

a/

After Recording Return To:
Rebecca Biermann Tom
Ball Janik LLP
101 SW Main St., Suite 1100
Portland, OR 97204-3219

DESCHUTES COUNTY OFFICIAL RECORDS
NANCY BLANKENSHIP, COUNTY CLERK

2006-82594



\$481.00

00516157200600825940910915

12/19/2006 04:38:15 PM

D-CONDO Cnt=1 Stn=23 CE
\$455.00 \$11.00 \$10.00 \$5.00

**DECLARATION OF
CONDOMINIUM OWNERSHIP FOR
FRANKLIN CROSSING CONDOMINIUMS**

Dated: July 12, 2006

**Declarant: KEYSTONE PARTNERS, LLC,
an Oregon limited liability company**

Table of Contents

	<u>Page</u>
1. Definitions and Interpretation.	1
1.1 Definitions.	1
1.2 Liberal Construction.	3
1.3 Mortgagee Approval.	3
1.4 Original Owner of Units.	3
1.5 No Fiduciary Standard.	3
1.6 Captions and Exhibits.	3
1.7 Miscellaneous.	4
2. Property Submitted.	4
3. Name.	4
4. Units.	4
4.1 General Description of Building.	4
4.2 General Description, Location, and Designation of Units.	4
4.3 Boundaries of Units.	4
5. Owner's Interest in Common Elements; General Common Elements.	5
6. Limited Common Elements.	6
7. Allocation of Common Profits and Expenses; Enforcement of Assessments.	6
7.1 Method of Allocation.	6
7.2 No Exception and No Offset.	7
7.3 Default in Payment of Common Expenses.	7
7.4 Foreclosure of Liens for Unpaid Common Expenses.	8
7.5 Prior Mortgages; Liability of Subsequent Purchaser.	8
8. Voting Rights.	8
9. Use.	9
10. Service of Process.	9
11. Authority Regarding Easements and Other Property Rights.	9
12. No Restrictions on Alienation.	9
13. Intentionally Omitted.	10
14. Rights of Access and Use.	10
14.1 In General.	10
14.2 Water Intrusion and Mold Inspection.	10

14.3	Additional Rights Created by Association.....	10
14.4	Right of Entry.....	10
14.5	Right of Access and Use for Declarant.....	11
15.	Encroachments.....	11
16.	Notices to Mortgagees.....	12
17.	Operating Entity.....	12
18.	Managing Agent.....	13
19.	Taxation of Units.....	13
20.	Administrative Control.....	13
21.	Casualty.....	13
21.1	Responsibility of Association.....	13
21.2	Responsibility of Owner.....	14
22.	Condemnation.....	14
22.1	Total Condemnation.....	14
22.2	Partial Condemnation.....	14
23.	Fidelity Bond.....	15
24.	Amendment.....	15
24.1	Approval by Owners.....	15
24.2	Approval by Mortgagees.....	16
24.3	Approval by Governmental Authorities.....	17
24.4	Recordation.....	17
25.	Termination.....	17
26.	Dispute Resolution.....	18
26.1	Required Procedure.....	18
26.2	Negotiated Resolution.....	18
26.3	Mediation.....	19
26.4	Small Claims.....	19
26.5	Arbitration.....	19
26.6	Confidentiality.....	19
26.7	No Attorneys' Fees.....	19
26.8	Claims Procedure.....	20
26.9	Covenants Running with the Land.....	20
27.	Warranties, Releases and Waivers of Claims.....	20
27.1	Warranty.....	20
27.2	Personal Property.....	20

27.3	No Other Warranties.	21
27.4	Defects.....	22
27.5	RELEASE AND WAIVER OF ALL OTHER PAST, PRESENT, AND FUTURE CLAIMS REGARDING CONDITION OF PROPERTY.	22
27.6	Time Limitation on Other Claims.	23
27.7	BINDING EFFECT.....	24
27.8	Covenants Running with the Land.	24
28.	Relocation of Boundaries.	24
28.1	Approval.....	24
28.2	Powers of Board.	24
28.3	Amendment.	24
29.	Special Declarant Rights.	24
29.1	Completion of Improvements.....	25
29.2	Sales Facilities of Declarant.....	25
29.3	Termination of Declarant Rights.....	25
29.4	Declarant's Easements.	25
29.5	Approval Rights.	25
29.6	Right of Review.	25
30.	Partition; Division.	26
30.1	Partition.	26
30.2	Division.	26
31.	Miscellaneous.....	27
31.1	No Impairment.	27
31.2	No Partition.	27
31.3	No Waiver of Strict Performance.....	27
31.4	Liability for Utility Failure, Etc.	27
31.5	Rule Against Perpetuities.	27
31.6	Transfer of Declarant's Powers.....	27
31.7	Sound Transmission Disclosure.	27
31.8	Severability.....	28

