of Directors shall require that all officers and employees of the Association handling or responsible for Association funds obtain adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

8.1.4 The Association shall not be responsible for any loss or damage to personal property of any owner, whether stored on the common elements or in the owner's Unit; nor shall the Association maintain any insurance coverage for such loss.

8.1.5 EACH OWNER SHALL PROCURE AND MAINTAIN A PROPERTY INSURANCE POLICY OR POLICIES ON SUCH OWNER'S UNIT IN THE FULL REPLACEMENT VALUE WITH EXTENDED COVERAGE ENDORSEMENTS.

8.1.6 The Association shall procure and maintain property loss insurance on those common elements which are customarily unusable, with such deductibles as the Board of Directors shall deem appropriate, as more specifically provided in Section 8.6.

8.1.7 Upon the recommendation of the Board of Directors and approval by a majority of the total voting power of the Association, the Board may procure a property loss insurance policy(ies) insuring the Units for the benefit of the owners and the Association. The cost of such insurance policy(ies) shall be a general common expense and shall be assessed against the owners and the Units in the manner of other general common expenses. Provided, however, nothing shall preclude the owners from subsequently voting to resume the requirement of owners to fully insure their own units.

8.2 Insurance Companies Authorized. All policies shall be written by a company licensed to do business in Oregon and hold a "Commissioner's rating" of "A+" and a size rating of "AAA, " or better, by Best's Insurance Reports, or as may be otherwise acceptable to all Mortgagees and Directors.

8.3 Authority to Adjust Losses. All losses under property insurance policies shall be settled exclusively by the owner of a Unit, or its authorized representative; provided, however, that where a first Mortgagee has been designated as a loss payee by a Unit owner and such first Mortgagee has requested the opportunity to exercise the rights provided by this Article 8, such Mortgagee shall be entitled to settle losses as to the mortgaged Unit, provided that the loss which occurs is severable.

8.4 Provisions in Insurance Policies. The Board of Directors shall make every effort to secure insurance policies that provide for the following:

8.4.1 A waiver of subrogation by the insurer as to any claims against the Board of Directors, the manager, the Unit owners and their respective servants, agents and guests.

8.4.2 A provision that the master policy on the Condominium cannot be cancelled, invalidated or suspended on account of the conduct of any one or more individual owners.

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

8.4.4 A provision that any "no other insurance" clause in the master policy exclude individual owners' policies and not otherwise prevent such individual policies from providing coverage for damage to Units or common elements.

8.5 Reconstruction Costs. Notwithstanding the Association's obligation to maintain and repair the roof, effect minor siding repair, gutters and downspouts, the obligation for reconstruction costs shall be borne by the owner of each Unit. The owner shall repair, restore and/or reconstruct as soon as reasonably possible in a manner which is structurally and architecturally similar to the other Units, unless an alternative is approved by seventy-five percent (75%) of the total votes of the owners.

8.6 Insurance Deductible/Owner and Tenant Insurance. The Board of Directors shall determine the amount of the deductible for Association procured property loss insurance policies, as well as other insurance policies required to be procured by the Association under this Article 8. In determining the deductible under the policies, the Board shall take into consideration among other factors the availability, cost, and loss experience of the Association.

The Association shall have no responsibility to procure or assist in procuring property loss insurance for any owner or tenant for (a) damage to a Unit or limited common elements; or (b) for any damage or loss to the owner's or tenant's personal property. Owners shall be responsible for purchasing insurance policies insuring their Units and appurtenant limited common elements and for insuring their own personal property for any loss or damage. Tenants shall be responsible for insuring their own personal property for any loss or damage.

Owners and tenants of all units must procure and maintain comprehensive liability policies having combined limits of not less than One Hundred Thousand and No/100 Dollars (\$100,000.00) for each occurrence. Such insurance shall provide coverage for, but not limited to, the negligent acts of the owner(s) and tenants(s) and their guests or other occupants of the unit(s) for damage to the general and limited common elements and other units and the personal property of others located therein.

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

8.8 Duplicate Insurance Coverage. In the event of duplicate insurance coverage, the insurance policy obtained by the owners shall be deemed to be the primary coverage.

