

BYLAWS

VOL 194 PAGE 482

OF

BEND RIVERSIDE MOTEL CONDOMINIUM

ARTICLE I

PLAN OF FAMILY UNIT OWNERSHIP

Section 1. Family Unit Ownership. The project located in the City of Bend, County of Deschutes, State of Oregon, known as BEND RIVERSIDE MOTEL CONDOMINIUM is submitted to the provisions of Oregon Revised Statutes, Sections 91.505 and 91.675.

Section 2. Bylaws Applicability. The provisions of these Bylaws are applicable to both stages of the project, the owners, Association and the entire management structure thereof. (The term "project" as used herein shall include the land.)

Section 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 project in any manner, are subject to the regulations set forth in these Bylaws.

The mere acquisition or rental of any of the 66 units (hereinafter referred to as "units") of the project or the mere act of occupancy of any said units will signify that these Bylaws are accepted, ratified, and will be complied with.

ARTICLE II

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

Section 1. Membership in the Association. An owner of a family unit shall automatically, upon becoming the owner of a family unit, be a member of the Association, and shall remain a member of said Association until such time as his ownership ceases for any reason. Unit Ownership shall be determined, for all purposes of the declaration and the administration of the property, from the record of unit ownership maintained by the Association. The record shall be established by the unit owner filing with the Association a copy of the deed to his unit 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 land sale contract has been filed with the Association, as provided above.

showing him to be the current owner or contract purchaser of a unit. Notwithstanding the foregoing, the declarant shall be the owner of all units for which no deed or land sale contract has been filed with the Association.

Section 2. Voting. Voting shall be on a percentage basis and the percentage of the vote to which the owner is entitled shall be the percentage rights in common elements assigned to the family unit or units in the Declaration.

Section 3. Majority of Owners. As used in these Bylaws the term "majority of voting owners" shall mean those owners holding over 50% of the votes (general common elements) in accordance with the percentage assigned in the Declaration. "Majority of voting owners present" shall mean voting owners holding over 50% of the votes at any legal meeting.

Section 4. Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of a "majority of voting owners" as defined in Section 3 of this Article shall constitute a quorum.

Section 5. Proxies. Votes may be cast in person or by written proxy. Proxies must be filed with the Secretary before the appointed time of each 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. Voting may be by proxy ballot, as the Directors may elect, rather than at a formal meeting.

Section 6. Authority to Vote. All owners shall be entitled to vote and this shall be true if they have leased their premises to a third party. An owner's right to vote may not be revoked. A purchaser under a land sale contract entitled to immediate possession of the premises shall be deemed the owner of the premises.

ARTICLE III

ADMINISTRATION

Section 1. Association Responsibilities. The owners of the family units will constitute the Association of Owners (hereinafter referred to as "Association") who will have the responsibility of administering the project, approving the annual budget, establishing and collecting monthly assessments and, if required, arranging for the management of the project pursuant to an agreement, containing provisions relating to the duties, obligations, removal and compensation of the management agent. Except as otherwise provided in the Declaration or these Bylaws, decisions and resolutions of the Association shall require approval by a majority of owners present at any legal meeting or meeting called for ballots. A legal meeting is one duly called pursuant to these Bylaws where a quorum is present in person or by proxy. A legal vote by ballot will require return of ballots of over 50% of the votes of owners.

Section 2. Place of Meetings. Meetings of the Association shall be held at the principal office of the project or such other suitable

place convenient to the owners as may be designated by the Board of Directors.

Section 3. Initial Meeting. The initial organizational meeting will be held immediately after the completion of the condominium structure by notice to all owners of units not less than seven days before the meeting as to the time and place thereof. All owners will execute a Memorandum of Action of that meeting in the escrow closing for their unit.

