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BYLAWS OF THE ASSOCIATION OF UNIT OWNERS
OF
DESERT HIGH BUSINESS CONDOMINIUMS

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ARTICLE 1
PLAN OF UNIT OWNERSHIP

Section 1. Name and Location. These are the Bylaws of the unincorporated ASSOCIATION OF UNIT OWNERS OF DESERT HIGH BUSINESS CONDOMINIUMS ("Association"). Desert High Business Condominiums ("Condominium") is located in the City of Bend, Deschutes County, Oregon, and has been submitted to the Oregon Condominium Act by a Declaration recorded simultaneously herewith in the records of Deschutes County, Oregon ("the Declaration"). Any further amendments or supplements will also be recorded in the Deschutes County Records. The location of the Condominium is more specifically described in the Declaration.

Section 2. Principal Office. The principal office of the Association shall be located at such address as may be designated by the Board of Directors from time to time.

Section 3. Composition of Association. The Association shall be composed of eight (8) Unit Owners of the Condominium.

Section 4. Definitions. Except as otherwise provided in these Bylaws, the definitions contained in or adopted by the Declaration shall be applicable to these Bylaws.

Section 5. Incorporation. The Association may be incorporated under the Oregon Nonprofit Corporation law. The Articles of Incorporation shall be consistent with the Declaration and these Bylaws, and these Bylaws shall constitute the Bylaws of the Association whether incorporated or not.

ARTICLE 2
ASSOCIATION MEMBERSHIP, VOTING, PROXIES

Section 1. Membership in the Association. There are eight (8) Units in the Condominium. Upon becoming legal owner or contract purchaser of a Unit, said Unit Owner shall automatically be a member of the Association and shall remain a member of the Association until such time as its ownership ceases. The Declarant shall be the Owner of a Unit until the Unit is sold to a third party.

Section 2. Voting and Quorum. The Owners of the Units shall each have one (1) vote. Whenever a Unit is owned by two (2) or more persons jointly, according to the records of the Association, the vote of such Unit may be exercised by any one (1) of the Owners, in the absence of protest by a Co-Owner. In the event of such protest, no one (1) Co-Owner shall be entitled to vote without the approval of all Co-Owners unless a valid court order establishes the authority of a Co-Owner to vote. Except as described below, the presence of five (5) Unit Owners in person or by proxy shall constitute a quorum. Except as provided below, a majority of a quorum shall be required for action of the Association. In the event one person or entity owns more than one (1) Unit, quorum requirements and affirmative votes required for action shall be increased by one (1) Owner or vote per Unit of multiple ownership. For example if one (1) Owner who owns two (2) Units the quorum shall consist of six (6) Unit Owners and four (4) affirmative votes shall be required for action of the Association.

Section 3. Proxies. The votes of such Owners may be cast in person or by proxy. A proxy given by a Unit Owner to any person who represents such Owner at meetings of the Association shall be in writing and signed by the Unit Owner, and shall be filed with the Secretary. 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.

Section 4. Authority to Vote. The Unit Owners shall be entitled to vote, even if an Owner's Unit has been leased to a third party. The Unit Owner's right to vote may not be revoked.

ARTICLE 3 MEETINGS OF THE ASSOCIATION

Section 1. Place of Meetings. Meetings of the Association shall be held at the principal office of the Condominium or such other suitable place convenient to the Unit Owners as may be designated by the Board of Directors.

Section 2. Initial Meeting. The initial meeting of the Association, designated as the Turnover Meeting pursuant to ORS 100.210 shall be held within ninety (90) days after the sale of three (3) Units to Owners other than Declarant. At the initial meeting, the interim director appointed by the Declarant shall resign, and the Unit Owners shall appoint successors as provided in these Bylaws. At such meeting, the Declarant shall provide the Association with all documents in its possession as described in ORS 100.210. Notice of such meeting shall be given to each Unit Owner by the Declarant at least ten (10) but not more than fifty (50) days prior to the meeting and shall state the purpose and the time and place where it is to be held. If such meeting has not been called by the Declarant, the meeting may be called upon notice submitted in the same means, by any Unit Owner or first mortgagee.

Section 3. Annual Meeting. The first annual meeting of the Association shall be held approximately one (1) year following the initial meeting and shall be set by action of the Board of Directors. The date of successive annual meetings may be changed from time to time, but must be held annually. At such meetings those members of the Board of Directors whose terms have expired shall be replaced by the Unit Owners in accordance with the provisions of these Bylaws. The Unit Owners may also transact such other business of the Association as may properly come before them.

Section 4. Special Meetings. The Board Chair may call a special meeting of the Unit Owners. Special meetings may also be called by a majority of the Board of Directors or by petition signed by two (2) of the Unit Owners. All meetings called because of petition by Unit Owners shall be held at a formal gathering and not by ballot. The notice of any special meeting shall state the time and place of such meeting and the purpose. No business shall be transacted at a special meeting except as stated in the notice unless by consent of the Unit Owners or as otherwise set out in these Bylaws.

Section 5. Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each meeting of the Association stating the purpose and the time and place where it is to be held, to the Unit Owners of record, at least ten (10) days but not more than fifty (50) days prior to such meeting or the date when ballots for a ballot meeting are required to be returned. The mailing shall be to the Unit Owner's address last given to the Secretary in writing by the Unit Owner. If Unit ownership is split or the Unit has been sold on a contract, notice shall be sent to a single address of which the Secretary has been notified in writing by such parties. If no address has been given to the Secretary in writing, then mailing to the Condominium Unit shall be sufficient. The mailing or actual delivery of a notice in the manner provided in this Section shall be considered notice served. Notice of a meeting may be waived by the Unit Owners before, at or after the meeting.

