

VOL: 1999 PAGE: 46144
RECORDED DOCUMENT

STATE OF OREGON
COUNTY OF DESCHUTES



*1999-46144 * Vol-Page

Printed: 09/22/1999 10:36:56

DO NOT REMOVE THIS CERTIFICATE

(This certificate constitutes a part of the original instrument in accordance with ORS 205.180(2). Removal of this certificate may invalidate this certificate and affect the admissibility of the original instrument into evidence in any legal proceeding.)

I hereby certify that the attached instrument was received
and duly recorded in Deschutes County records:

DATE AND TIME: Sep. 22, 1999; 10:06 a.m.

RECEIPT NO: 11590

DOCUMENT TYPE: ByLaws,
 Declarations

FEE PAID: \$160.00

NUMBER OF PAGES: 30

A handwritten signature in cursive script, reading "Mary Sue Penhollow".

MARY SUE PENHOLLOW
DESCHUTES COUNTY CLERK

99-46144-1

Carl Kittelson
376 NW 19th
Redmond, OR
97756

**BYLAWS OF
BOULDER BROOK CONDOMINIUMS
UNIT OWNERS ASSOCIATION, INC.
(Exhibit C to Boulder Brook Condominium Declaration)**

**ARTICLE I
PLAN OF UNIT OWNERSHIP**

1.1 Name and Location. These are the bylaws ("Bylaws") of the BOULDER BROOK CONDOMINIUMS UNIT OWNERS ASSOCIATION, INC., an Oregon nonprofit corporation (hereinafter the "Association"). Boulder Brook is a condominium development located in the City of Redmond, Deschutes County, Oregon and has been submitted to the provisions of the Oregon Condominium Act by declaration filed simultaneously herewith (hereinafter the "Declaration") and these Bylaws. The location of Boulder Brook is more specifically described in the Declaration.

1.2 Bylaws Applicability. The provisions of these Bylaws are applicable to the Boulder Brook Condominium Unit Owners Association ("Association") and the entire management structure thereof. (The term "Condominium" as used herein and in the Declaration, 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, occupancy or rental of any of the Units of the Condominium or the mere act of occupancy of any such Units will constitute acceptance and ratification of these Bylaws and agreement to comply with all the provisions hereof.

1.4 Purposes. This Association is formed under the provisions of the Oregon Condominium Act to serve as the means through which the Unit Owners may take action with regard to the administration, management, and operation of the Condominiums.

1.5 Composition of Association. The Association shall be composed of all of the Unit Owners of Boulder Brook Condominiums including BC's Boulder Construction, Inc., their successors and assigns (hereinafter the "Declarant"), and the Association itself, to the extent any of these own any Unit or Units of Boulder Brook.

1.6 Definitions. Except as otherwise provided below, the terms herein shall have the meaning set forth in the Oregon Condominium Act, as supplemented by the Declaration, and said statute and definitions are incorporated herein by this reference.

**ARTICLE II
ASSOCIATION MEMBERSHIP**

2.1 Membership of Association. Membership in the Association is mandatory for each Unit Owner and any successive buyer. 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 or land sale contract to 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 or her 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 per 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. An Owner's right to vote may not be revoked.

2.3 Fiduciaries and Joint Owners. An executor, administrator, guardian, or trustee may vote, in person or by proxy, at any meeting of the Association with respect to any Unit owned or held in such capacity, whether or not the same shall have been transferred to his/her name; provided that s/he shall provide the Secretary with written proof satisfactory to the Secretary that s/he is the executor, administrator, guardian or trustee, holding such Unit in such capacity. Whenever any Unit is owned by two or more persons jointly, according to the records of the Association, the vote of such Unit may be exercised by any one of the Owners then present, in the absence of protest by a co-owner. In the event of such protest, no one co-owner shall be entitled to vote without the approval of all co-owners. In the event of disagreement among the co-owners, the vote of such Unit shall be disregarded completely in determining the proportions of votes given with respect to such matter.

2.4 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 Unit Owners in accordance with the Declaration and these Bylaws. "Majority of Owners Present" shall mean Owners holding over fifty percent (50%) of the votes present at any legal meeting as defined in section 2.7 below.

2.5 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, shall constitute a quorum. Provided however, that the quorum at any adjourned meeting, as described in section 3.8 below, shall be reduced to thirty percent (30%) of the outstanding votes in the Condominium. When a quorum is present or represented at any meeting in person or by proxy and entitled to vote on the subject matter; action on any matter (other than the election of directors) is approved if the votes cast favoring the action exceed the votes cast opposing the action, unless the vote of a greater number is required by law, the articles of incorporation or these Bylaws, in which case the contrary provision shall be controlling.

2.6 Proxies; Ballots. Votes may be cast in person, by proxy, or by written ballot. A proxy given by a Unit Owner to any person who represents such Owner at the meetings of the Association shall be in writing, signed by such Owner, and filed with the Secretary of the Association before or during the appointed meeting. No proxy shall be valid after the meeting for

which it was solicited, unless otherwise expressly stated in the proxy, and every proxy shall automatically cease upon sale of the Unit by its Owner. 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 shall be valid at an adjourned meeting called under the provisions of Section 3.8 below.

A Unit Owner may pledge or assign his/her voting rights to a mortgagee. In such a case, the mortgagee or its designated representative shall be entitled to receive all notices to which the Unit Owner is entitled hereunder and to exercise the Unit Owner's voting rights from and after the time that the mortgagee shall give written notice of such pledge or assignment to the Board of Directors.

2.7 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 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, or at a ballot meeting where the number of owners casting written ballots constitutes a quorum.

ARTICLE III ADMINISTRATION

3.1 Association Responsibilities. The owners of the Units constitute the members of the Association which has the responsibility of administering the Condominium Property, 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 incorporated as an Oregon nonprofit corporation.

3.2 Place and Order of Meetings. Formal meetings of the Association shall be held at the principal office of the Condominium or any other place that is convenient to the Owners as may be designated by the Board of Directors. The outcome of any ballot meeting shall be determined by the Board of Directors within 48 hours of the deadline for return of ballots, or in the event the ballot return date is postponed, within 48 hours of the postponed date. Each Unit Owner shall be notified within 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. The order of business at all meetings of the Owners of units shall be as set forth by the Board of Directors in listed in the notice of the meeting sent to Unit Owners.

3.3 Turnover Meeting. The Declarant shall call a meeting for the purpose of turning over administrative control of the Association from the Declarant to the Unit Owners (which shall

constitute the organizational meeting of the Association) within ninety (90) days after the earlier of:

- (a) A date seven (7) years from the date the first Unit is conveyed to a person other than the Declarant; or
- (b) The date that Units representing seventy five percent (75%) of the total number of votes have been conveyed to persons other than the Declarant.