Section 4. Annual Meetings. The first annual meeting of the Association shall be held in the year 1974 and shall be set by action of the Board of Directors. This meeting, at the discretion of the Board of Directors, may be changed, from time to time, but must be held annually under the rules and regulations as set out in the Bylaws. At such meetings there shall be elected by ballot of the owners a Board of Directors in accordance with the requirements of Section 5 of Article IV of these Bylaws. The owners may also transact such other business of the Association as may properly come before them.

Section 5. Special Meetings. Special meetings may be called by the President and Secretary or any three Directors. It shall be the duty of the President and Secretary to call a special meeting of the owners as directed by resolution of the Board of Directors or upon a petition signed by 10% or more of the owners and having been presented to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice unless by consent of all the owners of the units or as otherwise set out in these Bylaws.

Section 6. Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual, special or meeting by ballot, stating the purpose thereof as well as the time and place where it is to be held, to each owner of record at least 10 but not more than 60 days prior to such meeting or balloting. The mailing shall be to the address last given the Secretary in writing by the unit owner or his vendee. If unit ownership is split or being sold on a contract, all shall be given notice. If no address is given, then mailing to the condominium unit will be sufficient. The mailing of a notice in the manner provided in this Section shall be considered notice served.

Section 7. Adjourned Meetings. If any meeting of owners cannot meet 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 48 hours from the time the original meeting was called.

Section 8. Order of Business. The order of business at all meetings of the owners of units shall be as follows:

- (a) Roll Call.
- (b) Proof of Notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting.
- (d) Reports of officers.
- (e) Reports of committees.
- (f) Election of inspectors of election.
- (g) Election of directors.
- (h) Unfinished business.
- (i) New business.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. Number and Qualification. The affairs of the Association shall be governed by a Board of Directors composed of seven persons, or more, as the existing directors unanimously agree, all of whom must be owners of an interest in units in the project, provided that husband and wife may not serve as Directors simultaneously.

Section 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. The Board of Directors may agree to create and create a Joint Board of Directors with other condominiums for the purpose of joint administration of their respective condominiums. Said Joint Board shall have all the rights, duties and privileges herein granted to the Board, save and except, nothing herein shall abridge the rights and privileges of owners of units in this condominium as herein set out.

Section 3. Other Duties. In addition to duties imposed by these Bylaws or by resolutions of the Association, the Board of Directors shall be responsible for the following:

- (a) Care, upkeep and surveillance of the project and the general common elements and the limited common elements, if any.
- (b) Designation and collection of monthly assessments from the owners in accordance with these Bylaws and the Oregon Unit Ownership Law.
- (c) Pay all common expenses of the Association and set up a voucher system for such payment acceptable to and approved by the Board of Directors with the proper number of signatories thereon as otherwise designated by said Board.
- (d) Designation and dismissal of the personnel necessary for the maintenance and operation of the project, the general common elements and the limited common elements, if any.
- (e) Lease, sublease or hypothecate in any manner the general or limited common elements, if any, of the condominium which have or may have any income producing potential.
- (f) Promulgation and enforcement of rules of conduct of Condominium owners, employees, and invitees and the use of restrictions thereof relative to all common elements; (See Article VI, Section 6) and designation of specific car ports to specific owners and guests and the change or alteration thereof.

The Directors shall have the right to settle all insurance claims of the Condominium Association or owner or owners thereof and give releases and proofs of loss to any insurance carrier, provided any two Directors sign the same.

Section 4. Management Agent. The Board of Directors may employ for the Association a management agent, or a joint managing agent, to perform such duties and services as the Board or Joint Board shall authorize including, but not limited to, the duties listed in Section 3 of this Article. Compensation shall be established by the Board or Joint Board. The managing agent shall have the right to contract with or lease from any unit owner, for the management of said unit, individually or collectively with other unit owners of this or of other condominiums being jointly administered.