Section 6. Ballot Meetings. At the discretion of the Board of Directors, any matter which might come before the Association at a meeting, including appointment or election of Directors, may be determined by written ballot, rather than at a formal gathering. Ballots shall be sent to all Unit Owners in the form and manner provided by ORS 100.425(2)(b) and set forth below; with a specified date for return of ballots. Ballots for such meetings must be properly executed and returned by five (5) Unit Owners to constitute a quorum, and vote by five (5) such Unit Owners shall be required to determine the matter presented. The vote of a ballot meeting shall be determined by the Board of Directors within forty-eight (48) hours of the deadline for return of ballots. Within ten (10) days after the ballots have been counted, each Unit Owner shall be notified by mail or other delivery of written notice of the results of the ballot meeting or that a quorum of ballots was not returned.

ORS 100.425(2)(b): The board of directors must provide owners with at least ten (10) days notice before written ballots are mailed or otherwise delivered. If, at least three (3) days before written ballots are scheduled to be mailed or otherwise distributed, at least ten percent (10%) of the owners petition the board of directors requesting secrecy procedures, a written ballot must be accompanied by: (A) a secrecy envelope; (B) a return identification envelope to be signed by the owner; and (C) instructions for marking and returning the ballot.

ORS 100.425(2)(c): The notice required under paragraph (b) of this subsection shall state: (A) the general subject matter of the vote by written ballot; (B) the right of owners to request secrecy procedures specified in paragraph (b) of this subsection; (C) the date after which ballots may be distributed; (D) the date and time by which any petition must be received by the board requesting secrecy procedures; and (E) the address where any petition must be delivered.

Section 7. Informal Action by Unit Owners. Any action required to be taken at a meeting of the Unit Owners, or any other action which may be taken at a meeting of the Unit Owners, may be taken without a meeting by a consent in writing, setting forth the action so taken and signed by all the Unit Owners entitled to vote with respect to the subject matter.

Section 8. Adjourned Meetings. If any gathering of Owners is not a legal meeting because a quorum has not attended, the Owners who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is obtained. The adjournment provisions of this Section do not apply to meeting by ballot.

Section 9. Order of Business. The order of business at meetings of the Association shall be as follows:

- (a) Roll call.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of the preceding meeting.
- (d) Reports of officers.
- (e) Reports of committees, if any.
- (f) Appointment of Directors.
- (g) Unfinished business.
- (h) New business.
- (i) Adjournment.

Section 10. Rules of Order. All meetings of the Association and its Board of Directors, shall be conducted in accordance with Robert's Rules of Order, unless other rules of order are required pursuant to a valid resolution by the Association or its Board of Directors in accordance with ORS 100.409, as the same may be amended.

ARTICLE 4 BOARD OF DIRECTORS QUALIFICATIONS, ELECTION, MEETINGS

Section 1. Number and Qualification. The affairs of the Association shall be governed by a Board of Directors composed of three (3) members. The members shall be elected by the Unit Owners. Directors shall be Owner or Co-Owner of a Unit.

Section 2. Interim Directors. Upon the recording of the Declaration, the Declarant will appoint an interim board of one (1) Director, who shall serve until replaced by the Unit Owners at the initial meeting of the Association as herein provided.

Section 3. Appointment and Term of Office. At the initial meeting, the interim Director shall resign and his or her successors shall be appointed by the Unit Owners. The term of office of the Directors shall be two (2) years. The Directors shall hold office until their successors have been appointed.

Section 4. Vacancies. Vacancies on the Board of Directors caused by any reason shall be filled by vote, as provided in Article 4, for the unexpired term.

Section 5. Removal of Directors. Any Director may be removed with or without cause by the Board. To be effective, any such removal must be on the meeting agenda and stated in the notice for the meeting as required under ORS 100.407(3)(b), as the same may be amended.

Section 6. Open Meetings. All meetings of the Board of Directors shall be open to the Unit Owners, but not to employees of a Unit Owner unless a majority of the Board of the Association consents in writing prior to the meeting to which an employee desires to attend. In the discretion of the Board of Directors, the following matters may be considered at an executive session not open to Unit Owners: a) consultation with legal counsel concerning the rights and duties of the Association regarding existing or potential litigation or criminal matters; b) personnel matters, including salary negotiations and employee discipline; c) the negotiation of contracts with third parties; and, d) collection of unpaid assessments. Any matters considered in executive session shall be in accordance with ORS 100.420(1), as the same may be amended.

Section 7. Organizational Meeting. The first meeting of the newly appointed Board of Directors shall be held within ten (10) days of their appointment at such place as shall be fixed by the Directors at the meeting at which such Directors were appointed, and no notice shall be necessary to the newly appointed Directors in order to legally hold such meeting.

Section 8. 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 the Directors. Regular meetings of the Board of Directors may be called on three (3) days' notice to the Directors, given personally or by mail, telephone or facsimile, which notice shall state the time, place, and purpose of the meeting.

Section 9. Special Meetings. Special meetings of the Board of Directors may be called by the Chair or Secretary or on the written request by a majority of the Directors. Special meetings of the Board of Directors may be called on three (3) days' notice to the Directors, given personally or by mail, telephone or facsimile, which notice shall state the time, place, and purpose of the meeting.

Section 10. Conference Call Meetings. Meetings of the Board of Directors may be conducted by telephonic communication. Such telephonic meetings may be carried on 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 Chair to be used for telephonic meetings.

Section 11. Waiver of Notice. Before, at, or after any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him or her of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice to such Directors shall be required, and any business may be transacted at such a meeting.

Section 12. 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 the majority of the Directors shall be the acts of the Board of Directors. If at any meeting of the Board of Directors

there is less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 13. Compensation of Directors. No Director shall be compensated in any manner, except for out-of-pocket expenses, unless such compensation is approved by the Unit Owners.

ARTICLE 5
ASSOCIATION RESPONSIBILITIES;
BOARD OF DIRECTORS' POWERS AND DUTIES

Section 1. Association. The Association shall serve as a means through which the Unit Owners may take action with regard to the administration, management, and operation of the condominium. The affairs of the Association shall be governed by the Board of Directors.