The turnover meeting shall be called by notice to each Unit Owners of the time, place and purpose of the meeting not less than seven (7) but not more than fifty (50) days prior to the meeting. If the turnover meeting is not called by the Declarant within the time specified, the meeting may be called and notice given by any Unit Owner or any first mortgagee of a unit. The notice is effective when mailed, if it is mailed postpaid and is correctly addressed to the unit owner's address shown in the Association's current record of Unit Owners.

At the turnover meeting, the Declarant shall relinquish control of the administration of the Association, and the Unit Owners shall elect a Board of Directors in accordance with these Bylaws. Additionally, the Declarant shall deliver to the Association all items, articles, and documents 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-month period following the turnover meeting, the Declarant, or an informed representative of the Declarant, shall be available to meet with the Board of Directors on at least three (3) mutually-acceptable dates to review the documents delivered under this section. If the Declarant has complied with the provisions of these Bylaws, unless the Declarant otherwise has sufficient voting rights as a Unit Owner to control the Association, the Declarant shall not be responsible for the failure of the Unit Owners to comply with the Section 3 of this Article and the Declarant shall be relieved of any further responsibility for the administration of the Association except as a Unit Owner of any unsold unit.

3.4 Transitional Committee. Unless the turnover meeting pursuant to Article II above has been held, the Declarant shall call a meeting of the Unit Owners for the purpose of forming a transitional committee in accordance with these Bylaws. The Declarant shall call such meeting not later than the fiftieth (50th) day after the Declarant has conveyed Units representing seventy five percent (75%) of all votes in the Condominiums. The transitional committee shall be advisory only and shall consist of three (3) members. The Unit Owners shall, by majority vote, elect two (2) members, and the Declarant shall elect one (1) member. The members shall serve until the turnover meeting. The function of the committee shall be that of assisting in the transition of control of the administration for the Association of Unit Owners from the Declarant to the Unit Owners. The committee shall have access to the information, documents, and records which the Declarant must turn over to the Association pursuant to the Oregon Condominium Act and these Bylaws.

The Declarant shall give notice, either personally or by mail, of the transitional committee meeting, in accordance with these Bylaws, 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 the Declarant fails to call a meeting within the time

specified herein, the meeting may be called and notice given by any Unit Owner. The notice is effective when mailed, if it is mailed postpaid and is correctly addressed to the unit owner's address shown in the Association's current record of Unit Owners. If the Owners, other than the Declarant, do not select members for the committee as provided hereinabove, 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 the Board of Directors. Subsequent annual meetings shall be held in the months of either February or March of each year at such hour and on such date as the Chairperson may designate, or if the Chairperson should fail to designate such date by the first day of March, then on the last Thursday in March. The date of this meeting may be changed from time to time by resolution of the Board of Directors. At the annual meeting, the Unit Owners shall elect a new Board of Directors and transact any other business that may legally come before the meeting.

3.6 Special Meetings. Special meetings of the Association may be called by the Chairperson, or Secretary, or by a majority of the Board of Directors, and must be called by such officers upon receipt of written request from at least twenty percent (20%) of the Unit Owners stating the purpose of the meeting. Such members shall sign, date and deliver to the Corporation's secretary one or more written demands for the special meeting, describing the purpose or purposes for which it is to be held, and all such meetings called by the Owners shall be held formally and not by ballot. The record date for determining Owners entitled to demand a special meeting is the date the first member signs the demand. Only business within the purpose or purposes described in the notice of meeting provided by section 4 of this article may be conducted at a special meeting.

3.7 Ballot Meetings. Unless prohibited or limited by the Articles of Incorporation of the Association, or these Bylaws, 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 entitle 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.

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 meting to a time not less than 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 not have sufficient votes in opposition been received to negate such approval.

3.9 Notice of Meetings.

a. A written or printed notice stating the date, time and place of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be given not

earlier than sixty (60) days nor less than ten (10) days before the meeting date, either personally or by mail, by or at the direction of the Chairperson, the secretary, the Board of Directors or the persons calling the meeting, to each member of record entitled to receive notice of the meeting. The notice is effective when mailed, if it is mailed postpaid and is correctly addressed to the member's address shown in the Corporation's current record of members.

b. When a meeting is adjourned for more than one hundred twenty (120) days after the date fixed for the original meeting, or when a redetermination of the persons entitled to received notice of the adjourned meeting is required by law, notice of the adjourned meeting shall be given in the same manner as required for an original meeting. In all other cases no notice of the adjournment or of the business to be transacted at the adjourned meeting need be given other than by announcement at the original meeting before adjournment.

ARTICLE IV DIRECTORS

4.1 Number and Qualifications. The affairs of the Association shall be governed by a Board of Directors comprised of three (3) persons. All directors (other than interim directors appointed by the Declarant) shall be Owners or co-owners of Units of the Condominium. Provided, however, that if a Unit is owned by more than 1 owner, only 1 owner of that Unit may serve on the Board of Directors at any one time. For purposes of this section only, the officers of any corporate Owner and the partners of any partnership shall be considered co-owners of any Units owned by such corporation or partnership. Each director shall hold office until the earlier of the following:

- a. That director's successor is elected at the next annual meeting;
- b. That director's death; or
- c. That director resigns or is removed in accordance with the provisions of these bylaws.

4.2 Powers and Duties. The Board of Directors shall have all the powers and duties necessary for the administration of the affairs of the Association, except such powers and duties as by law or by the Declaration or by these Bylaws may not be delegated to the Board of Directors by the Unit Owners. The powers and duties to be exercised by the Board of Directors shall include, but not be limited to, the following:

(a) Operation, care, upkeep, maintenance, and repair of the Condominium and the Common Elements for which the Association has maintenance responsibilities, and assigning, supervising assignments or approving any assignment of the use of any Common Element, as may be required by the Declaration;

(b) 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;

(c) Designating and collecting regular and special assessments from the Owners, in accordance with these Bylaws, the Declaration and the Oregon Condominium Act;

(d) Employment and dismissal of personnel necessary for the efficient maintenance, upkeep, and repair of the Condominium and the Common Elements;

(e) Employment of legal, accounting, or other personnel for reasonable compensation to perform such services as may be required for the proper administration of the Association and for the preparation of any required tax returns and annual financial statements;

(f) 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, and opening of bank accounts on behalf of the Association and designating the signatories required therefore;

(g) Purchasing Units at foreclosure or other judicial sales in the name of the Association, or its designee, on behalf of all the Unit Owners as provided in these Bylaws;

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

(i) Obtaining and maintaining insurance or bonds and paying premiums therefor out of the common expense funds pursuant to the provisions of these Bylaws, and, conduct an annual insurance review which, if appropriate, shall include an appraisal of all improvements contained in the Condominium.