Section 5. Election and Term of Office. At the initial meeting of the Association, all seven directors will be elected. Two will be elected for a term of three years, two for a term of two years and three for a term of one year. Should more directors be added, the same sequential election terms shall apply as near as is practicable. At the expiration of the initial term of office of each respective Director, his successor shall be elected to serve a term of three years. The Directors shall hold office until their successors have been elected and hold their first meeting.

Section 6. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Association shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected for the unexpired term at the next annual meeting of the Association.

Section 7. Removal of Directors. At any legal regular or special meeting, any one or more of the Directors may be removed with or without cause by a majority of the 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 may be given an opportunity to be heard at the meeting.

Section 8. Organization Meeting. The first meeting of a newly elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, providing a majority of the whole Board shall be present.

Section 9. 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. Notice of regular meetings of the Board of Directors may be called by the Chairman on three (3) days' notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

Section 10. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman 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 or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

Section 11. Waiver of Notice. 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 shall be required and any business may be transacted at such meeting.

Section 12. Board of Directors' Quorum. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 13. Fidelity Bonds. The Board of Directors shall require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

ARTICLE V

OFFICERS

Section 1. Designation. The principal officers of the Association shall be a Chairman, 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.

Section 2. Election of Officers. The officers of the Association may be elected by the Board of Directors at the organization meeting of each new Board or any Board meeting thereafter, and shall hold office at the pleasure of the Board.

Section 3. Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular or special meeting of the Board of Directors.

Section 4. Chairman. The Chairman shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of president of an Association, including, but not limited to, the power to appoint committees from among the owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association. The Chairman shall be entitled to vote only in case of a tie vote at any such meeting and his vote shall be final; but if the Chairman is a director, he will be entitled to vote in all events.

Section 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.

Section 6. Treasurer. The Treasurer shall have responsibility for Association funds and securities not otherwise held by the managing agent, and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. 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.

Section 7. Directors as Officers. Any Director may be an officer of the Association.

ARTICLE VI

OBLIGATIONS OF THE OWNERS

Section 1. Assessments. All owners are obligated to pay monthly assessments imposed by the Association to meet all the project's common expenses, which may include premiums for insurance required or permitted under Article VII of these Bylaws. The assessments shall be determined by the declarant in the initial organizational meeting memorandum of action for the owners and shall thereafter be subject to review by the Board of Directors. Thereafter the assessments shall be determined equally for owners of units in either stage. Such assessments shall include payments of leases on real and personal property, if any, monthly payments to a reserve fund for replacements, a general operating reserve and may include monthly payments for a real and personal property tax reserve fund.

(a) The Association may establish and maintain a Reserve Fund for Replacements, by the allocation and payment monthly to such reserve fund, an amount determined by the directors to be paid no less often than monthly. The reserve fund is for the purpose of affecting replacements of structural elements and mechanical equipment of the Condominium. Payment into this fund shall be deemed a contribution to capital improvement as and when made. The annual payment of this fund may be increased from time to time by action of owners holding a majority of votes.

(b) The Association shall establish and maintain a General Operating Reserve by allocation and payment thereto monthly of a sum equivalent to not less than five (5%) percent of the monthly assessments chargeable to the family unit owners in the Condominium pursuant to the Bylaws. Upon accrual in said General Operating Reserve Account of an amount equal to 15% of the current annual amount of assessments chargeable to the family unit owners in the Condominium pursuant to these Bylaws, the rate

of such monthly allocations may be reduced from 5% to 2-1/2% by appropriate action of the Association, provided, however, that in the event withdrawals from such account reduce it below said 15% accrual, the rate of such monthly deposits shall immediately be restored to 5%; at any time thereafter upon accrual in said General Operating Reserve Account of an amount equal to 25% of the current annual amount of assessments chargeable to unit owners in the Condominium pursuant to the Bylaws, such monthly deposits may be discontinued by appropriate action of the Association and no further deposits need be made into such General Operating Reserve so long as said 25% level is maintained and provided further, that upon reduction of such reserve below said 25% level, monthly deposits shall forthwith be made at the 2-1/2% rate until the 25% level is restored. This reserve is intended to provide for repairs or special funds during periods of economic stresses. Funds paid to this reserve shall be deemed payment for expenses incurred in the operation of the Condominium, building and Association as and when paid. Disbursements totalling in excess of 20% of the total balance in the reserve as of the close of the preceding annual period may not be made during any annual period without the consent of a majority of the owners.