Section 2. Board's Powers and Duties. The Board of Directors shall have all the powers and duties necessary to carry out the responsibilities of the Association and may exercise any powers conferred by the Act, the Declaration or these Bylaws.

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

- (a) Care, upkeep, replacement, and supervision of the Condominium, Association property, and the Common Elements and assigning, supervising assignments or approving any assignment of the use of any Common Element as may be required by the Declaration;
- (b) Designation and collection of monthly assessments from the Owners, in accordance with these Bylaws, the Declaration and the Oregon Condominium Act;
- (c) Payment of all common expenses of the Association and institution and maintenance of a voucher system for such payment, which shall require the signature of at least two (2) members of the Board of Directors. The Secretary or Treasurer; or in their absence or disability, the Chair, may sign such vouchers upon express authority of the Board of Directors;
- (d) Designation and dismissal of the personnel necessary for the maintenance and operation of the Condominium, the Common Elements. To the extent any management, service, or employment contract is made on behalf of the Association prior to the initial meeting, the Board shall have the right to terminate any such agreement, without penalty, by the time specified under the Oregon Condominium Act;
- (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;
- (f) Purchasing Units of the Condominium at foreclosure or other judicial sale in the name of the Association, or its designee, on behalf of the Unit Owners as provided in these Bylaws;

(g) Obtaining insurance or bonds pursuant to the provisions of these Bylaws, which shall be reviewed at least annually;

(h) Making additions, replacements and improvements to, or alterations of, the Common Elements and Association property; provided, however, that no such project may be undertaken by the Board if the total cost will exceed the amount of \$5,000.00, unless the Unit Owners have enacted a resolution authorizing the project. This limitation shall not be applicable to repairs or maintenance undertaken pursuant to paragraph (a), above;

(i) Enforcement by legal means of the provisions of the Oregon Condominium Act, the Declaration, these Bylaws and any Rules and Regulations, including the adoption of appropriate fines as may be determined by resolution of the Board of Directors, a copy of which shall be delivered to each Unit Owner. Each Unit Owner shall receive notice of and a right to be heard with regard to such fines.

(j) Preparation and filing of any required income or property tax return forms for the Association as may be required by law;

(k) Preparation and filing of such Condominium information reports, annual reports, and amendments thereto as may be required by the Oregon Condominium Act;

(l) Open and maintain a separate bank account(s), located within the State of Oregon, in the name of the Association and deposit all assessments therein and pay all expenses of the Association from said bank account(s);

(m) Annually conduct a reserve study or review and update an existing study to determine the reserve account requirements pursuant to ORS 100.175; as the same may be amended; and,

(n) All other rights and powers pursuant to the Oregon Condominium Act, including, but not limited to, ORS 100.405(4), as the same may be amended.

Section 4. Reports: Record Keeping.

(a) The Board or its designee shall maintain, within the State of Oregon, 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, and shall keep any other financial records sufficient for proper accounting purposes.

(b) An annual report or financial statement consisting of a balance sheet and income and expense statement for the preceding year shall be distributed by the Board of Directors to all Unit Owners, and to all mortgagees of Units who have requested the same, within ninety (90) days after the end of each fiscal year. From time to time the Board of Directors, at the expense of the Association, may obtain an audit of the books and records pertaining to the Association. In the event the annual assessments to Unit Owners exceed \$75,000, unless three (3) of the Unit Owners vote to the contrary, the financial statement must be reviewed after the end of the fiscal year by an independent certified public accountant as required by Oregon law. If the annual assessments are less than \$75,000, the

financial statement may be reviewed, at the cost of the Association, if three (3) of the Unit Owners so petition the Association. At any time any Unit Owner or mortgagee may, at its own expense, cause an audit or inspection to be made of the books and records of the Association.

(c) The Board of Directors shall maintain at all times, within the State of Oregon the records and documents of the Association, as required by ORS 100.480, as the same may be amended, including those received from Declarant at the initial meeting. Such records and documents shall be reasonably available for examination by a Unit Owner or a mortgagee upon written request from the Unit Owner or mortgagee. Such records and documents shall be made available for duplication. The Board shall maintain copies, suitable for duplication, of the Declaration, Bylaws, Rules and Regulations (and amendments thereto), the Plat, current operating budget, the most recent annual financial statement, reserve study, architectural standards and guidelines, if any, and the most recent annual report. Upon written request of a prospective purchaser, such copies and documents shall be made available for duplication during reasonable hours. The Board may charge a reasonable fee, including reasonable personnel costs, for furnishing copies to a Unit Owner, mortgagee or prospective purchaser.

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

(e) The Association shall provide, within ten (10) business days of receipt of a written request from a Unit Owner, a written statement that provides: (i) the amount of assessments due from that Owner and unpaid at the time the request was received, including regular and special assessments, fines and other charges, accrued interest, and late payment charges, (ii) the percentage rate at which interest accrues on assessments that are not paid when due, and (iii) the percentage rate used to calculate the charges for late payment or the amount of a fixed charge for late payment. Notwithstanding the foregoing, the Association is not required to provide such written statement if the Association has commenced litigation by filing a complaint against the Owner and the litigation is pending when the statement would otherwise be due. The Board may charge a reasonable fee for the preparation of such written statement.

Section 5. Managing Agent. The Board of Directors may employ a managing agent, to be compensated in an amount established by the Board, to perform such duties and services as the Board shall authorize including, but not limited to, the duties otherwise delegated to the Secretary or Treasurer in these Bylaws. The managing agent shall have the right to contract with any Unit Owner, individually or collectively with the other Unit Owner, for the management or lease of a particular Unit or Units, subject to limitations in the Act.

Section 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 Chair, Secretary or manager of the name and address of said vendee, mortgagee, lessee, or tenant.