(j) 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 and hereunder. Any such rules or regulations shall always 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.

(k) Enforcement by any legal means of the provisions of the Oregon Condominium Act, the Declaration, these Bylaws, and any rules and regulations adopted hereunder; and

(l) Causing the Association to comply with the Oregon Condominium Act relating to maintenance of documents delivered to the Association by the Declarant and maintenance and distributions of financial statements and to maintain copies suitable for duplication of the following documents: the Declaration, the Bylaws, the Articles of Incorporation, the Association rules and regulations and any amendments therefor, the most recent financial statement, and the current operating budget of the Association.

(m) Filing with the Secretary of State an Annual Report and any amendment thereto in accordance with ORS 100.250 and ORS 100.260, and causing the Association to comply with

ORS 100.480 relating to the maintenance of documents delivered to the Association by the Declarant regarding maintenance and distribution of financial records.

4.3 Management Agent. On behalf of the Association, the Board of Directors may employ or contract for a managing agent or a manager at a compensation to be established by the Board of Directors, to perform such duties and services and the Board shall authorize, including, but not limited to, the duties listed in section 4.2 above. Any such management contract must be cancelable without penalty upon ninety (90) days written notice. The Board of Directors may delegate to the managing agent or manager such duties and powers as the Board of Directors may authorize. In the absence of such appointment, the Board of Directors shall act as manager. Any management contract entered into by the Declarant may be cancelled without penalty by the Board of Directors elected at the turnover meeting upon not less than Thirty (30) days' written notice given not less than sixty (6) days after the turnover meeting.

4.4 Interim Directors. Upon the filing of the Declaration submitting the Condominium to the Oregon Condominium Act, the Declarant shall appoint an interim board of 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 pursuant to these Bylaws.

4.5 Election of Directors. At the turnover meeting, upon agreement by vote of the Owners, the interim directors shall resign and three (3) successors shall be elected, two for two-year terms and one for a one-year term. Thereafter, at the expiration of the initial term of office of each director, his/her successor shall be elected to serve for a term of two (2) years so that the term of no less than one-third of the directors shall expire annually. Directors shall hold office until their respective successors have been elected by the Unit Owners. The Association may increase or decrease the number of Directors and the length of terms for which each is elected upon amendment of this Section 4.5. Election shall be by plurality. If additional Directors are elected, the same sequential election terms shall apply as nearly as is practicable.

4.6 Removal of Directors. At any legal annual or special meeting duly called, other than a ballot meeting, any one or more of the Directors (other than interim directors) may be removed with or without cause, by a majority vote of the Unit Owners present in person or by proxy, and a successor shall be elected at that meeting to fill the vacancy thus created. The notice of such meeting shall state that such removal is to be considered and any Director whose removal has been proposed shall be given an opportunity to be heard at the meeting.

4.7 Resignation. A director may resign at any time by delivering written notice to the Board of Directors. A resignation is effective when the notice is effective, unless the notice specifies a later effective date. Once delivered, a notice of resignation is irrevocable unless revocation is permitted by the Board of Directors. Unless otherwise specified in the notice, the acceptance of such resignation is not necessary to make it effective.

4.8 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 the majority of the remaining directors, even though they may

constitute less than a quorum. Each person so elected to fill the unexpired term shall be confirmed at the next annual meeting of the Association or the next special meeting of the Association called for that purpose. Vacancies of interim directors, however, shall be filled by the Declarant.

4.9 Organization Meeting. The first meeting of a newly elected Board of Directors shall be held within (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, provided 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. Meetings of the Board of Directors may be held by means of conference telephone or similar communications equipment by which all persons participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

4.11 Special Meetings. Special meetings of the Board of Directors may be called by the Chairperson and must be called by the Secretary at the written request of at least two (2) directors. Notice of any special meeting shall be given to each director personally or by mail, telephone, or fax, at least seven (7) days prior to the day named for such meeting and shall state the time, place, and purpose of such meeting. Additionally, notice of such meeting shall be posted at a place on the property at least three (3) days prior to 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 to him or her of the time and place of the meeting. 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 Compensation. No director shall receive any compensation from the Association for acting as such, except for the reimbursement of out-of-pocket expenses for which a Director has a receipt.

4.14 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 may adjourn a meeting of the Board of Directors at which less than a quorum is present. At any such adjourned meeting, any business that might have been transacted at the meeting as originally called may be transacted without further notice.

4.15 Open Meetings. All meetings of the Board of Directors of the Association of Unit Owners shall be open for viewing to Unit Owners, although no Unit Owner has the right to participate in such meeting, unless such Unit Owner is also a Director.

4.16 Telephonic Meetings. 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 Chairman 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, and such attempt has been documented in writing of the phone number and time of the attempted call, made at the time of the attempt.

ARTICLE V OFFICERS

5.1 Designation. The principal officers of the Association shall be the Chairperson, a Secretary, and a Treasurer, all of whom shall be elected by the Board of Directors. The directors may appoint such other officers as in their judgment may be necessary. The Chairperson shall be a member of the Board of Directors, but other officers need not be directors or Unit Owners. Any Director may be an officer of the Association.

5.2 Term and Election. The officers of the Association shall be elected annually by the Board of Directors at the annual meeting of the Association, and shall hold office at the pleasure of the Board. If any office shall become vacant, the Board of Directors shall elect a successor to fill the unexpired term at any regular meeting of the Board of Directors or at any special meeting of the Board of Directors called for such purpose.

5.3 Removal. 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 or her successor shall be elected at any regular or special meeting of the Board of Directors. Removal of an officer does not affect the contract rights, if any, of the Association or the officer.

5.4 Resignation. An officer may resign at any time by delivering written notice to the Board of Directors of the Association. A resignation is effective when the notice is effective pursuant to these Bylaws, unless the notice specifies a later effective date. If a resignation is made effective at a later date and the Board accepts the future effective date, the Board of Directors may fill the pending vacancy before the effective date if the Board provides that the successor does not take office until the effective date. Unless otherwise specified in the notice, the acceptance of such resignation shall not be necessary to make it effective.

5.5 Chairperson. The Chairperson shall be the chief executive officer of the Association. S/he shall preside at all meetings of the Association and of the Board of Directors. S/he shall have all of the general powers and duties which are usually vested in the chief executive officer of an association, including, but not limited to, the power to appoint committees from among the Unit Owners from time to time as S/he may in his/her discretion decide is appropriate to assist in the conduct of the affairs of the Association.