8.9 Insurance Certificate. Each owner shall procure and maintain property loss insurance in the full amount of the replacement value of the owner's Unit and shall procure and deliver to the Board of Directors a certificate of such insurance, which shall include the obligation of the insurer to give ten (10) days' written notice to the Board of Directors before any such property loss insurance policy may be cancelled by the insurer.

ARTICLE 9

DAMAGE AND DESTRUCTION

Each Unit owner has the sole responsibility to maintain and repair its Unit.

9.1 Architectural Changes After Damage or Destruction. Reconstruction of the damaged or destroyed building as used in this Article means restoring the buildings to substantially the same condition in which they existed prior to the fire, casualty or disaster and shall be performed substantially in accordance with the Declaration and the original plans and specifications unless other action is approved by the holder of the Mortgage on the Unit which has been damaged or destroyed. Notwithstanding all other provisions hereof, the owners may, by an affirmative vote of seventy-five percent (75%) of the total votes allocated among the owners, may approve architectural changes.

ARTICLE 10

CONDEMNATION

The Board of Directors shall have the sole authority to negotiate with any public or private body or person having the power of eminent domain and to sue or defend in any litigation involving such bodies or persons with respect to the common elements of the Condominium and shall assist any Unit owner whose Unit or a part thereof is the subject of any condemnation or eminent domain proceeding. Provided, however, that nothing in this or any document or agreement relating to the Condominium shall be construed to give a Unit owner or any party priority over the rights of the first Mortgagees of any Condominium Units in the case of a distribution to the Unit owner of any such condemnation awards for losses to or a taking of a Unit and/or the common elements. In the event of a taking or acquisition of part or all of the common elements by a condemning authority, the award or proceeds of settlement shall be payable to the Association, or any trustee, for the use and benefit of the Unit owners and their Mortgage holders as their interest may appear. The Board of Directors shall distribute the proceeds of any such award or settlement on a reasonable and equitable basis among the Unit owners.

ARTICLE 11

AMENDMENTS TO BYLAWS

These Bylaws may be amended by the owners holding a majority of the total voting rights allocated to the Units in a duly constituted meeting or ballot meeting called for such purpose, and no amendment shall take effect unless approved by owners holding a majority of the voting rights as otherwise set forth in the Declaration and any Supplemental Condominium Declaration. Any amendments adopted hereunder shall be reduced to writing and certified by

the Chairperson and Secretary of the Association to be the amendment so adopted by the Association, and such amendment so certified shall be recorded in the Deed Records of /3/ County, Oregon. Provided, however, that no amendment of these Bylaws reducing or eliminating the right of any first Mortgagee shall be made without the prior written consent of such first Mortgagee. Provided, further, that no amendment of these Bylaws may be made without the consent of the Declarant so long as the Declarant owns any Unit in the Condominium. No such consent shall be required after conveyance to owners other than the Declarant of seventy-five percent (75%) of the Units in the last stage of the Condominium or December 31, 2005, whichever is earlier. Provided, however, that even thereafter, no amendment may limit the Declarant's special rights, whether reserved in the Declaration, these Bylaws, or as otherwise provided by law. ANY AMENDMENTS TO THESE BYLAWS MADE WITHIN FIVE (5) YEARS OF THE RECORDING DATE HEREOF MUST BE APPROVED BY THE OREGON REAL ESTATE COMMISSIONER PRIOR TO RECORDING.

ARTICLE 12

RECORDS AND AUDITS

12.1 General Records. The Board of Directors and the managing agent or manager, if any, shall keep detailed records of the actions of the Board of Directors and the managing agent or manager, minutes of the meetings of the Board of Directors and minutes of the meetings of the Association. The Board of Directors shall maintain a list of owners entitled to vote at meetings of the Association and a list of all Mortgagees of Units, insofar as such names have been provided by the Owner or the Mortgagee to the Board.

12.2 Records of Receipts and Expenditures. The Board of Directors or its designee shall keep detailed, accurate records in chronological order of the receipts and expenditures affecting the common 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 Unit owners and Mortgagees during convenient weekday hours.

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

12.4 Payment of Common Expenses. The Board of Directors shall authorize the Treasurer, the management agent or another specified party to pay all legitimate expenses of the Association. Such payments shall be made pursuant to the payment system instituted by the Board of Directors as described in Section 4.3.4 of these Bylaws.