Exhibits to Declaration

Exhibit A	-	Property Description
Exhibit B	-	Areas of Primary, Parking and Storage Units
Exhibit C	-	Allocation of Interest in Common Elements
Exhibit D	-	Allocation of Common Profits
Exhibit E-1	-	Listing of Commercial Expenses
Exhibit E-2	-	Listing of Residential Expenses
Exhibit E-3	-	Allocation of Expenses to Owners of Residential Units
Exhibit E-4	-	Reserve Allocation
Exhibit F	-	Bylaws of Franklin Crossing Condominiums Owners' Association

**DECLARATION OF CONDOMINIUM OWNERSHIP FOR
THE FRANKLIN CROSSING CONDOMINIUMS**

MADE PURSUANT TO THE OREGON CONDOMINIUM ACT

This Declaration, to be effective upon its recording in Deschutes County, Oregon, pursuant to the provisions of the Oregon Condominium Act, is made and executed this 12th day of July, 2006, by KEYSTONE PARTNERS, LLC, an Oregon limited liability company ("Declarant").

Declarant proposes to create a condominium located in the City of Bend, Deschutes County, Oregon, to be known as Franklin Crossing Condominiums, composed of nine Primary Units, 50 Parking Units, and eight Storage Units located in a newly-constructed building. The building has five stories above grade and one level of parking below grade. The purpose of this Declaration is to submit the real property legally described in the attached Exhibit A to the condominium form of ownership and use in the manner provided by the Oregon Condominium Act.

1. Definitions and Interpretation.

1.1 Definitions. As used in this Declaration, the Articles of Incorporation of Franklin Crossing Condominiums Owners' Association, its Bylaws, its Rules and Regulations, and any exhibits thereto, unless the context shall otherwise require, the following definitions shall be applied:

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

1.1.2 Association shall mean the nonprofit corporate entity responsible for the administration, management and operation of the Condominium.

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

1.1.4 Atrium shall mean the glass atrium running through the Condominium, as shown on the Plans.

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

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

1.1.7 Commercial Expenses shall have the meaning given in Section 7.1.

1.1.8 Commercial Unit shall mean that certain Primary Unit designated in Section 9 for commercial use only.

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

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

1.1.11 Declaration shall mean this Declaration of Condominium Ownership for Franklin Crossing Condominiums and any amendments thereto.

1.1.12 General Common Elements shall mean those Common Elements designated in Section 5.

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

1.1.14 Limited Common Elements shall mean those Common Elements designated in Section 6.

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

1.1.16 Mortgagee shall include a mortgagee, a deed of trust beneficiary and a vendor under a contract for the sale of real estate.

1.1.17 Owner shall mean the owner or owners of a Primary Unit, Parking Unit or Storage Unit, but shall not include a Mortgagee unless in possession of a Unit.

1.1.18 Parking Unit shall mean that part of the Condominium designated as such in Section 4 and comprised of the space enclosed by its boundaries as described in Section 4.

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

1.1.20 Primary Units shall mean the part of the Condominium designated as such in Section 4 and comprised of the space enclosed by its boundaries as described in Section 4.

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

1.1.22 Residential Expenses shall have the meaning given in Section 7.1.

1.1.23 Residential Units shall mean those Primary Units designated in Section 9 for residential use only.

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

1.1.25 Storage Unit shall mean the part of the Condominium designated as such in Section 4 and comprised of the space enclosed by its boundaries as described in Section 4.

1.1.26 Turnover Meeting shall mean the meeting at which Declarant relinquishes control of the administration of the Association pursuant to ORS 100.210.

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

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

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

1.4 Original Owner of Units. Declarant is the original Owner of all Units and will continue to be deemed the Owner of each Unit until conveyances or other documents changing the ownership of specifically described Units are filed of record.

1.5 No Fiduciary Standard. In no event shall Declarant be deemed to be a fiduciary of the Owners or be held to a fiduciary standard with respect to activities hereunder. The foregoing language does not apply to the officers or directors of the Association appointed by Declarant.

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

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

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

3. Name. The name by which the Property is to be identified is "Franklin Crossing Condominiums."

4. Units.

4.1 General Description of Building. The Condominium shall consist of a single building of concrete and steel construction with brick skin, five levels above grade and a single level below grade. The building will include a five-story glass Atrium. The building has a membrane roof.

4.2 General Description, Location, and Designation of Units. The Condominium consists of a total of 67 Units, consisting of nine Primary Units, 50 Parking Units, and eight Storage Units. The area in square feet of the Primary Units, Parking Units, and Storage Units is set forth on the attached Exhibit B and on the Plans. The Residential Units are designated as Units 1 through 8. The Commercial Unit is designated as Unit 9. The Storage Units are designated numerically as S1 through S8. Parking Units are designated numerically as P1 through P50. The location of the Units is depicted on the Plans.

4.3 Boundaries of Units.

4.3.1 Primary Units. Each Unit identified on the Plans as a Residential Unit or Commercial Unit (a "Primary Unit") shall be bounded by the interior surfaces of its perimeter and bearing walls, floors, ceilings, skylights (if any), windows and window frames, doors and door frames, and trim, and shall include both the interior surfaces so described (including the unexposed face of the sheetrock or similar material and the underside of the finished floor) and the air space so encompassed and shall exclude those portions of the walls, floors or ceilings that materially contribute to the structural shear capacity of the Condominium. Each Primary Unit shall also include the chase serving the fireplace, if any, located within the Unit. In addition, each Primary Unit shall include the outlet of any utility service lines, including water, sewer, electricity, gas, or cable television, and of ventilating or air conditioning ducts, but shall not include any part of such lines or ducts themselves.