5.6 Secretary. The Secretary shall keep the minutes of all proceedings of the Board of Directors and the minutes of all meetings of the Association. S/he shall keep the records of the Association, except for those of the Treasurer, and shall perform all other duties incident to the office of Secretary of an association and as may be required by the directors or the Chairperson. In addition, the Secretary shall act as Vice-Chairman, taking the place of the Chairperson and performing his/her duties whenever the Chairperson is absent or unable to act, unless the directors have appointed another Vice-Chairman.

5.7 Treasurer. The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements and for the preparation of required financial statements. S/he shall be responsible for the deposit of all moneys and other valuable effects in such depositories as may from time to time be designated by the Board of Directors, and s/he shall disburse funds of the Association upon properly-authorized vouchers.

5.8 Execution of Instruments. All agreements, contracts, deeds, leases, and other instruments of the Association, except checks, shall be executed by such person or persons as may be designated by general or special resolution of the Board of Directors and in the absence of any general or special resolution applicable to any such instrument, then such instrument shall be signed by the Chairperson. All checks shall be signed by the Treasurer, or in his/her absence or disability, by the Chairperson.

ARTICLE VI OBLIGATIONS OF THE OWNERS

6.1 Assessments. All Unit Owners shall be obliged to pay common expenses assessed to them by the Association pursuant to these Bylaws and the Declaration, which shall include premiums for insurance required or permitted under these Bylaws. Assessments may not be waived due to limited or nonuse of Common Elements. Assessments may be made payable monthly, quarterly, or semi-annually in the discretion of the Board of Directors, but in no event shall assessments be payable less frequently than annually. An annual assessment shall first 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. The Declarant shall be assessed as the Unit Owner of any unsold Unit, but such assessment shall be prorated to the date of sale of the Unit as assessments for reserves need not be paid until closing of such sale. 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.

6.2 Determination of Common Expenses. The assessment of Units shall include the following items, which shall be common expenses:

6.2.1 Expense Items:

- (a) Expenses of Administration;

- (b) Expenses of maintenance, repair, or replacement of Common Elements;
- (c) Any deficit in common expenses for any prior period;
- (d) Cost of insurance or bonds obtained in accordance with these Bylaws;
- (e) A general operating reserve;
- (f) Utilities for the Common Elements and other utilities with a common meter or commonly billed, such as water, sewer and gas;
- (g) Legal, Accounting and other professional fees; and
- (h) Any other items properly chargeable as a common expense of the Association.

6.2.2 Reserve Items:

(a) Reserve Account. A reserve account shall be established for the replacement of structural elements, mechanical equipment and other Common Elements of the Condominium which will normally require replacement in more than 3 years and less than thirty (30) years. 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 account(s) 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 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 those Limited Common Elements, 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 such Limited Common Elements.

The Board of Directors shall prepare a schedule of those Common Elements having a remaining useful life of more than 3 years and less than thirty (30) years, together with the current replacement cost of such Common Elements. The amount of the periodic payments to the reserve account shall be adjusted at regular intervals to recognize changes in remaining useful lives and replacement costs over time. Except as otherwise provided in the Oregon Condominium Act, the reserve account shall be used only for replacement of Common Elements and shall be kept separate from account for maintenance.

(b) General Operating Reserve. The Board of Directors shall create and maintain a general operating reserve account by allocation and payment thereto monthly of an amount determined by the Board of Directors. This account shall be used to pay expenses which exceed budgeted amounts. The initial working capital required by Section 6.3.1 below shall be deposited into such operating reserve account.

(c) 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, including a reserve fund for any lease payments.

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 State 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.

6.3 Initial Assessment. The amount of initial assessment due from Unit Owners other than the Declarant shall be determined by the Declarant. The amount of 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.

6.3.1 Contribution to Working Capital. At closing, each purchaser shall contribute to the Association a sum equal to one-sixth ($1/6^{\text{th}}$) of the annual assessments, 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 by the Declarant of the first Unit in the Condominium, 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 assessments is reduced pursuant to the authority granted to the Declarant herein, the initial deposit to the Association budget, equal to one-sixth ($1/6^{\text{th}}$) of the annual assessment, shall be based on the projected amount of such annual assessments 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 6.2.2(b) of these Bylaws. The working 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 expense, 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.

6.3.2 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 10 days' written notice to individual Unit Owners before 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 account of the assessment to be reduced, the one-time initial contribution collected from Unit purchasers shall be held by Declarant in a separate Association account. 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.

6.3.3 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.

6.4 Special Assessments. The Board of Directors shall have the power to levy special assessments against an Owner or all Owners for the following purposes and 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 if sufficient funds are not available from the operating budget or replacement reserve accounts by 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, from the date of which the Declaration is recorded, the Declarant shall:

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

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 2 years after the Declaration is recorded.

6.6 Budget.

6.6.1 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 advise each Unit Owner in writing of the amount of common expenses payable by him/her, and furnish copies of each budget on which such common expenses are based to all Unit Owners and, if requested, to their mortgagees.

6.6.2 Failure to prepare Budget. The failure of the Board of Directors to prepare and/or 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.

6.6.3 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 upon 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.

6.6.4 Determination of Fiscal Year. The fiscal year of the Association shall be the calendar year unless otherwise determined by the Board of Directors and allowed by the Internal Revenue Code.

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

6.8 Default in Payment of Common Expenses. In the event any Unit Owner fails to pay any assessment of the Association when due pursuant to these Bylaws and the Oregon Condominium Act, it shall be considered a default of the Unit Owner. 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 (18%) per annum or the highest rate permitted by applicable law, and any attorney fees incurred for collection of such delinquent accounts. 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.

The Board of Directors shall also, at its option, impose a late charge penalty on any assessment that is delinquent for 10 or more days. Such penalty shall not exceed the sum of thirty percent (30%) of the delinquent assessment and shall be imposed only once on each regular or special assessment of installment of such assessments. The Board of Directors shall notify the holder of any first mortgage on a unit of any default not cured within sixty (60) days of the date of default.

6.9 Foreclosure of Liens for Unpaid Common Expenses. The Association shall be entitled to a lien that may be enforced upon compliance with the provisions of ORS 100.450. In any suit brought by the Association to foreclose a lien on a Unit because of unpaid common expenses, the Unit Owner shall be required to pay a reasonable rental for the use of the unit during the pendency of the suit and the plaintiff in such foreclosure suit shall be entitled to the appointment of a receiver to collect such rental, and pursuant to ORS 100.460. Liability for all assessments, fines, charges, interest, fees (including attorney's fees, whether or not a suit or 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. The Board of Directors, acting on behalf of the Association, shall have the power to purchase such unit at the foreclosure sale and to acquire, hold, lease, mortgage, vote the votes appurtenant to, convey, or otherwise deal with the unit. An action to recover a money judgment for unpaid common expenses shall be maintainable without foreclosing the liens securing the same.