Section 7. Annual Report. The Board or its designee shall annually prepare and deliver to the office of the Oregon Real Estate Agency, not later than the "report date", an annual report as provided

in the Act. The "report date" shall be the anniversary date on which the Condominium Information Report was filed in the office of the Oregon Real Estate Agency. The annual report shall set forth:

- (a) The name of the Association;
- (b) The name of the Condominium and the county in which the Condominium is located;
- (e) The mailing address, including the street and number, if any, and county of the Association;
- (d) The name and residence or business address, including the street and number, of the person designated as agent to receive service of process in cases provided in ORS 100.550(1), as the same may be amended, and any other legal proceeding relating to the Condominium or Association; if the designated agent has been changed since the last annual report was filed, the report shall contain a statement that the new agent has consented to the appointment; and,
- (e) The names and addresses of the Chair and Secretary of the Association.

Within thirty (30) days after there is a change in the information contained in a report, the Board or its designee shall prepare and deliver to the Oregon Real Estate Agency an amendment in accordance with the Act, which amendment shall set forth:

- (a) The name of the Association as shown on the current records of the Oregon Real Estate Agency;
- (b) The name of the Condominium and county in which the Condominium is located;
- (c) A statement of the information as changed; and
- (d) If the current designated agent is to be changed, the name of the new designated agent and residence or business address, including the street and number, and a statement that the new agent has consented to the appointment.

The reports and amendment shall be made on forms prescribed and furnished by the Oregon Real Estate Agency, shall be accompanied by one (1) exact or conformed copy and the correct filing fee, shall contain information current as of thirty (30) days before delivery for filing, shall be executed by the designated agent and the Chair or Secretary of the Association and shall state beneath or opposite the signature the name of the person and the capacity in which the person signs; and shall contain any additional identifying information that the Oregon Real Estate Agency may require by rule.

Section 8. Procedure for Promulgation and Amendment of Rules and Regulations. The administrative Rules and Regulations of the Association governing details of the operation and use of the Common Elements may be promulgated and amended from time to time by the Unit Owners at any legal meeting of the Association. Amendments to the Rules and Regulations may be proposed only by Unit Owners. A Unit Owner or Unit Owners proposing to amend the Rules and Regulations shall circulate to all Owner's, the exact language and wording of the proposed amendment at least three (3)

days in advance of the meeting at which the proposed amendment will be considered by the Association. The new Rules and Regulations or amendments shall become effective upon adoption by a majority of Owners as provided for in the Bylaws. All Rules and Regulations and amendments must be consistent with the Declaration and Bylaws, unless the Declaration and/or Bylaws are also amended.

ARTICLE 6 OFFICERS

Section 1. Designation. The principal officers of the Association shall be a Chair, who shall be a member of the Board of Directors, a Secretary, and a Treasurer, all of whom shall be elected or appointed by the Board of Directors. The officers shall be Unit Owners.

Section 2. Appointment of Officers. The officers of the Association shall be appointed by the Board of Directors at the organizational meeting of each new Board or any Board meeting thereafter, and shall hold office at the pleasure of the Board. If any office shall become vacant, the Board of Directors shall appoint a successor to fill the unexpired term at any regular meeting of the Board of Directors, or at any special meeting of the Board called for that purpose.

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

Section 4. Chair. The Board of Directors shall choose the Chair annually. The Chair shall be the chief executive officer of the Association. The Chair shall preside at all meetings of the Association and of the Board of Directors. He or she shall have all of the general powers and duties which are usually vested in the chief executive officer of an association.

Section 5. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Association. He or she shall attend to the giving and serving of all notices to the Unit Owners and Directors. He or she shall have charge of such records of the Association as the Board may direct, and shall, in general, perform all the duties incident to the office of Secretary and as may be required by the Directors.

Section 6. Treasurer. The Treasurer shall bare responsibility for Association funds and security as not otherwise held by the managing agent, and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He or she shall be responsible for the preparation of all required financial statements. The Treasurer shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit of, the Association in such depositories as may from time to time be designated by the Board of Directors and shall perform all other duties incident to the office of Treasurer and as may be required by the Directors.

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

Section 8. Compensation of Officers. No officer shall receive any compensation from the Association for acting as an officer, unless such compensation is authorized by the Unit Owners.

Section 9. Fidelity Bonds. The Board of Directors may require that any person or entity including, but not limited to, employees of any professional manager, who handles or is responsible for Association funds shall furnish such fidelity bond as the Board deems adequate. The Association shall pay the premiums on such bonds.

ARTICLE 7 PAYMENT OF COMMON EXPENSES

Section 1. Determination of Common Expenses. Common expenses shall include:

- (a) Expenses of administration of the Association.
- (b) Expenses of maintenance, and repair or replacement of Common Elements for periods of less than three (3) years.
- (c) Cost of insurance or bonds obtained in accordance with these Bylaws.
- (d) Cost of funding reserves, if any.
- (e) Any deficit in common expenses for any prior period.
- (f) Any other items properly chargeable as an expense of the Association.
- (g) Any other items designated as common expenses by the Unit Owners or the Board of Directors.
- (h) A reserve fund in a bank account in the State of Oregon in the name of the Association, separate from the operating account, for replacements by the allocation and payment monthly or annually, as determined by the Board, for payment of assessments to such reserve fund in an amount determined by the Directors. The reserve fund is for the purpose of effecting replacements, repair or maintenance of structural elements, mechanical equipment and other Common Elements of the Condominium, which are required during the period of more than three (3) but not less than thirty (30) years. Payment into this fund shall be deemed a contribution to capital improvement as and when made. The establishment and maintenance of this fund, as well as the research, study, and updates thereof, shall be a mandatory obligation of the Board of Directors.
- (i) Such other special reserve funds as may be set up by the Directors by special assessments of the Unit Owners who benefit thereby as may be required by the Declaration or otherwise determined by the Association to be appropriate. Each such operating account or reserve fund shall be in the name of the Association and shall be kept in a fund with a safe and responsible depository in the State of Oregon, shall be accounted for separately and, if invested, the obligation or security shall be fully guaranteed as to principal by the United States of America or one of its agencies. 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.