4.3.2 Parking Units. Each Unit identified on the Plans as a parking unit (a "Parking Unit") shall consist of the top surface of the concrete floors and the bottom surface of acoustical tile ceilings of the Parking Unit and a vertical plane at the boundary shown on the Plans. Regardless of the actual location of the painted striping for Parking Units, the boundaries of the Parking Units shall be as set forth herein and on the Plans.

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

5. Owner's Interest in Common Elements; General Common Elements. The allocation of undivided interests in the Common Elements is shown on the attached Exhibit C. The allocation is determined by the ratio which the area of each Primary Unit, Storage Unit or Parking Unit bears to the total area of all Primary Units, Storage Units and Parking Units combined, as shown on the Plans. The general location of the Common Elements is shown on the Plans. The General Common Elements shall consist of all parts of the Condominium other than the Units and the Limited Common Elements and include, without limitation, the following:

5.1 All floor slabs; meter rooms; boiler rooms; janitor's rooms; electrical rooms; storage rooms; foundations; crawl spaces; roofs (including any compressors located thereon); roof access stairwells; columns; beams; girders; supports; common corridor and stairwell walls; trash and recycling room (other than those designated in Section 6 as Limited Common Elements); stairwells and elevators (except as provided otherwise in Section 6 below), exterior doors and door frames; windows and window frames; and bearing walls.

5.2 Pipes, ducts, boiler equipment, pump rooms, transformer rooms, fan rooms, gas meter room, water storage tank, common corridor heating equipment, chutes, conduits, wires, and other utility installations, in each case to their respective outlets.

5.3 Ground level landscaping.

5.4 Ground level mail room and lobby as well as the lobby areas on the second through fourth above grade levels of the building.

5.5 The Atrium, including the windows of the Atrium and the airspace encompassed within the Atrium.

5.6 The building storage area located in the basement.

5.7 The loading areas located on the ground floor and the bike racks located on the ground level and in the basement.

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

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

6. Limited Common Elements. The Limited Common Elements shall consist of: (i) all patios and decks located adjacent to any of the Residential Units or the Commercial Unit, the use of which is reserved on an exclusive basis for the adjoining Residential Unit or Commercial Unit; (ii) common corridors, stairwell and elevator located on the 5th level above grade of the Condominium, the use of which is reserved on an exclusive and equal basis for the Owners and occupants of the Residential Units; (iii) ski storage area in the basement, the use of which is reserved on an exclusive basis for the Owners and occupants of the Residential Units on a first-come, first-served basis; and (iv) seating area on the ground floor level, the use of which is reserved on an exclusive basis for the Owner, tenants, invitees, employees and occupants of the Commercial Unit, as allocated by the Owner of the Commercial Unit. The Owner of a Primary Unit for which a Limited Common Element is reserved has the sole and exclusive right to lease or rent the Limited Common Element; provided, however, that such Owner may only lease or rent the Limited Common Element to a person or entity that is simultaneously leasing or renting such Owner's Primary Unit. The dimensions, designation, and location of the Limited Common Elements are shown on the Plans.

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

7.1 Method of Allocation. All common profits of the Association, if any, shall be distributed among the Owners based on an allocation that is determined by the ratio which the area of each Owner's Primary Unit bears to the total area of all of the Primary Units without regard to any interests pertaining to the Parking or Storage Units. The allocation of common profits shall be as set forth in Exhibit D. The common expenses shall be divided into commercial expenses (including any reserve assessments allocated to Commercial Unit Owner pursuant to Section 5.2 of the Bylaws) (the "Commercial Expenses"), and residential expenses (including any reserve assessments allocated to Residential Owners pursuant to Section 5.2 of the Bylaws) (the "Residential Expenses"), as shown on the attached Exhibits E-1 and E-2, respectively. The Residential Expenses shall be charged to the Owners of the Residential Units according to the percentage determined by the ratio which the area of each Residential Unit bears to the total area of all Residential Units, as shown on the attached Exhibit E-3. The Commercial Expenses shall be charged to the Owner of the Commercial Unit. The reserve assessment allocations are set forth on Exhibit E-4. Any costs or expenses incurred by the Association (including, without limitation, capital improvements) that are not assessable to an Owner pursuant to Section 5.4 of the Bylaws and not shown on Exhibit E shall be allocated between Commercial Expenses and Residential Expenses in a proportion that reasonably and equitably reflects the benefit realized as a result of such cost or expense by the Owners of the Commercial Unit and Residential Units, respectively. The allocation described in the preceding sentence shall be determined by the director elected by the Owners