6.10 First Mortgages. Where the purchaser or mortgagee of a unit obtains title to the unit as a result of a first mortgage or by deed in lieu of foreclosure, such purchaser or mortgagee, his/her successors and assigns, shall not be liable for any of the common expenses chargeable to such unit which became due prior to the acquisition of title to such unit by such purchaser or mortgagee. Such unpaid share of common expenses, to the extent uncollectible from the foreclosed owner(s), shall be a common expense and reallocated on a pro rata basis to all Units, including the mortgaged unit.

6.11 Right of Entry, Easement for Maintenance, Encroachments.

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

6.11.2 Easement for Maintenance. 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. 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 conditions by the Association.

6.11.3 Encroachment. In any portion of the Common Elements encroaches upon a Unit, or a Unit encroaches upon an portion of the Common Elements, a valid easement for the encroachment and for the maintenance of the same shall exist, so long as the affected Unit or Common Element stands. 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 VII

MAINTENANCE, USE AND OCCUPANCY RESTRICTIONS;

RULES OF CONDUCT

The failure of an Owner, his family, invitees, guests, or tenants, to comply with the rules of conduct and restrictions set forth herein, in the Declaration, or otherwise 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 with respect to which such Owner otherwise had a right to use.

7.1 Maintenance and Repair.

7.1.1 Owner's Duty to Maintain. Every Owner shall perform promptly all maintenance and repair work that is needed within his/her own Unit to prevent any negative effect on the Common Elements of the Condominium or part thereof belonging to other Owners, and every Owner shall be responsible for the damages and liabilities that his/her failure to maintain and repair may cause, including, but not limited to, damage caused by plugged toilets, bath drains, overloaded electrical outlets, and clothes washer and dishwasher overflow.

7.1.2 Owner's Expenses. Each Unit Owner shall also be responsible for the maintenance, repair, or replacement of windows and doors and any plumbing, heating, or air conditioning fixtures, telephones, water heaters, fans, lighting, or other appliances and accessories that may be in or connected with the unit.

7.1.3 Common Elements. All maintenance, repairs, and replacements to the Common Elements shall be made by the Association and shall be charged to the Unit Owners as provided in the Declaration. Each Unit Owner, however, shall keep the Limited Common Elements which pertain to his/her unit in a neat, clean, and sanitary condition. The Board of Directors may employ personnel necessary for the maintenance, upkeep and repair of the Common Elements.

7.1.4 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 though such Owner's fault and that is not otherwise covered by insurance policies carried by the Owner or the Association for the Owner's and the Association's benefit. In such circumstances, the insurance obtained by the Owner shall be deemed to be the primary coverage.

7.2 Use as a Residential Dwelling Only. Units shall be used only for attached single-family residential purposes. Subject to compliance with applicable local ordinances and other restrictions of record, an owner may use a portion of his/her Unit as a "home office," provided that clients, customers, vendors and employees do not regularly visit the "home office." No Unit Owner shall be permitted to lease his/her Unit for a period of fewer than 30 days. No Unit Owner may lease less than the entire Unit. Any agreement to lease a Unit shall provide that the terms of the Lease shall be subject in all respects to the provisions of the Declaration and these Bylaws, and that any failure by the tenant to comply with the terms of such documents shall be a default under the lease. No commercial, trade, craft, business, or similar activity of any kind shall be conducted on any Common Element or in any Unit, nor shall any goods, equipment, vehicles larger than one ton, materials or supplies used in connection with any trade, service or business be kept or stored on any Common Element.

The provisions of these Bylaws and the Declaration do not prohibit the right of any home builder to construct a Unit or to store construction materials and equipment in the normal course of construction.

The provisions of these Bylaws and the Declaration do not prohibit the right of any home builder to use any single family residence as a model home for purpose of sales within the Property for a period of two years following completion of the Unit.

7.3 Additions, Alterations, or Improvements. A Unit Owner shall not, without first obtaining written consent of the Board of Directors, make, or permit to be made, any structural alteration, improvement, or addition in or to his/her Unit, or in or to the exterior of the buildings or any other Common Elements. A Unit Owner shall make no repair or alteration or perform any other work on his/her Unit which would jeopardize the soundness or safety or the Property, or reduce the value thereof or impair any easement or hereditament unless the written consent of all Unit Owners is obtained. A Unit Owner shall not paint or decorate any portion of the exterior of the buildings or other Common Elements without first obtaining written consent of the Board of Directors.

7.4 Use of the Common Elements. No Owner shall place or cause to be placed in or on the Common Elements, 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. Structures of a temporary or permanent character such as a trailer, recreational vehicle, tent, shack, garage, barn or other outbuildings shall not be used on any of the Common Elements at any time as an additional or only residence. No unlicensed or off road motorcycles, motor bikes or off-road vehicles of any type are allowed on the Common Elements. No swimming is allowed in any of the ponds (if any) on the Common Elements. No parking is allowed on the Common Elements, unless specifically designated as a parking area. The Association shall have the right to suspend the enjoyment rights in and to the General Common Elements of any member, after reasonable written notice, for any period during which any assessment remains unpaid for a period exceeding 60 days and for any period not to exceed thirty days for any infraction of its published rules and regulations.

The Association shall have the right to dedicate or transfer all or any part of the Common Elements to any municipal corporation, public agency or authority for such uses and purposes and subject to such conditions as may be agreed to by the members. No such dedication or transfer, however, shall be effective except pursuant to a vote of the members as provided by the Articles of Incorporation. No such dedication or transfer shall be effective unless an instrument signed by members entitled to cast three-fourths (3/4) of the votes of the members, if any, and the Declarant (if it still has Declarant's rights), has been recorded in the appropriate records of Deschutes County, Oregon, agreeing to such dedication or transfer and unless written notice of the proposed action is sent to every member not less than thirty (30) days nor more than ninety (90) days prior to such dedication or transfer;

7.5 Animals. No animals, livestock or poultry of any kind shall be raised, bred or kept on any Unit, excepting only domestic dogs or cats and excepting caged pet birds kept within the dwelling Unit, provided such dogs, cats and pet birds are not permitted to run at large and are not kept, bred, or raised for commercial purposes or in unreasonable numbers, and provided owners clean up after their pets when pets are in the Common Elements. No Owner shall keep more than a total of 4 pets in one Unit.