Section 2. Annual Budget. The initial budget and estimated assessment shall be determined by the Owners at the initial meeting. The budget and assessment shall thereafter be determined by the Board of Directors, who shall notify the Unit Owners in writing of the amounts. The Board shall from time to time, and at least annually, estimate the expenses to be incurred during the upcoming year or fiscal period, and determine the annual assessment and any special assessments to be paid during such year or period. Account shall be taken of any expected income and any surplus available from the prior year's operations. The budget shall provide for reserves for working capital, repair and replacement of Common Elements, and unexpected contingencies. If any sums estimated and budgeted for any purpose prove inadequate for any reason the Board may at any time levy a further assessment. A summary of each annual budget shall be provided to each Unit Owner within thirty (30) days following adoption of the budget each year.

Section 3. Assessments Allocated to the Unit. All assessments shall be assessed twelve and one-half percent (12½%) to each Unit.

Section 4. Omission of Budget and Assessments. The omission by the Board before the expiration of any fiscal year to fix the budget, estimate the expenses, and/or determine the assessment for the forthcoming year shall not be deemed a waiver or modification in any respect of the provision of these Bylaws, or a release of the Unit Owners from the obligation to pay the assessment or any installment thereof; the assessments fixed for the preceding year and any unpaid portions of prior special assessments shall continue until new assessments are fixed.

Section 5. Debt Obligation; Installment; Interest. Each assessment shall be the personal obligation of the Unit Owner as of the time it is assessed. Assessments may be paid monthly, quarterly, semi-annually, or annually, as the Board shall determine. Any assessment or installment unpaid when due shall be delinquent and, if not paid within ten (10) days following its due date, shall bear interest at eighteen percent (18%) per annum from its due date until paid. In addition; any such delinquent payment of assessments shall be subject to a \$25.00 late charge penalty, if not paid within ten (10) days of the due date, to cover the administrative expenses of keeping the books to bill for same.

Section 6. Association's Lien Against Unit. The Association, upon complying with ORS 100.450, or as the same may be amended, shall have a lien upon the Unit and undivided interest in the Common Elements appertaining to the Unit for any unpaid assessments and interest. If the Association's lien includes a claim for fines, the Association must first comply with ORS 100.405(11), as the same may be amended, prior to any lien foreclosure action. The lien shall be prior to all other liens or encumbrances upon the Unit except:

- (a) Tax and assessment liens; and
- (b) Any first Mortgage or Trust Deed of record.

Where the purchaser or mortgagee of a Unit obtains title to the Unit as a result of foreclosure of a first Mortgage or by Deed in Lieu of Foreclosure, such purchaser or mortgagee, its 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 shall be a common expense and reallocated on a pro rata basis to all Units, including the mortgaged Unit.

Section 7. Statement of Common Expenses and Assessments. The Board of Directors shall promptly provide the Unit Owner who makes a request in writing with a written statement of its unpaid assessments.

ARTICLE 8 COLLECTION OF ASSESSMENTS: ENFORCEMENT

Section 1. Compliance With Declaration, Bylaws, Rules and Regulations. The Unit Owners shall comply with the Declaration, Bylaws, and Rules and Regulations, as well as with such other covenants, conditions and restrictions as are contained in the deed to the Unit. Failure to comply shall be grounds for an action maintainable by the Board of Directors on behalf of the Association or any Unit Owner.

Section 2. Authority to Enforce and Collect. The Board of Directors, on behalf of the Association, shall take prompt action against any violator to enforce the provisions of the Declaration, Bylaws, and Rules and Regulations adopted pursuant thereto, including prompt action to collect any unpaid assessment. The Board of Directors shall notify the holder of any first Mortgage upon a Unit of any default not cured within thirty (30) days of the date of default. Any default by the Owner in any of the provisions of these Bylaws or the Oregon Condominium Act shall be deemed to be a default of the Owner in any Mortgage or Trust Deed to which the Owner is a party or to which the Unit is subject.

Section 3. Foreclosure of Lien Against Unit; Appointment of Receiver; Power to Bid at Foreclosure Sale. The Board of Directors, on behalf of the Association, may bring suit to foreclose a lien against a Unit pursuant to ORS 100.450, as the same may be amended, only after compliance with the dispute resolution provisions of ORS 100.405(11), as the same may be amended, if applicable. In any such foreclosure suit, the Unit Owner shall be required to pay reasonable rental for the Unit. The plaintiff in such foreclosure suit shall be entitled to the appointment of a receiver to collect the rent. The Board of Directors shall have the power to bid for the Unit at the foreclosure sale and to acquire and hold, lease, mortgage, and convey the same.

Section 4. Action to Obtain and Recover a Money Judgment. The Board of Directors, on behalf of the Association, may bring an action to obtain a money judgment against a Unit Owner for unpaid assessments. An action to recover a money judgment for unpaid assessments may be maintained without foreclosing or waiving the lien securing the same.

Section 5. Attorney Fees. In addition to any other provision in the Bylaws with respect to attorney fees, in any suit or action brought by the Association to foreclose its lien, collect delinquent assessments, or to enforce compliance with the terms and provisions of the Act, the Declaration or Bylaws, all amendments or supplements, or any Rules or Regulations, the prevailing party shall be entitled to recover reasonable attorney fees and in any appeal.

ARTICLE 9
MAINTENANCE AND USE OF CONDOMINIUM PROPERTY

Section 1. Use of Unit. The Units shall be used for personal and/or commercial purposes only.

Section 2. Maintenance and Repair. Except as otherwise provided herein for damage or destruction caused by casualty:

(a) Units. All maintenance of and repairs to any Unit, as defined in the Declaration, shall be made by the Owner of such Unit, who shall keep the same in good order, condition and repair and shall do all redecorating, painting and staining which at any time may be necessary to maintain the good appearance and condition of its Unit. In addition, each Unit Owner shall be responsible for the maintenance, repair, or replacement of windows and doors and any plumbing, heating or air conditioning equipment or fixtures, telephones, water heaters, fans, light fixtures and lamps, fireplaces, appliances and accessories that may be in or connected with its Unit.