by the Owners of the Commercial Unit and Residential Units, respectively. The allocation described in the preceding sentence shall be determined by the director elected by the Owners of the Residential Unit and by a majority of the directors elected by the Owner of the Commercial Unit. In the event such directors are unable to reach agreement on an allocation within 30 days following notice given to all directors of the cost or expense requiring allocation, the cost or expense shall be allocated seventeen percent (17%) as a Residential Expense and eighty-three percent (83%) as a Commercial Expense. In the event that estimated Commercial Expenses assessments during a fiscal year were overestimated, such that a surplus results for such fiscal year with regard to Commercial Expenses, such surplus shall not be allocated to offset shortfalls in the budgeted Residential Expenses assessments. In the event that estimated Residential Expenses assessments during a fiscal year were overestimated, such that a surplus results for such fiscal year with regard to Residential Expenses, such surplus shall not be allocated to offset shortfalls in the budgeted Commercial Expenses assessments. In such event, the directors elected by the Commercial Unit Owner may elect how to utilize any such surplus of Commercial Expenses assessments, and the director elected by the Residential Unit Owners may elect how to utilize any such surplus of Residential Expenses assessments. Assessments of common expenses shall commence upon closing of the first sale of a Primary Unit subject to the right of Declarant to defer the payment of assessments for reserves pursuant to Section 5.2 of the Bylaws. Upon each sale of a Primary Unit to a person other than a successor declarant, the purchaser shall make a contribution to the working capital of the Association equal to two months of regular Association assessments for the Unit as further described in the Bylaws. Except to the extent provided in the Bylaws, the common expenses of the Property shall be assessed on a monthly basis.

7.2 No Exception and No Offset. No Owner may claim exemption from liability for contribution toward the common expenses by waiver by the Owner of the use or enjoyment of any of the Common Elements or by abandonment by the Owner of the Owner's Unit, except as expressly set forth in Section 7.1. No Owner may claim an offset against an assessment for common expenses for failure of the Board to perform its obligations.

7.3 Default in Payment of Common Expenses. In the event of default by any Owner in paying to the Association the assessed common expenses (including, but not limited to, reserve assessments or any other special assessments), or any other charge imposed or levied by the Association pursuant to the provisions of this Declaration, the Bylaws or the Act, such Owner shall be obligated to pay interest on such assessments or other charges as provided herein, together with all expenses, including attorneys' fees, incurred by the Association in any proceeding brought to collect such unpaid assessments or charges, or any appeal therefrom. No interest or late charges will be assessed on assessments or other charges paid within 30 days after the due date therefor. Otherwise, delinquent payments of assessments and other charges shall bear interest from the date thereof at a rate of 18 percent per annum, but in no event higher than the maximum rate permitted by law. The Board may also establish and impose charges for late payments of assessments, if the charge imposed is based upon a resolution adopted by the Board of Directors that is delivered to each Unit, mailed to the mailing address of each Unit, or mailed to the mailing addresses designated by the Owners in writing. If the assessment is not paid within thirty (30) days of its due date, the

Board may declare any remaining installments of assessments for the balance of the fiscal year immediately due and payable and may terminate the right to receive utility services paid for out of assessments or the right of access to and use of recreational and service facilities of the Condominium until assessments have been brought current. The Board shall have the right and duty to recover for the Association such assessments and other charges, together with interest thereon, late charges, if any, and expenses of the proceeding, including attorneys' fees, by an action brought against such Owner or by foreclosure of the lien which the Association shall have upon such Owner's Units (including that Owner's Parking and Storage Units, if any) with respect to all such obligations.

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

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

8. Voting Rights. Subject to the provisions of Section 20 of this Declaration and Section 3 of the Bylaws, one vote shall be allocated to each Residential Unit and 32 votes

shall be allocated to the Commercial Unit. No voting rights shall be allocated to Parking or Storage Units.

9. Use. Unit 9 may be used only for commercial purposes as set forth in the Bylaws. The remaining 8 Primary Units on the 5th level above grade, as shown on the Plans, are intended for residential use only (as described in Section 7.2 of the Bylaws). The use of the Parking Units shall be limited to the parking of vehicles owned and operated by the Owner, tenant or resident of a Residential Unit or the Commercial Unit, but may not be used for parking by the customers or the invitees of the Commercial Unit Owner or tenants. The Storage Units shall be limited to storing items associated with a Residential Unit.

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

11. Authority Regarding Easements and Other Property Rights. The Association has the authority, pursuant to ORS 100.405(5) and (6), to execute, acknowledge, deliver, and record on behalf of the Owners leases, easements, rights of way, licenses, and other similar interests affecting the Common Elements and to consent to vacation of roadways within and adjacent to the Condominium, in each case, which are reasonably necessary to the ongoing development and operation of the Condominium. The granting of any interest pursuant to this Section 11 shall first be approved by Owners holding at least 75 percent of the voting power of the Association unless otherwise allowed to be approved by the Board under ORS 100.405(6)(a)(B).