(c) In addition to the above, there may be created a Real and/or Personal Property Tax Fund. This fund shall be for the payment of real and personal property taxes of the project. It may be set up by the Association and may include the real property taxes on the individual units and any personal property taxes that may be applicable thereto. This fund may be partial in that it covers only a portion of the units of the project as the Board of Directors shall decide.

Nothing in this section shall prevent the mortgagee or beneficiary under a deed of trust (both hereafter referred to as "mortgagee") to any unit requiring the owner of such unit to maintain a reserve fund for property taxes. If said mortgagee does require such a reserve, a unit owner so affected shall not be required to maintain a reserve for taxes with the Association.

Each reserve fund shall be kept and accounted for in a separate fund with a safe and responsible depository and if invested shall be in the depository, obligation or security fully guaranteed as to principal by the United States of America or one of its agencies. No unit owner shall have any individual rights in any of these reserves, although it is understood that their respective units would have a value increase equal to each unit's proportional right to receive maintenance and replacement therefrom. The Association, however, cannot accumulate and hold any income derived from said reserves and must distribute any investment income received, in the same proportion as the reserves were created, on or before December 31 of each year.

Section 2. Maintenance and Repair.

(a) Every owner must perform promptly all maintenance and repair work within his own unit, which if omitted would affect the project in its entirety or in a part belonging to other owners, being expressly responsible for the damages and liabilities that his failure to do so may engender.

(b) All the repairs of internal installations of the unit such as water, light, gas, power, sewage, telephones, air conditioners, sanitary installations, doors, windows, lamps and all other accessories belonging to the unit area shall be at the owner's expense.

(c) An owner shall reimburse the Association for any expenditures incurred in repairing or replacing any common area and facility damaged through his fault, not otherwise covered by insurance owned by the Condominium Association for the owner's and Association's benefit.

Section 3. Use of Family Units - Internal Changes.

(a) All living units shall be utilized for residential living only, private or commercial, and all common elements shall continue in that manner, however, the Board of Directors shall have the right to expand any common area functions to include any compatible income producing activity.

(b) An owner shall not make structural modifications or alterations in his unit or installations located therein without previously notifying the Association in writing, through the Management Agent, if any, or through the Chairman of the Board of Directors, if no management agent is employed. The Association shall have the obligation to answer within 30 days and failure to do so within the stipulated time shall mean that there is no objection to the proposed modification or alteration.

Section 4. Use of General Common Elements and Limited Common Elements.

An owner shall not place or cause to be placed in the lobbies, patios, decks, ramps, vestibules, stairways, and other project areas and facilities of a similar nature, any furniture, packages or objects of any kind, except that suitable furniture may be placed on the decks and patios. Such areas shall be used only for the purpose for which they are intended.

Section 5. Right of Entry.

(a) 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.

(b) An easement is reserved to the Association in and through any unit and the common elements providing access at reasonable times and with reasonable notice for purposes of maintenance.

repair and replacement of the common elements. 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 will be permitted without compensation, provided the unit and/or common elements are promptly restored to substantially their prior condition by the Association.

(c) If any portion of the common elements encroaches upon a family unit, a valid easement for the encroachment and for the maintenance of the same, so long as it stands, shall be and does exist. In the event the structures are partially or totally destroyed, and then rebuilt, the owners of the family 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.

Section 6. Assessments upon Sale of Unit. Upon the sale or conveyance of any unit, all unpaid assessments against the Selling owner for his pro-rata share of common expenses (maintenance fee) shall be first paid out of the sale price or, by the purchaser in preference over any other assessments or charges of whatever nature except taxes and mortgage liens.