7.6 Appearance of Condominium Building(s). Owners are expressly prohibited from changing the exterior construction of a Unit. Except with the consent of the Association, and except for exterior lighting originally installed by the Declarant, no exterior lighting or noise making devices shall be installed or maintained on any Unit or Common Element. In order to preserve the attractive appearance of the Property, the Association may regulate the nature of items which may be placed in or on front yards, windows, decks, entry porches, and the outside walls so as to be visible from public streets. Garments, rugs, laundry and other similar items may not be hung from windows, facades, porches, clothes lines or decks. Front yards may not be used for the storage of excessive furniture, play equipment or other objects which are, in the sole opinion of the Board of Directors of the Association, an eyesore. The Association shall maintain the exterior appearance of all of the buildings.

Exterior buildings such as a private greenhouse, storage unit, private swimming pool or similar detached structures are permitted on Limited Common Elements only, if the location, size, design, and decoration of such structure is in conformance with the Unit as determined by the Board of Directors of the Association. No such exterior structures shall be constructed or placed on any Limited Common Elements prior to the approval of the Board of Directors of the Association. No such exterior structures shall be constructed or placed on any Common Elements. No such structure shall exceed nine feet in height or be placed between a Unit and a public street.

7.7 Parking.

(a) All Units shall include a private, fully enclosed garage with two parking spaces and an area of at least 360 square feet.

(b) Parking shall not be permitted within the Common Elements or in any other area unless designated as a parking area or in a Units individual driveway. All such Common Elements

and all other non-designated areas shall be kept free of parked vehicles for purposes of fire access. No parking shall be allowed on the streets.

(c) Parking of boats, trailers, motor homes, recreational cars, motorcycles, trucks, truck-campers and like equipment shall be within the confines of an enclosed garage. No Owner shall permit any vehicle of any kind, including automobiles, boats, trailers, motor homes, motorcycles, trucks, campers, etc. to be abandoned for a period in excess of 96 hours, whether parked in designated parking lots or in individual driveways. Trucks larger than one ton shall not be parked in the Property except for the purpose of delivery, loading or unloading.

7.8 Fences. Any and all fences may only be constructed in Limited Common Elements, and only after the prior written approval of the Association. Such approval shall be made in accordance with acceptable designs and materials in the sole determination of the Association and the County of Deschutes building code regulations. No fences shall be allowed on Common Elements, unless placed there by the Association. A fenced area in any Limited Common Element will not be maintained by the Association, and the Owner must maintain any area so fenced.

7.9 Miscellaneous Outdoor Equipment.

(a) No exterior antenna larger than 3 feet in diameter shall be permitted and any antenna installed shall be placed in as inconspicuously as possible and the placement must be approved by the Association in a Limited Common Element. Air conditioners, heat pumps and other service equipment are permitted outdoors, but may only be located to the rear of a Unit in the Unit's Limited Common Elements.

(b) All exterior equipment such as, but not limited to, air conditioning or heating systems, shall be sheltered, insulated or otherwise baffled as necessary to conform to County noise standards.

(c) No outdoor overhead electric or telecommunications wire, service drop, pole, tower, or other structure supporting such an overhead wire shall be erected, placed or maintained. All connections to TV cable, telephone, and electric service shall be underground.

7.10 Signs. No signs shall be placed on any Unit or Limited Common Elements, except that not more than two signs, each up to six square feet in size, may be temporarily displayed on any Unit or Limited Common Elements by the Owner, Declarant or by a licensed real estate agent for the sale of homes within the Property. (This section shall not prohibit the temporary placement of "political" signs on any Unit or Limited Common Elements.)

7.11 Rubbish and Trash. No Unit, Common Element, street or other tract of land shall be used to dump trash, rubbish, yard debris, or dirt resulting from landscaping work. All garbage and other waste shall be kept in appropriate sanitary containers for proper disposal. Such containers shall be kept out of public view except on scheduled trash collection days.

7.12 Gates. Nothing in these Bylaws and the Declaration precludes the Association from installing security gates openable for Owner vehicles at the ends of Common Elements if adequate emergency and service access is provided to the appropriate agencies and service providers.

7.13 Offensive or Unlawful Activities. No noxious, improper, illegal or offensive activities shall be carried in any Unit or on any Common Elements nor shall anything be done or placed upon any Unit or Common Elements which interferes with or jeopardizes the enjoyment of other Units, or which is a source of annoyance to residents. Unit occupants shall exercise extreme care not to make noise which may disturb other Unit occupants (including but not limited to, radios, stereos, or musical instrument played too loud. No garage shall at any time be used as a residence either temporarily or permanently or as a place for any commercial enterprise. No unlawful use shall be made of the Unit or Limited Common Elements nor any part thereof, and all valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction thereof shall be observed. No firearms shall be discharged on Condominium Property.

7.14 Insurance. Nothing shall be done or kept in any Unit or Limited Common Elements which will increase the cost of insurance on the Units. No Owner shall permit anything to be done or kept in his Unit, or in the Common Elements which will result in cancellation of insurance on any other Unit or any part of the Common Elements.

7.15 Landscape. All maintenance of front yard landscaping on all Units and side yard landscaping on all corner Units will be performed by the Association, except that with the permission of the Board of Directors of the Association an Owner may install and maintain additional landscape or flowers in the front or corner side yard area of such Owner's Unit.

7.16 Association Rules and Regulations. In addition, the Association from time to time may adopt, modify or revoke such rules and regulations governing the conduct of persons and the operation and use of the Units and the Common Elements as it may deem necessary or appropriate in order to assure the peaceful and orderly use and enjoyment of the Property. A copy of the rules and regulations, upon adoption, and a copy of each amendment, modification or revocation thereof, shall be delivered by the Association Board of Directors promptly to each Owner and shall be binding upon all Owners and occupants of all Units from the date of delivery. The method of adoption of such rules shall be as provided in the Bylaws of the Association.

ARTICLE VIII

INSURANCE

The Board of Directors shall obtain and maintain at all times insurance of the type and kind and in the amounts provided for in these Bylaws, including insurance for such other risks of a similar or dissimilar nature as are or hereafter customarily shall be covered with respect to other condominiums similar in construction, design and which insurance shall be governed by the provisions of this Article.