12. No Restrictions on Alienation. This Declaration and the Bylaws impose no restrictions on the alienation of any Primary Unit. No person or entity may own or shall be entitled to acquire a Storage Unit unless such person or entity owns or shall simultaneously acquire a Residential Unit, except Declarant. No person or entity may own or shall be entitled to acquire a Parking Unit unless such person or entity owns or shall simultaneously acquire a Primary Unit, except Declarant. Any conveyance, transfer, lease, or other disposition ("Transfer") of a Storage Unit to a person or entity who does not own or will not acquire a Residential Unit or a Parking Unit to a person or entity who does not own or who will not acquire a Primary Unit is prohibited. No person or entity may own or shall be entitled to acquire Parking Units P1 through P3, inclusive, or P34 through P43, inclusive, unless such person or entity owns or shall simultaneously acquire a Residential Unit, except Declarant. In addition, the following Parking Units (the "Tandem Parking Units") may only be Transferred together: P34 and P35; P36 and P37; P38 and P39; and P40 and P41. In the case of a Transfer or attempted Transfer of a Parking or Storage Unit in violation of this Section 12, in addition to the Association's other rights under this Section 12, the person or entity making or attempting such Transfer shall indemnify and hold harmless the Association and its members from all cost, liability, and damage that the Association or its members may incur (including, without limitation, attorneys' fees and expenses) as a result of such Transfer or attempted Transfer. In the event a person or entity engages or attempts to engage in a Transfer of a Parking or Storage Unit in violation of this Section 12, the Association acting through the Board may, in its sole discretion, fine the offending person or entity in such

amounts as it may determine to be appropriate, in addition to any other rights or remedies available to the Association under this Declaration, the Bylaws or applicable law or in equity including, without limitation, the remedies of specific performance and injunction.

13. Intentionally Omitted.

14. Rights of Access and Use.

14.1 In General. Each Owner shall have a perpetual right of reasonable access and use to, through, over, and of each other Unit and the Common Elements as may be required for ingress and egress to and from such Owner's Unit or Units; for the support of such Owner's Unit or Units; and for the installation, operation, repair, maintenance, and replacement of utilities and other systems serving such Owner's Units, including, but not limited to, water, natural gas, air conditioning, cable television, electrical power and wiring, light, or plumbing serving a Primary Unit. Each Owner shall exercise all due care in the exercise of such right and shall be responsible for and shall indemnify, defend and hold harmless the other Owners from any harm or damage resulting from the exercise of the Owner's rights under this Section 14.1. The specific reference to or reservation of any rights of access and use in this Declaration does not limit or negate the general easement for Common Elements created by the Act.

14.2 Water Intrusion and Mold Inspection. The Board, acting on behalf of the Association, may authorize entry into any Owner's Unit or Units to conduct a periodic inspection of the Owner's Primary Unit, Parking Unit and Storage Unit for water intrusion into the Unit and/or the appearance of mold or mildew within such Unit. Such inspection shall be made by an agent of the Association appointed by the Board and shall occur at such time as is reasonably convenient to the Owner (or Owner's tenant) and the inspector. Nothing contained within this Section 14.2 is intended to modify the maintenance and repair obligations of any party as provided in the Bylaws and this Declaration.

14.3 Additional Rights Created by Association. The Association, upon prior approval of Owners holding at least 75 percent of the voting power of the Association, may create on behalf of the Owners additional rights of access and use with respect to the General Common Elements. No such right may be granted with respect to a Limited Common Element unless the Owners and Mortgagees of the Primary Units having the right to use such Limited Common Elements consent to the creation of such a right. Nothing in this Section 14.3 shall be construed to enable the Association to revoke, alter, modify, or terminate any easements, rights of way, licenses, or similar interests of record on the date this Declaration is recorded.

14.4 Right of Entry. The Board, acting on behalf of the Association, or a managing agent, manager, or any other person authorized by the Board, shall have the right to enter any Owner's Unit or Units or any of the Limited Common Elements in the case of any emergency originating in or threatening such Unit or Units, any Limited Common Elements, other Units or Condominium property or requiring repairs in such Unit or Units or Limited Common Elements to protect public safety, whether or not the Owner is present at the time.

Each Owner shall also permit such persons to enter the Owner's Unit or Units or the Limited Common Elements reserved for such Owner's Unit or Units for the purpose of performing installations, alterations, or repairs to any Common Element, preventing damage to the Common Elements or another Unit, performing the Association's inspection and maintenance obligations, or inspecting the Unit or Units or Limited Common Elements to verify that the Owner is complying with the restrictions and requirements described in this Declaration, the Bylaws, and/or the Rules and Regulations, provided that requests for entry are made in advance and that such entry is at a time reasonably convenient to the Owner. For a period of 10 years following recording of this Declaration, Declarant shall have a right to inspect the Common Elements of the Condominium and the Association's records regarding inspections and maintenance of the Condominium.