Section 7. Rules of Conduct.

(a) No resident of the project shall post any advertisements, posters or signs of any kind in or on the project except as authorized by the Association.

(b) Residents shall exercise extreme care about creating disturbances, making noises, or the use of musical instruments, radios, television and amplifiers that may disturb other residents. Those keeping domestic animals will abide by the Municipal Sanitary Regulations, leash laws, and rules or regulations of the Association created by the Board of Directors.

(c) It is prohibited to hang garments, rugs, etc., from the windows or from any of the facades or decks or terraces of the project.

(d) It is prohibited to hang or shake dust rags, mops, etc. from the windows or porches or terraces, or to clean rugs, mops, etc. by beating in any exterior part of the project.

(e) It is prohibited to throw garbage or trash outside the disposal installations provided for such purposes in the service areas.

(f) No owner, resident or lessee shall install wiring for electrical or telephone installation, television antennae, machines or air conditioning units, etc. on the exterior of the project or that protrude through the walls or the roof of the project except as authorized by the Association. No window guards, awnings or shades shall be installed without prior consent.

(g) No exterior antennas shall be allowed except those installed by the Association.

(h) Curtains and drapes shall be generally white or lined with white, or as the Board approves, for pleasing aesthetics for the building.

(i) The parking spaces and carports designated as general common elements in the Declaration are intended for use of automobiles of owners and guests. The Directors may make such rules necessary to govern the use of any general or limited common element parking area and carports for which all members, whether the owner thereof, or not, shall be bound. Carports may be limited to certain owners and guests in the Directors' discretion.

(j) Vehicular traffic on the streets and drives within the property will 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.

(k) Recreational buildings and facilities and play areas, including area created by permanent easement, all common garden and patio areas are provided for the use of the owners and their guests. Rules and Regulations will be posted setting out the hours the various facilities will be available and the conditions attendant thereto. Compliance with the rules as determined by the Board of Directors is essential to the harmonious operation of the facilities.

(l) The Directors may suspend or revoke the use of the general or limited common elements of specific unit owners as may be necessary and reasonable in the over-all use of said elements and for the best interest of the Condominium as a whole.

Section 7. Default. Failure by the owner to pay any assessment by the Association shall be a default by the owner and subject the owner and the family unit to the obligations of these Bylaws and of the Oregon Unit Ownership Law, and in addition thereto, any default by the owner in any provisions of these Bylaws or of the Oregon Unit Ownership Law shall be deemed to be a default by the owner of any mortgage to which the owner is a party or to which the family unit is subject.

ARTICLE VII

INSURANCE

The Board of Directors shall obtain and maintain at all times insurance of the type and kind and in the amounts hereinafter provided, and including insurance for such other risks of a similar or dissimilar nature as are or shall hereafter customarily be covered with respect to other condominium projects similar in constructions, design and use, which insurance shall be governed by the provisions in this numbered section.

Section 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:

(a) A policy, or policies, of fire insurance with the extended coverage endorsement, for the full insurable replacement value of all units and common areas, and such other fire and casualty insurance as the Board of Directors shall determine to give substantially equal or greater protection to the owners, and their mortgagees, as their respective interests appear, which said policy, or policies, shall provide for a separate loss payable endorsement in favor of the mortgagee, or mortgagees, of each condominium, if any.

(b) A policy, or policies, insuring the Association, its Board of Directors, the unit owners, and the manager against any liability to the public or the owners of units and of the common areas, and their invitees or tenants, incident to the ownership or use of the Project, and including the personal liability exposure of the owners. Limits of liability under such insurance shall be not less than two hundred thousand dollars (\$200,000) for bodily injuries in each occurrence nor less than one hundred thousand dollars (\$100,000) for property damage in each occurrence (such limits and coverage to be reviewed at least annually by the Board of Directors and to be increased in its discretion). Said policy or policies shall be issued on a comprehensive liability basis and shall provide cross liability endorsements wherein the rights of named insured under the policy, or policies, shall not be prejudiced as respects his, her or their action against another named insured.