12.5 Reports and Audits. The Board of Directors shall prepare or cause to be prepared an annual report of the receipts and expenditures of the Association and a balance sheet and income and expense statement setting forth the financial condition of the Association as of the end of each

year. The report shall be prepared according to generally accepted accounting procedures and shall be distributed to all Unit owners and to all Mortgagees of Units within ninety (90) days after the end of each fiscal year. At any time and at his own expense, any owner or Mortgagee may cause an audit or inspection to be made of the books and records of the Association.

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

12.7 Annual Report. The Board of Directors shall cause an Annual Report, including any amendments, to be filed with the Oregon Real Estate Agency, pursuant to the provisions of ORS 100.250 and ORS 100.260.

ARTICLE 13 **COMPLIANCE**

These Bylaws are intended to comply with the provisions of the Oregon Condominium Act, which are incorporated herein, and to supplement the provisions of the Condominium Declaration. If any of the provisions hereof conflict with the provisions of said statutes, the statutory provisions shall apply. If any of the provisions hereof conflict with the provisions of the Declaration, the provisions of the Declaration shall apply.

ARTICLE 14 **INDEMNIFICATION OF DIRECTORS, OFFICERS,** **EMPLOYEES AND AGENTS**

The Association shall indemnify any Director, officer, employee, or agent who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by the Association) by reason of the fact that he is or was a Director, officer, employee or agent of the Association or is or was serving at the request of the Association as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by said person in connection with such suit, action or proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interest of the Association and, with respect to any criminal action or proceedings, had no reasonable cause to believe that his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or with a plea of nolo contendere or its equivalent shall not of itself create a presumption that a person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interest of the Association and, with respect to any criminal action or proceedings, had reasonable cause to believe that his conduct was unlawful. Payment under this clause may be made during the pendency of such claim, action, suit or proceeding as and when incurred, subject only to the right of the Association to be reimbursed, should it be proven at a later time that said person had no right to such payments. All persons who are ultimately held liable for their actions on behalf of the Association as a Director, officer, employee or agent shall have a right of contribution over and against all other Directors, officers,

employees or agents and members of the Association who participated with or benefited from the acts which created said liability.

ARTICLE 15
ASSESSMENT AND FINE COLLECTION COSTS;
ENFORCEMENT SUITS AND ACTIONS

Whether or not suit or action is commenced, Unit owners shall be obliged to pay reasonable fees and costs, including, but not limited to, attorney's fees incurred in connection with efforts to collect delinquent and unpaid assessments and enforcement of the Declaration, Bylaws or rules and regulations of the Association. In addition to the assessment for operating expenses and the funding of reserves, such assessments may include fees, late charges, fines and interest imposed pursuant to ORS 100.405 (4)(i)(j)(k).

In the event that suit or action is commenced by the Directors for the collection of any amounts due pursuant to these Bylaws or for the enforcement of any provisions of the Bylaws or of the Oregon Condominium Act, the owner or owners, jointly and severally, in addition to all other obligations shall pay the costs of such suit or action, including reasonable attorneys' fees, to be fixed by the trial court, and, in the event of an appeal, the cost of the appeal, together with reasonable attorneys' fees incurred in such appeal, to be fixed by the appellate court.

ARTICLE 16
MISCELLANEOUS

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

16.2 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.

16.3 Invalidity; Number; Captions. The invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these Bylaws. 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.

It is hereby certified that these Bylaws have been adopted by BLJ Enterprises, LLC, Declarant of Bear Creek Village Condominium, and shall be recorded in the Deed Records of Deschutes County, together with the Condominium Declaration for said Condominium, after said Declaration and Bylaws are approved by the Assessor of said County.

DATED this 25 day of JUNE, 2001.

BLJ ENTERPRISES, LLC, a Nevada
limited liability company

By: [Signature]
Margot Cote-Murphy, Member

STATE OF OREGON)

County of Multnomah)

) ss.

June 25, 2001

Personally appeared before me the above-named Margot Cote-Murphy, who, being duly sworn, did say that she is a Member of BLJ Enterprises, LLC, a Nevada limited liability company, and that said instrument was signed in behalf of said company by authority of its members; and she acknowledged said instrument to be its voluntary act and deed.



[Signature]
Notary Public for Oregon