14.5 Right of Access and Use for Declarant. Declarant and Declarant's agents, successors, and assigns shall have a right of access and use to, through, over, and of the Common Elements and Parking Units for the purpose of (i) planning, designing, developing, inspecting, constructing, maintaining, repairing, or selling structures on the Property, to the extent Declarant is required or authorized to conduct such activities (a) pursuant to this Declaration, the Bylaws, or the Plans, (b) under contracts of sale with purchasers of Units, (c) in order to satisfy any warranty obligation of Declarant, or (d) under applicable law or regulations, and (ii) carrying out sales activities reasonably necessary for the sale of Units, including, without limitation, the right to use the Primary Units owned by Declarant as model Units and/or as a sales office until all Units have been conveyed to persons other than Declarant; provided, however, that Declarant shall restore the portions of the Property which it accesses or uses pursuant to this Section 14.5 to substantially the same condition that existed prior to such access or use (except to the extent Declarant has constructed or repaired improvements contemplated by this Section 14.5). The right of entry and inspection provided in this Section 14.5 shall not in any way obligate Declarant or Declarant's agents, successors and assigns to make such an inspection, and the decision on whether to inspect Units and the frequency of such inspections, if any, shall be solely within the discretion of Declarant or its successors and assigns.

15. Encroachments.

15.1 Each Unit and all Common Elements shall have an easement over all adjoining Units and Common Elements for the purpose of accommodating any present or future encroachment as a result of engineering errors, construction, reconstruction, repairs, settlement, shifting, or other movement of any portion of the Property, or any other similar cause, and any encroachment due to building overhang or projection as long as the physical boundaries of the Units are in substantial accord with the description of those boundaries that appears in the Declaration. There shall be a valid easement for the maintenance of the encroaching Units and Common Elements so long as the encroachment shall exist and, except as otherwise provided in Section 15.2, the rights and obligations of Owners shall not be altered in any way by the encroachment.

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

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

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

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

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

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

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

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

18. Managing Agent. Subject to the rights of the Board to terminate any such agreement entered into prior to the Turnover Meeting without penalty or cause upon not more than 30 days' written notice given not later than 60 days after the Turnover Meeting, the Board shall have the authority, on behalf of the Association, to enter into a management agreement with respect to the Condominium prior to the Turnover Meeting for a term not to exceed three (3) years. On behalf of the Association, the Board may, after the Turnover Meeting, employ or contract for a managing agent or manager in accordance with the Bylaws at a compensation to be established by the Board. Any such management agreement shall be terminable by the Association without penalty or cause upon not more than 90 days' nor less than 30 days' written notice thereof and must have a reasonable term not exceeding three years. The Board may delegate to the managing agent or manager such duties and powers as the Board may authorize. In the absence of such appointment, the Board shall act as manager of the Condominium.

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

20. Administrative Control. Except as otherwise provided in this Declaration or in the Bylaws, Declarant reserves control until the earlier to occur of the date that is three years after the date on which the first Primary Unit is conveyed or the date at which 75 percent of the 67 units planned for the Condominium have been conveyed to persons other than the Declarant, during which period:

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

20.2 Declarant shall have five times the votes allocated to each Primary Unit owned by it in Section 8, notwithstanding the provisions of Section 8; and

20.3 Declarant shall have the right to exercise all powers of the Association, the Board, or the Condominium officers under this Declaration, the Bylaws, and the Act, except that Declarant may not bind the Association to any management agreement, service contract, employment contract, lease of recreational areas or facilities, or contract or lease (other than a ground lease) to which Declarant is a party, which is made prior to the Turnover Meeting unless the Association or the Board is granted therein a right of termination thereof which is exercisable without cause or penalty upon not more than 30 days' written notice given to the other party thereto not later than 60 days after the Turnover Meeting.

21. Casualty.

21.1 Responsibility of Association. The Association shall be responsible for repairing, reconstructing, or rebuilding all damage or destruction of the Common Elements and the Parking Units, by casualty and, to the extent of the Association's insurance coverage,

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

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

22. Condemnation.

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

22.2 Partial Condemnation. In the event of a partial condemnation of the Condominium which includes some Units and/or Limited Common Elements, each Owner

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

23. Fidelity Bond. The Board shall require that any person or entity, including, but not limited to, employees of any professional manager, who handles or is responsible for Association funds, whether or not such person or entity receives compensation for services, shall furnish a fidelity bond as the Board deems adequate under this Section 23. In no event, however, may the aggregate amount of such insurance be less than the sum equal to three months' aggregate assessments on all Units plus reserve funds. Such bonds shall name the Association as the obligee and shall cover the maximum funds that may be in the custody of the Association or any manager at any time while such bonds are in force but, in any event, not less than the sum of three months of common expense assessments on all Units. Any such bond shall include a provision requiring not less than ten days' written notice to the Association and any Mortgagee of a Unit requesting a copy thereof and each servicer on behalf of the Federal National Mortgage Association ("FannieMae") before cancellation or substantial modification of the bond for any reason. The premiums on such bonds shall be paid by the Association.