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

(d) 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.

Section 2. Insurance Companies Authorized. All policies shall be written in a company licensed to do business in Oregon and holding 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.

Section 3. Authority to Adjust Losses. All losses under policies hereafter in force regarding the property shall be settled exclusively with the Board of Directors or its authorized representative; provided, however, that where a first mortgagee has been designated as a loss payee by a unit owner, such mortgagee shall be entitled to settle losses as to the mortgaged unit, provided that the loss which occurs is severable.

Section 4. Prohibition of Contribution. In no event shall the insurance coverage obtained and maintained by the Board of Directors hereunder be brought into contribution with insurance purchased by individual owners or their mortgagees.

Section 5. Value of Owner Improvements. Each owner must inform the Board of Directors of the value of improvements made to his unit in excess of one thousand dollars (\$1,000). Nothing in this paragraph shall permit an owner to make improvements without first obtaining the approval of the Board of Directors pursuant to Article VI, Section 3(b).

Section 6. Provisions in Insurance Policies. The Board of Directors must make every effort to secure insurance policies that will provide for the following:

- (a) 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.
- (b) A provision that the master policy on the Project cannot be cancelled, invalidated or suspended on account of the conduct of any one or more individual owners.
- (c) A provision that the master policy on the Project cannot be cancelled, invalidated or suspended on account of the conduct of any officer or employee of the Board of Directors or the manager without prior demand in writing that the Board of Directors or manager cure the defect.
- (d) A provision that any "no other insurance" clause in the master policy exclude individual owners' policies from consideration.
- (e) A provision that the insurer issue subpolicies specifying the portion of the master policy earmarked for each owner's interest and that until the insurer furnishes written notice and a grace period to the mortgagee insured under the loss payable clause thereof, the mortgagee's coverage is neither jeopardized by the conduct of the unit mortgagor-owner, the association, or other unit owners nor cancelled for non-payment of premiums.
- (f) A rider on the master policy patterned after "Use and Occupancy" insurance which will provide relief from monthly assessments while a unit is uninhabitable by the payment of the condominium expenses thereof and any other fixed costs, including, but without being limited to, taxes, rent, insurance, and mortgage payments.

Section 7. Review of Insurance Policies. At least annually, the Board of Directors shall review all insurance carried by the Association of Unit Owners and such review shall include an appraisal of all improvements to the Project by a representative of the insurance carrier writing the master policy.

ARTICLE XIII

DAMAGE AND DESTRUCTION

Section 1. Insurance Proceeds Sufficient to Cover Loss. In case of fire, casualty or any other damage and destruction, the insurance proceeds of the master policy, if sufficient to reconstruct the buildings damaged or destroyed, shall be applied to such reconstruction. Reconstruction of the damaged or destroyed buildings, as used in this paragraph, means restoring the buildings to substantially the same condition

in which they existed prior to the fire, casualty or disaster, with each unit and the common area having the same vertical and horizontal boundaries as before. Such reconstruction shall be accomplished under the direction of the manager or the Board of Directors.

Section 2. Insurance Proceeds Insufficient to Cover Loss. If the insurance proceeds are insufficient to reconstruct the damaged or destroyed buildings, the damage to, or destruction of, such buildings shall be promptly repaired and restored by the manager or the Board of Directors, using the proceeds of insurance, if any, on such buildings for that purpose and all the unit owners shall be liable for assessment for any deficiency for such reconstruction, such deficiency to take into consideration as the owner's contribution any individual policy insurance proceeds provided by such owner. However, if three-fourths, or more, in value of all the buildings are destroyed or substantially damaged and if the owners holding at least three-fourths interest in the common elements do not, voluntarily, within one hundred (100) days after such destruction or damage, make provision for reconstruction, the manager or Board of Directors shall record, with the County Recorder, a notice setting forth such facts and upon the recording of such notice:

(a) The Project shall be deemed to be owned in common by the owners.