8.1 Types of Insurance Policies. For the benefit of the Association and the Unit 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 of property insurance including, but not limited to, fire, extended coverage, vandalism and malicious mischief for the full insurance replacement value, if available, of all Units and Common Elements, and such other fire, flooding, and casualty insurance as the Board of Directors may deem desirable, to give substantially equal or greater protection to the Owners and their respective mortgagees, as their respective interests may appear. Such policy or policies shall name the Declarant, the Association, and the Unit Owners as insureds, as their interest may appear, and shall provide for a separate loss payable endorsement in favor of the mortgagee or mortgagees of each Unit, if any. In no event shall the policy or policies have a deductible clause in excess of one thousand dollars (\$1,000.00) per unit. For the purposes of any policy or policies of fire insurance, the term "building" shall include fixtures, installations or additions comprising a part of the building within the unfinished interior surfaces of the perimeter walls, floors and ceilings of the individual Condominium Units initially installed or replacement thereof, in accordance with the original Condominium plans and specifications, or installed by or at the expense of any Unit Owner(s);

8.1.2 A policy or policies insuring the Declarant, the Association, the Board of Directors, the Unit Owners, and the managing agent, if any, against liability to the public or to the owners of Units and of Common Elements, and their invitees or tenants, incident to the ownership, supervision, control, or use of the Property. There may be excluded from such policy or policies coverage of a Unit Owner (other than as a member of the Association or Board of Directors) for liability arising out of acts or omissions of such Unit Owner and liability incident to the ownership and/or use of the part of the property as to which such Unit Owner has the exclusive use of occupancy. Limits of liability under such insurance shall not be less than One Million Dollars (\$1,000,000.00) per occurrence for bodily injury and property damage on a combined single limit basis. Such policy or policy shall be issued on a comprehensive liability basis and shall provide a cross-liability endorsement wherein the rights of named insureds under the policy or policies shall not be prejudiced with respect to his, her, or their action against another named insured. Said limit and coverage shall be reviewed at least annually by the Board of Directors which, in its discretion, may increase either; and,

8.1.3 Workman's Compensation insurance to the extent necessary to comply with any applicable laws.

Each Unit Owner shall be responsible for obtaining, at his/her own expense, insurance covering his/her property not insured under paragraph 8.1.1 above and covering his/her liability not covered under paragraph 8.1.2 above, unless the Association agrees otherwise. 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.

8.2 Policy Requirements. All policies shall be written by a company licensed to do business in the State of Oregon and holding a policy holder's rating or "Commissioner's" rating of "A+" or better, and a financial size rating of at least Class 10 or better by the Best's Insurance

Reports current at the time the insurance is written or prior to the initial meeting of the Association, with a company acceptable to the Association, or as may be otherwise acceptable to all mortgagees and the Board of Directors;

8.3 Authority to Adjust Losses. All losses under policies hereafter in force regarding the Condominiums or condominium 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 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. Proceeds of the policies shall be paid to the Association as trustee for the Unit Owners, or upon demand of any mortgagee, to an insurance trustee acceptable to the Association and mortgagees of Units;

8.4 Value of Owner Improvements. Each Unit Owner shall be required to notify the Board of Directors of all improvements made by the Owner to his/her unit, the value of which is in excess of one thousand dollars (\$1,000.00). Nothing in this paragraph shall permit an Owner to make improvements without first obtaining the approval of the Board of Directors; and

8.5 Owners Insurance; Duplicate Insurance Policies. Any Unit Owner who obtains individual insurance policies covering any portion of the property other than his personal property and fixtures shall file a copy of such individual policy or policies with the Association within thirty (30) days after the purchase of such insurance. In the event of duplicate insurance coverage, the insurance policies obtained by the Owners shall be deemed to be the primary coverage.

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

8.6.1 A waiver of subrogation by the insurer as to any claim against the Board of Directors, the managing agent, if any, the Unit Owners, and their respective servants, agents, and guests.

8.6.2 A provision that the master policy on the Condominiums cannot be canceled, invalidated, or suspended on account of the conduct of any one or more individual owners;

8.6.3 A provision that the master policy on the Condominiums cannot be canceled, invalidated, or suspended on account of the conduct of any officer or employee of the Board of Directors or the managing agent without prior demand in writing that the Board of Directors or managing agent cure the defect;

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

8.6.5 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-furnished written notice and a grace period to the mortgagee insured under the loss-payable clause thereof, the mortgagee's

99-46144-24

coverage is neither jeopardized by the conduct of the unit mortgager-owner, the Association, or other Unit Owners not canceled for nonpayment of premiums;

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

8.7 Owner and Tenant Insurance. The Association shall have no responsibility to procure or assist in procuring loss insurance for any Owner or tenant for: (a) damage to a Unit or Limited Common Elements not covered by the Association's policy for whatever reason; 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 Unit(s) and appurtenant Limited Common Elements for the deductible amount under the Association's policies and for insuring their own personal property from any loss or damage. Proof of such insurance coverage shall be provided to the Association's Secretary by the Unit Owner. Tenants shall be responsible for insuring their own personal property for any loss or damage. The Board of Directors shall notify all Owners of the amount of the deductible under the Association policies. To the extent reasonably practicable, the Board of Directors shall give at least thirty (30) days' notice to the Owners, of an increase in the deductible proposed in renewal or replacement policies. Owners and tenants of all Units shall procure and maintain comprehensive liability policies having combined limits of not less than Fifty Thousand Dollars (\$50,000.00) for each occurrence. Such insurance shall provide coverage for, without limitation, the negligent acts of the Owner(s) and tenant(s) and their guests or other occupants of the Unit(s) for damage to the Common Elements and other Units and the personal property of others located therein.

ARTICLE IX

DAMAGE AND DESTRUCTION

9.1 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.

9.2 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 Unit Owners shall be liable for assessment for any deficiency for such reconstruction, such deficiency for take into consideration as the Owner's contribution of any individual policy insurance proceeds provided by such Owner. Provided, however, that if 3/4th or more in value of all the buildings is destroyed or substantially damaged, and if the owners of at least sixty percent (60%) of the Units so vote, and upon written approval of holders of first mortgages that represent at least fifty one percent (51%) of the votes of mortgaged Units in the Condominium, the manager or Board of Directors shall record with the County Recorded a notice setting forth such facts, and upon the recording of such notice:

9.2.1 The Condominium Property shall be deemed to be owned in common by all of the Owners.

9.2.2 The respective interest of each Unit Owner in the Property shall be determined by the provisions of ORS 100.610 that are in effect on the date the Condominium Declaration is recorded.

9.2.3 Any liens affecting any of the Units shall be deemed to be transferred in accordance with the existing priorities to the undivided interest of the Owners in the Project.

9.2.4 The condominium shall be subject to an action for partition at the suit of any Owner. If a decree of partition orders the sale of the Condominium Property, the net proceeds of the sale, together with the net proceeds of the policies of insurance on the Condominium, if any, shall be considered as one fund and shall be divided among all of the Owners in proportion to their respective undivided interest, after first paying, out of the respective shares of the Owners, to the extent each share is sufficient for the purpose, all liens on the undivided interest in the Project owned by each Owner.