24. Amendment.

24.1 Approval by Owners. Amendments to the Declaration shall be proposed by either a majority of the Board or by Owners holding thirty percent (30%) or more of the voting rights. The proposed amendment must be reduced to writing and shall be included in the notice of any meeting at which action is to be taken thereon or attached to any request for consent to the amendment. Except as may otherwise be provided in this Declaration or by the Act, this Declaration may be amended if such amendment is approved by Owners holding at least 75 percent of the voting power of the Association and the consent of Declarant for a period of 10 years after the date of the Turnover Meeting or for so long as Declarant owns a Unit, whichever is longer. The unanimous consent of all Owners of Primary Units shall be required for amendments of Sections 14.2 and 16 of this Declaration. In addition to 75 percent vote of all Primary Units, the consent of the Owner of the Commercial Unit is required for any amendment of Section 9 that limits or restricts the use of the Commercial Unit for commercial purposes. Except as otherwise provided in the Act, no amendment may change the allocation of undivided interest in the Common Elements, method for determining liability for common expenses, the method of determining the right to common profits, or the method of determining voting rights of or with respect to any Unit

unless such amendment has been approved by the Owners of the affected Units. Voting on any amendment to this Declaration shall be without regard to Declarant's enhanced voting power under Section 20.2, except for an amendment to approve a plat amendment, or to correct any provision of or exhibit to this Declaration, whether such correction is required due to a surveyor's error, factual error, miscalculation, omission or to comply with the requirements of any applicable statute, ordinance, regulation or guideline of the Federal Housing Administration, the Veterans Administration, the Farmers Home Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, any department, bureau, board, commission or agency of the United States or the State of Oregon, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon that insures, guarantees or provides financing for condominiums or to comply with the Act. For a period of 10 years after the date of the Turnover Meeting, the Bylaws, the Rules and Regulations and this Declaration may not be modified, added to, amended, or repealed so as to eliminate, change, or impair any rights, privileges, easements, licenses, or exemptions granted therein or herein to Declarant or its designee, or otherwise so as adversely to affect Declarant or such designee, without Declarant's or such designee's prior written consent in each instance.

24.2 Approval by Mortgagees. Except when a greater percent is required by the Declaration or Bylaws, or a greater or lesser percent is required by the Act, the consent of the Owners of Primary Units holding at least 75 percent of the voting rights and the approval of at least 51 percent of the holders of first Mortgages on Primary Units (based on one vote for each first Mortgage held) shall be required for any amendments of a material nature to the Declaration or Bylaws. Any amendment to the Declaration or Bylaws that changes any of the provisions of such documents governing the following shall constitute a material change:

- 24.2.1 Voting rights;
- 24.2.2 Increases in assessments that raise the previously assessed amount by more than twenty-five percent (25%), assessment liens or the priority of such liens;
- 24.2.3 Reduction in reserves for maintenance, repair and replacement of the Common Elements;
- 24.2.4 Responsibility for maintenance and repairs;
- 24.2.5 Reallocation of interests in the General or Limited Common Elements, or rights to their use, except as otherwise provided in Section 28 and Section 30.2;
- 24.2.6 The boundaries of any Unit, except as other wise provided in Section 28 and Section 30.2;
- 24.2.7 Convertibility of Units into Common Elements or of Common Elements into Units;

24.2.8 Expansion or contraction of the Condominium or the addition, annexation or withdrawal of property to or from the Condominium;

24.2.9 Hazard or fidelity insurance requirements;

24.2.10 Imposition of any restrictions on the leasing of Units;

24.2.11 Imposition of any restriction on the right of an Owner to sell or transfer his or her Unit;

24.2.12 A decision by the Association to establish self-management when professional management had been required previously by this Declaration, the Bylaws or a Mortgagee;

24.2.13 Restoration or repair of the Condominium (after damage or partial condemnation) in a manner other than specified in this Declaration or the Bylaws;

24.2.14 Any action to terminate the legal status of the Condominium after substantial destruction or condemnation occurs; or

24.2.15 Any provisions that expressly benefit Mortgage holders, insurers or guarantors.

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

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

24.4 Recordation. Amendments to this Declaration shall be effective upon recordation of the Declaration as amended, or of the amendment thereto, certified by the chairman and secretary of the Association as being adopted in accordance with this Declaration and the provisions of the Act, and approved by the county assessor and the Oregon Real Estate Commissioner, if required by law, in the deed records of Deschutes County, Oregon.

25. Termination. Termination of the Condominium shall be effected in accordance with ORS 100.600 and any other applicable provision of the Act, but in no event shall be consummated, other than in connection with the substantial destruction or condemnation of

the Property, without the prior written consent of at least fifty-one percent (51%) of those holders of first Mortgages on Primary Units (based upon one vote for each first Mortgage held). Any approval of a Mortgagee required under this Section 25 may be presumed by the Association if such Mortgagee fails to submit a response to a written proposal for an amendment to this Declaration within 60 days after it receives notice of such proposal by certified or registered mail, return receipt requested. The common profits and expenses of the Association following termination of the Condominium shall be allocated in accordance with the Act.