(b) Common Elements. All maintenance, repairs and replacements to the Common Elements, as defined in the Declaration, shall be made as a common expense by personnel employed by the Association. Included within this provision is exterior painting, which shall be done under a single color scheme as determined by the Board of Directors. Each Unit Owner, however, shall keep the Common Elements which pertain to its Unit, in a neat, clean and sanitary condition.

(c) Power and Heat. All Units at all times shall have running power and shall be continuously heated to at least fifty degrees (50°).

(d) Fire Sprinkler. All Units shall take whatever actions are required to maintain the common fire suppression system as prescribed by the Association. Damages caused by failure to properly maintain the system shall be borne by the delinquent Owner.

(e) Snow Removal. The Association shall remove all snow against the sides and rear of the building. Accumulated snow will cause damage to the building so prompt removal is important and shall be performed as necessary.

(f) Calking. The Association shall annually calk all flashing seams and areas surrounding doors and windows. Each Unit Owner shall maintain written records indicating the calking maintenance has been performed and provide such written records to the Board of Directors annually.

(g) Culverts and Catch Basins. The Association shall annually clean the drainage culverts and catch basins.

Section 3. Additional Alterations or Improvements. A Unit Owner shall not, without first obtaining written consent from the Board of Directors, make or permit to be made any structural alteration, improvement, or addition in or to its Unit, or in or to the exterior of the Building or any other General Common Elements. A Unit Owner shall make no repair or alteration or perform any other work on its Unit which would jeopardize the soundness or safety of the property, or reduce the value thereof or impair any easement or hereditament unless the written consent of all Unit Owners

affected is obtained. A Unit Owner shall not paint or decorate any portion of the exterior of the Building or other General Common Elements without first obtaining written consent of the Board of Directors.

Section 4. Use of the Common Elements. A Unit Owner shall not place, or cause to be placed in any common areas, any furniture, packages or objects of any kind without the prior written consent of the Board of Directors. Such areas shall be used for no purpose other than what is customarily accepted for commercial buildings.

Section 5. Annual Expenses.

5.1 Trash. Each Unit Owner shall provide their own garbage service and garbage receptacles must be stored inside each respective Unit, except on garbage pick-up day. Garbage shall not be allowed to accumulate within individual Units.

5.2 Water and Sewer. Each Unit Owner will pay one-eighth (1/8th) of the base City of Bend Water and Sewer bill each month through the Association dues. If any individual Unit Owner creates an overage, that Unit Owner shall be responsible for reimbursing the Association monthly for said amount. The Association reserves the right to individually meter water usage to any specific Unit, and, if a water meter is so required, the responsible Unit Owner shall bear the expense of the meter and installation.

5.3 Electrical and Gas. Electrical and natural gas are individually metered and paid by each Unit Owner.

ARTICLE 10 INSURANCE

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

Section 1. Types of Insurance Policies. For the benefit of the Association and the Owners, the Board of Directors shall obtain and maintain at all times, and shall pay for out of the common expense funds, the following insurance:

(a) A policy or policies of property insurance with broad form all peril coverage for the full insurable replacement value, if available, of all Units and Common Elements and such other hazard and casualty insurance as the Board of Directors shall determine, to give substantially equal or greater protection to the Association, the Unit Owners and their mortgagees, as their respective interests appear, which said policy or policies shall provide for a separate loss payable endorsement in favor of the mortgagee or mortgagees of each Unit, if any;

Upon approval by the Board of Directors, if any, this policy may, but is not required to, also insure the interior walls, floors and ceilings of each Unit, along with all wall, floor, and ceiling finishes, but in no event shall such policy insure the personal property of the Unit Owners or their

employees, or others within each of the Units. Such coverage shall be provided as set forth in Section 8 of these Bylaws.

(b) A policy or policies insuring the Association, its Board of Directors, the Unit Owners individually, and the manager against any liability to the public or the Owners of Units and their invitees, employees, or tenants, incident to the ownership, supervision, control or use of the project. Limits of liability under such insurance shall be not less than \$1,000,000.00 combined single limit bodily injuries and property damage liability per occurrence, and \$2,000,000.00 combined single limit bodily injuries and property damage liability per annual aggregate. Such limits and coverage shall be reviewed at least annually by the Board of Directors which may increase the limit of and/or coverage, in its discretion. Said policy or policies shall be issued on a comprehensive liability basis and shall provide cross liability endorsements wherein the rights of the named insured under the policy or policies shall not be prejudiced against another named insured;

(c) Workers compensation insurance to the extent necessary to comply with any applicable laws; and

(d) At the discretion of the Board of Directors, a fidelity bond naming such persons as may be designated by the Board of Directors as principals and the Association and the Owners as obligees, for the amount determined by the Board of Directors. The premiums on such bonds shall be paid by the Association.

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

Section 3. Authority to Adjust Losses. All losses under policies in force regarding the property shall be settled exclusively with the Board of Directors or its authorized representative; provided, however, that where a first mortgagee has been designated as a loss payee by a Unit Owner, such mortgagee shall be entitled to settle losses as to the mortgaged Unit, provided that the loss which occurs is severable. Releases and proofs of loss shall be executed by at least two (2) Directors.

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

Section 5. Value of Owner Improvements. Each Owner must inform the Board of Directors of the value of improvements made to its Unit in excess of \$2,500.00 so that the Board of Directors may make any desired adjustments in insurance coverage. Nothing in this paragraph shall permit an Owner to make improvements without first obtaining the approval of the Board of Directors.