9.3 Architectural Changes. 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 in writing by holders of first mortgages that represent at least fifty-one percent (51%) of the votes of mortgaged Units in the condominium. Such reconstruction shall be accomplished under the direction of the manager or the Board of Directors. Notwithstanding all other provisions hereof, the Owners may, by an affirmative vote of sufficient Owners as provided herein, amend these Bylaws, cause an amendment to the Condominium Documents as necessary to facilitate architectural changes that the Owners affected and the Association deem desirable if, and only if, the partial or total destruction of the Condominium, or any buildings thereof, by fire, casualty or any other disaster is so great as to require the substantial reconstruction of the whole of the Condominium, or said buildings, and upon written approval by holders of first mortgages that represent at least fifty-one percent (51%) of the votes of mortgaged Units in the Condominium. Any amendment of the Bylaws proposed by this section must comply fully with the amendment procedure and requirements set forth in these Bylaws.

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

9.5 Reallocating Fractional Interests. In the event of a partial destruction of the condominium buildings or Units thereof, the Unit Owners may not reallocate fractional interests in the Common Elements without the prior approval of the first mortgagees of all of the remaining

Units, whether existing in whole or in part. Any such reallocation shall also comply with the Oregon Condominium Act and other provisions of the Declaration, any applicable supplemental declaration and these Bylaws.

ARTICLE X

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. In the event of a taking in condemnation by eminent domain of part or all of the Common Elements, the award made for such taking shall be payable to the Association. If such proceedings are instituted or such acquisition is sought by a condemning authority as to any portion of the property, prompt notice thereof shall be given to the Unit Owners and their mortgagees. If seventy-five percent (75%) or more of the Unit Owners duly and promptly approve the repair and restoration of the remainder of such Common Elements, the Board of Directors shall arrange for the same, which shall be paid out of the proceeds of the award. In the event seventy-five percent (75%) or more of the Unit Owners do not duly and promptly approve the repair and restoration the remainder of such Common Elements, the Board of Directors shall disburse the net proceeds of such award to the Unit Owners and their mortgagees (as their interests may appear) in the same proportions as the respective undivided interests of the Unit Owners in the general Common Elements.

ARTICLE XI

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. The proposed amendment must be reduced to writing and shall be included in the notice of any meeting at which action is to be taken thereon. If required under the Oregon Condominium Act, any amended Bylaws or amendment to a Bylaw shall be approved by the Real Estate Commissioner before it is recorded. Any provision of these Bylaws which is for the benefit of mortgagees may be amended without the written consent of all mortgagees. An amendment shall not be effective until certified by the Chairperson and Secretary of the Association, approved by the Real Estate Commissioner, and recorded, as required by law. 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(s). 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, but no such consent shall be required after the conveyance of seventy-five percent (75%) of the Units or seven (7) years after the first conveyance of a Unit in the Condominium, whichever is earlier. Provided, however, even further that no amendment may limit the Declarant's special rights, whether reserved in the Declaration, these Bylaws or as otherwise provided by law. All amendments must be recorded in the Deed Records of Deschutes County,

Oregon after certification as provided herein. 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 XII 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 to the Board by the Owner or mortgagee.

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 for which there shall be an account for each Unit. Such account shall designate the name and address of the Owner or Owners, the amount of each assessment against the Owners, the dates and amounts in which the assessment comes due, the amounts paid upon the account and the balance due on the assessments.

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 expense of the Association. Such payments shall be made pursuant to the payment system instituted by the board of Directors in accordance with these Bylaws.

12.5 Reports and Audit. 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 in accordance with generally accepted accounting procedures and shall be distributed to all Unit Owners within ninety (90) days after the end of each fiscal year. At any time and at his/her 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 of the Association or the manager of the name and address of the vendee, mortgagee, lessee or tenant of the Unit. This obligation is in addition to all others set forth herein.

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 100.260.

ARTICLE XIII INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS

The Association shall indemnify any directors, officer, employee or agent of the Association 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 or the act that s/he is or was a director, officer, employee, or agent of the Association, against expenses, including attorney fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by said person in connection with such suit, action or proceeding if s/he acted in good faith and in a manner s/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/her 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 s/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/her 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 XIV ASSESSMENT AND FINE COLLECTION COSTS; ENFORCEMENT SUITS AND ACTIONS

Whether or not suit or action is commenced, Unit Owners shall be obligated to pay reasonable fees and costs including, but not limited to, attorney's fees (whether or not suit or action is commenced) incurred in connection with efforts to collect delinquent and unpaid assessments, fines and enforcement of the Declaration, these Bylaws, or the 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 the ORS 100.405(4) or otherwise under the Oregon Condominium Act.

In the event suit or action is commenced by the Board of Directors for the collection of any amounts due pursuant to these Bylaws or the enforcement of any provision of these Bylaws, the Declaration, or of the Oregon Condominium Act, the Owner(s), jointly and severally, will in addition to all other obligations, pay the costs of such suit or action, including reasonable

attorneys' fees to be fixed by the trial court and, in the event of appeal, the cost of the appeal, together with reasonable attorneys' fees in the appellate court to be fixed by such court.

ARTICLE XV GENERAL PROVISIONS

15.1 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.

15.2 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.

15.3 Waiver of Notice. Whenever a notice is required to be given to any member or director of this Corporation by law, the articles of incorporation, or these Bylaws, a written waiver of that notice describing the meeting for which notice is waived and signed by the person entitled to the notice, before or after the meeting stated in the notice, and delivered to the corporation for inclusion in the minutes of the meeting, shall be equivalent to giving notice.

15.4 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 for 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 required. All captions used herein are intended solely for convenience of reference and shall in no way limit any of the provisions of these Bylaws.

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

15.6 Conflicts. These Bylaws are intended to comply with the Oregon Condominium Act and the Declaration. In case of any irreconcilable conflict, Oregon Condominium Act and the Declaration, in that order, shall control over these Bylaws or any rules and regulations adopted hereunder.

It is hereby certified that these Bylaws have been adopted by BC's Boulder Construction, Inc., Declarant of Boulder Brook Condominiums, and will be recorded in the land records of

99.46144-30

Deschutes County, Oregon, together with the Declaration for Boulder Brook Condominium, after the declaration and the bylaws are approved by the assessor of that county.

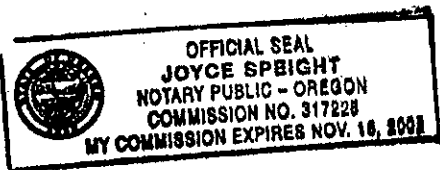
Dated: September 18, 1999

BS's Boulder Construction, Inc.

By: Carl Kittelson
Carl Kittelson, President

STATE OF OREGON)
)ss.
County of Multnomah)

The foregoing instrument was acknowledged before me this 18th day of September, 1999 by Carl Kittelson, President of BC's Boulder Construction, Inc., an Oregon corporation, on behalf of the corporation.



Joyce Speight
Notary Public for Oregon
My Commission Expires: 11-16-2002