(b) The undivided interest in the Project owned in common which shall appertain to each owner shall be the percentage of undivided interest previously owned by such owner in the common areas.

(c) Any liens affecting any of the condominiums shall be deemed to be transferred in accordance with the existing priorities to the undivided interests of the owners in the Project.

(d) The Project shall be subject to an action for partition at the suit of any owner, in which the net proceeds of sale, together with the net proceeds of the policies of insurance on the Project, if any, shall be considered as one fund and shall be divided among all of the owners in a percentage equal to the percentage of undivided interest owned by each owner in the general common areas, after first paying out of the respective shares of the owners, to the extent sufficient for the purpose, all liens on the undivided interest in the Project owned by each owner.

Section 3. Architectural Changes After Damage or Destruction. Notwithstanding all other provisions hereof, the owners may, by an affirmative vote of sufficient owners to amend these bylaws, cause an amendment to be made to the Project documents so as to facilitate architectural changes that the owners affected thereby and the Association deem desirable if, and only if, the partial or total destruction of the Project, or any buildings thereof, by fire, casualty, or any other disaster is so great as to require the substantial reconstruction of the whole of said Project, or said buildings. Any such amendment of such Project documents shall be valid only upon (1) the recording

thereof with the recording officer of Deschutes County and (2) the recording with that recording officer of the approval thereof of each mortgagee and each other lienholder of record having a lien against any part of the Project, or building, affected by such amendment.

ARTICLE IX

AMENDMENTS TO BYLAWS

These Bylaws may be amended by the Association in a duly constituted meeting or ballot meeting called for such purpose and no amendment shall take effect unless approved by owners holding 75% or more of the percentage voting rights as otherwise set forth in the Declaration.

ARTICLE X

MORTGAGEES

Section 1. Notice to Association. An owner who mortgages his unit, shall notify the Association through the Management Agent, if any, or the Chairman of the Board of Directors in the event there is no Management Agent, the name and address of his mortgagee; and the Association shall maintain such information in a book entitled "Mortgagees of Units."

Section 2. Notice of Unpaid Assessments. The Association shall report, at the request of the mortgagee of a unit, any unpaid assessments due from the owner of such unit.

Section 3. Definition of Mortgagee. Mortgagee as used in these Bylaws shall include the beneficiary of a trust deed or a contract seller.

ARTICLE XI

COMPLIANCE

These Bylaws are set forth to comply with the requirements of the Oregon Unit Ownership Law, which are incorporated herein. In case any of these Bylaws conflict with the provisions of said statute, it is hereby agreed and accepted that the provisions of the statute will control.

ARTICLE XII

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 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 no reasonable cause to believe 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 should it be proven at a later time that said person had no rights to payments made. 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 XIII

SUITS AND ACTIONS

In the event 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 Unit Ownership Law, the owner or owners, jointly and severally, will in addition to all other obligations, pay the costs of such suit or action including a reasonable attorney's fee to be fixed by the trial court and in the event of an appeal of the cost of the appeal, together with a reasonable attorney's fee in the appellate court to be fixed by such court. In any foreclosure suit against a unit, the unit owner or owners may be required to pay a reasonable rental for the unit, and the plaintiff in such foreclosure suit shall be entitled to the appointment of a receiver to collect the rent.

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STATE OF OREGON

County of Douglas

I hereby certify that the within leaving
order or return was received by record
the 12 day of April A.D. 1922
at 1:32 o'clock P. M. and recorded
in Book 194 on Page 462 records
of Beards

ROSEMARY PATTERSON

County Clerk

By James Lindell Deputy

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