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

(a) A waiver of subrogation by the insurer as to any claims against the Board of Directors, the manager, the Unit Owners and their respective employees, agents, invitees and guests;

(b) A provision that the master policy on the Condominium cannot be cancelled, invalidated or suspended on account of the conduct of one (1) of the individual Owners;

(c) A provision that the master policy on the Condominium cannot be cancelled, invalidated or suspended on account of the conduct of any officer or employee of the Board of Directors or the manager that put prior demand in writing that the Board of Directors or manager cure the defect;

(d) A provision that any "no other insurance" clause in the master policy excludes from consideration individual Owners' policies or coverage, as set forth in Section 8 of this Article below;

(e) A provision that the insurer issue sub-policies specifying the portion of the master policy earmarked for each Owner's interest and that until the insurer furnishes written notice and a grace period to the mortgagee insured under the loss payable clause thereof, the mortgagee's coverage is neither jeopardized by the conduct of the Unit Owner, the Association or other Unit Owners nor cancelled for non-payment of premiums; and

(f) A rider on the master policy in the nature of "Use and Occupancy" insurance which will provide relief from monthly assessments while a Unit is uninhabitable by the payment of the Condominium expenses thereof and any other fixed costs including, but without being limited to, taxes, rent, insurance, and mortgage payments.

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

Section 8. Loss. The Association shall not be responsible for any loss or damage to personal property of any Owner, or any Owner's employees or other's, whether stored on the Common Elements or in the Owner's Unit, nor shall the Association be responsible for maintaining any insurance coverage for such loss. Each Unit Owner shall obtain its own insurance with regard to all personal property, Upon approval of the Board of Directors and all mortgagees, if any, the coverage required by this Section may be provided by a self-insurance or risk pool program which, by itself or by re-insurance, provides the substantial equivalent of the coverages described in this Section.

In the event coverage by a Unit Owner is provided as allowed in this Section, references to "insurance" in this Section shall be construed to include such program.

ARTICLE 11 DAMAGE AND DESTRUCTION

Section 1. Decision to Repair or Reconstruct Damaged Units. The Association shall have the sole authority to determine whether to repair or reconstruct any Unit that has suffered damage or that any Unit must be repaired or reconstructed for whatever reason. The payment of and use of insurance proceeds shall be pursuant to the provisions of this Article.

Section 2. 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 Building damaged or destroyed, shall be applied to such reconstruction. Reconstruction of the damaged or destroyed Building, as used in this paragraph, means restoring the Building to substantially the same condition in which it existed prior to the fire, casualty or disaster, with each Unit and the Common Elements having the same vertical and horizontal boundaries as before. Such reconstruction shall be accomplished under the direction of the manager or the Board of Directors.

Section 3. Insurance Proceeds Insufficient to Cover Loss. If the insurance proceeds are insufficient to reconstruct the damaged or destroyed Building, the damage to, or destruction of, such Building shall be promptly repaired and restored by the manager or the Board of Directors, using the proceeds of insurance, if any, on the Building for that purpose and all the Unit Owners shall be liable for assessment for any deficiency for such reconstruction, such deficiency to take into consideration as the Owner's contribution any individual policy insurance proceeds provided by such Owner. Provided, however, if three-fourths (3/4) or more in value of the Building or Units are destroyed or substantially damaged and if the Owners do not voluntarily, within sixty (60) days after such destruction or damage, make provision for reconstruction, the manager or Board of Directors shall record with the County Recorder a notice setting forth such facts, and upon the recording of such notice:

- (a) The Condominium Property shall be deemed to be owned in common by the Owners;
- (b) The undivided interest in the Condominium Property owned in common which shall appertain to each Owner shall be determined pursuant to the Oregon Condominium Act;
- (c) Any liens affecting any Unit shall be deemed to be transferred in accordance with the existing priorities to the undivided interests of the Owners in the project; and
- (d) 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 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 between the Owners in proportion to their respective undivided interests after first paying, out of the respective shares of the Owners, to the extent such share is sufficient for the purpose, all liens on the undivided interest in the project owned by each Owner.

Section 4. Architectural Changes After Damage or Destruction. Notwithstanding all other provisions, the Owners may, by an affirmative vote to amend these Bylaws, cause an amendment to be made to the Condominium documents so as to facilitate architectural changes that the Owners effected and the Association deem desirable if, and only if, the partial or total destruction of the Condominium Building or Units, by fire, casualty or any other disaster is so great as to require the substantial reconstruction of the whole of the Condominium Building. Any such amendment of such Condominium documents shall be valid only upon (1) the recording with the recording officer of Deschutes County, and (2) the recording with that recording officer of the approval of each mortgagee and each other lien holder of record having a lien against any part of the Building affected by such amendment.

ARTICLE 12 CONDEMNATION

The Board of Directors shall have the sole authority to negotiate with any public or private body or person having litigation involving such bodies or persons with respect to the Common Elements of the Condominium and shall assist any Unit Owner whose Unit or a part thereof is the subject of any condemnation or eminent domain proceeding. Provided, however, nothing in this or any document or agreement relating to the Condominium shall be construed to give a Unit Owner or any party priority over the rights of the first mortgagees of any Units in the case of a distribution to the Unit Owner of any such condemnation awards for losses to or a taking of a Unit and/or Common Elements.

ARTICLE 13 AMENDMENTS TO BYLAWS

The Bylaws may be amended by affirmative vote of a majority of the Unit Owners. Prior to the recordation of such amendment, the Association will submit the proposed amended Bylaws or amendment to a Bylaw to the Oregon State Real Estate Commissioner for approval in accordance with the Act. If approved, said amendments shall be recorded in Deschutes County. The commissioner's approval is not required for an amendment to the Bylaws adopted eight (8) years or more after the Bylaws are initially recorded.

ARTICLE 14 MORTGAGEES

Section 1. Notice to Association. An Owner who mortgages its Unit shall notify the Association through the management agent, if any, or the Chair of the Board of Directors in the event there is no management agent, of the name and address of its mortgagee; and the Association shall maintain such information in a book entitled "Mortgagees of Units."

Section 2. Definition of Mortgagee. Mortgagee as used in these Bylaws shall include the beneficiary of a Trust Deed or a contract seller.

Section 3. Notice of Change in Documents or Manager. The Association shall give the mortgagees written notice thirty (30) days prior to the effective date of (i) any change in the Condominium documents, and (ii) any change of manager (not including change in employees of corporate manager) of the Condominium.

Section 4. Notice of Default by Mortgagor. The Association shall give mortgagees written notification of any default by their mortgagors in the performance of such mortgagor's obligations pursuant to the Condominium documents or the Oregon Condominium Act, which is not cured within thirty (30) days.

Section 5. Mortgagee Exempt from Certain Restrictions. Any mortgagee who comes into possession of a mortgaged Unit pursuant to the remedies provided in the Mortgage, or foreclosure of the Mortgage, or Deed (or assignment) in Lieu of Foreclosure, shall be exempt from any "right of first

refusal" or other restriction on the sale or rental of the mortgaged Unit including, but not limited to, the restrictions on the posting of signs pertaining to the sale or rental of the Unit.

Section 6. Discharge of Lien Upon Foreclosure. Any holder of the mortgage which comes into possession of the Unit pursuant to the remedies provided in the Mortgage, foreclosure of the Mortgage, or Deed (or assignment) in Lieu of Foreclosure, shall take the property free of any claims for unpaid assessments or charges against the mortgaged Unit which accrue prior to the time such holder comes into possession of the Unit (except for claims for a pro rata share of such assessments or charges resulting from a pro rata reallocation of such assessments or charges to all Units, including the mortgaged Unit).

Section 7. Written Consent of Mortgagee Required in Certain Cases. Unless all holders of first mortgage liens on individual Units have given their prior written approval, the Association of the Condominium shall not:

(a) Change the pro rata interest or obligations of any Condominium Unit for (i) purposes of levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards and for (ii) determining the pro rata share of ownership of each Unit in appurtenant real estate and any improvements thereon which are owned by the Unit Owners in the condemnation in undivided pro rata interests ("Common Elements");

(b) Partition or subdivide any Unit or the Common Elements of the Condominium Property;

(c) By act or omission seek to abandon the Condominium status of the Condominium Property, except as provided by the Oregon Condominium Act, in the event of substantial loss to the Units and Common Elements of the Condominium Property;

(d) By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Elements. The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements shall not be deemed a transfer within the meaning of this clause; and

(e) Use hazard insurance proceeds for losses to any Condominium Property (whether to Units or to Common Elements) for other than the repair, replacement or reconstruction of such improvements, except as provided by the Oregon Condominium Act, in case of substantial loss to the Units and/or Common Elements of the Condominium project.

Section 8. Proxy Held by Mortgagee in Certain Cases. The first mortgagee may attend a meeting of the Association with the proxy of the mortgagor of said Unit for the purpose of voting to paint or otherwise maintain the Common Elements. Provided, however, such right shall arise only in the event the mortgagee reasonably believes that the Association has failed to maintain the Common Elements in sufficient manner to prevent excessive wear and tear.

Section 9. Right to Examine the Books and Records. All first mortgagees shall have the right to examine the books and records of the Association or the Condominium Property upon reasonable notice and at reasonable times.

Section 10. Notice in Event of Loss or a Taking. The Association shall give all first mortgagees written notice of any loss to, or taking of, the Common Elements of the Condominium project if such loss or taking exceeds \$10,000.00.

ARTICLE 15 INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Association shall indemnify any Director, officer, employee or agent who was or is a party or is threatened to be made a party of any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by the Association) by reason of the fact that he or she is or was a Director, officer, employee or agent of the Association or is or was "serving at the request of the Association as a Director, officer, employee or agent of the Association or is or was serving at the request of the Association as a Director, officer employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by said person in connection with such sum, action or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or termination of any action, suit or proceeding by judgment, order, settlement, conviction, suit or with a plea of *novus contendere* or its equivalent, shall not of itself create a presumption that a person did not act in good faith and in a manner which he or she reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had reasonable cause to believe his or 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, 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 actions which created said liability.

ARTICLE 16 MISCELLANEOUS

Section 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 the Unit Owners shall be sent to such addresses as may have been designated by the Owners from time to time in writing to the Board of Directors or, if no address has been designated, to the Owners' Unit.

Section 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.

Section 3. Invalidity; Number; Captions. The invalidity of any part of these Bylaws shall not impair or effect in any manner the validity, enforceability or effect of the balance of these Bylaws. As used herein, the singular shall include the plural, and the plural the singular. The masculine and neuter

shall each include the masculine, feminine and neuter, as the context requires. All captions used herein are intended solely for convenience or reference and shall in no way limit any of the provisions of these Bylaws.

Section 4. Dispute Resolution. Before initiating any litigation or administrative proceeding in which the Association and a Unit Owner have an adversarial relationship, excluding an action by the Association to collect unpaid assessments as described above, the party initiating the litigation or proceeding shall first comply with the provisions of ORS 100.405 (11), as the same may be amended.

It is hereby certified that these Bylaws have been adopted by Obsidian Partners, LLC, an Oregon limited liability company, Declarant of Desert High Business Condominiums, and will be recorded in the Deed Records of Deschutes County, together with the Declaration for said Condominium, after said Declaration is approved by the Real Estate Commissioner's Office and the Assessor of said County.

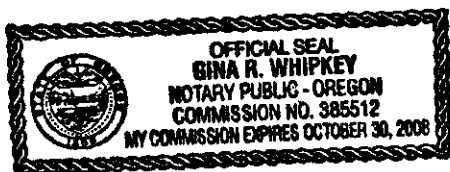
DATED this 17th day of February, 2006.

OBSIDIAN PARTNERS, LLC

By: Brian Meece, Member
Brian Meece, Member

STATE OF OREGON)
)
County of Deschutes)

This instrument was acknowledged before me on February 17, 2006 by Brian Meece as a Member of OBSIDIAN PARTNERS, LLC, an Oregon limited liability company.



Gina R. Whipkey
Notary Public for Oregon