26. Dispute Resolution.

26.1 Required Procedure. Except as otherwise provided herein, to the fullest extent allowed by law, all claims, controversies, or disputes, whether they are statutory, contractual, tort claims, and/or counterclaims between or among Declarant, Declarant's successors and assigns, the Association, and/or Owner(s) (collectively, the "Parties" and individually, a "Party") which arise out of or are related to the Condominium, the Act, this Declaration, the Bylaws, the Articles of Incorporation of the Association, or the Rules and Regulations, or which relate to the interpretation or breach of the Act, this Declaration or the Bylaws, the Articles of Incorporation of the Association, or the Rules and Regulations (collectively referred to as "Claims") shall be resolved in accordance with the procedures specified in this Section 26 and for a period of ten (10) years after the Turnover Meeting or for as long as Declarant owns a Unit, whichever is latest, these provisions may not be amended without the consent of Declarant. Except as otherwise required by the Act, the following matters are excluded from this dispute resolution clause and do not constitute Claims: (i) judicial or non-judicial foreclosure or any other action or proceeding to enforce assessments, fines, interest or a trust deed, mortgage, Association lien, or land sale contract; (ii) a forcible entry and detainer action; or (iii) actions by the Association pursuant to Section 5.6 of the Bylaws prior to summary abatement and removal of a structure or other condition that violates this Declaration, the Bylaws or any Rules and Regulations; (iv) actions for the appointment of a receiver pursuant to Section 5.9 of the Bylaws; (v) provisional remedies such as injunctions or the filing of a lis pendens, or (vi) the filing or enforcement of a mechanic's lien. The filing of a notice of pending action (lis pendens) or the application to any court having jurisdiction thereof for the issuance of any provisional process remedy described in Rules 79 through 85 of the Oregon Rules of Civil Procedure (or corresponding federal statutory remedies), including a restraining order, attachment, or appointment of receiver, shall not constitute a waiver of the right to mediate or arbitrate under this Section, nor shall it constitute a breach of the duty to mediate or arbitrate. The proceeds resulting from the exercise of any such remedy shall be held by the Party obtaining such proceeds for disposition as may be determined by an agreement of the Parties pursuant to a mediation or by the arbitration award.

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

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

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

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

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

26.7 No Attorneys' Fees. Except as specifically provided for in this Declaration or the Bylaws, no Party in the arbitration, mediation or other proceeding shall be entitled to recover costs or attorneys' fees in connection therewith. Notwithstanding any other provision of this Declaration or the Bylaws, the Association shall not expend or commit to expend in excess of \$5,000 for attorney fees and costs for any specific litigation or claim matter or enter into any contingent fee contract on any claim in excess of \$100,000 unless first approved by at least 75 percent of the outstanding votes of the Owners. The foregoing limitation shall not apply to (i) actions for delinquent assessments or other charges under the Declaration or these Bylaws; (ii) actions initiated by the Association during Declarant's period of administrative control pursuant to Section 20 of this Declaration; (iii) actions challenging

ad valorem taxation or condemnation proceedings; (iv) actions initiated against any contractor or vendor hired by the Association or supplier of goods and services to the Association; (v) the defense of any claims or other proceedings filed against the Association or the Board or the assertion of any counterclaims in proceedings instituted against the Association or the Board (except for non-mandatory counterclaims); (vi) actions to appoint a receiver pursuant to Section 5.9 of the Bylaws; or (vii) actions to summarily abate and remove a structure or condition that violates this Declaration or the Bylaws.

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

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

26.9 Covenants Running with the Land. The provisions of this Section 26 are intended to touch and concern the Condominium and shall be deemed covenants running with the land. Each and every term of this Section 26 shall, to the fullest extent allowed by law, bind each Owner, the Association and each subsequent owner or transferee of a Unit.

27. Warranties, Releases and Waivers of Claims.

27.1 Warranty. In each unit sales agreement, Declarant, as seller, provided to each Owner purchasing a Unit from Declarant a one-year warranty on the Unit, Limited Common Elements and General Common Elements as required by the Act (the "One-Year Warranty"). Declarant is not obligated to provide to Owners any warranty other than the One-Year Warranty.

27.2 Personal Property. Declarant as seller has given no warranty with respect to any appliances, equipment, and other consumer products as defined in the Magnusson-Moss Warranty Act or the Uniform Commercial Code installed in the Condominium, if any, are those of the manufacturer or supplier only, that Declarant has not warranted such items, and that, to the extent assignable, these manufacturers' or suppliers'

warranties and any rights or claims against the manufacturer or supplier relating to any insufficiency in such products have been assigned to Owner, effective on the closing date of such Owner's purchase of the Unit from Declarant or to the Association, at or prior to the Turnover Meeting. Declarant shall reasonably cooperate with any such claims Owners or the Association may elect to pursue against the manufacturers, provided there is no cost or liability to Declarant. Declarant has not represented or guaranteed the existence or validity of any manufacturer or supplier warranties or the performance by any manufacturer or supplier of its warranty obligations. Declarant has not represented or guaranteed the existence or validity of any manufacturer or supplier warranties or the performance by any manufacturer or supplier of its warranty obligations. With respect to any manufactured products, each Owner has expressly assumed the risk, as opposed to Declarant, that such products may be defective. Each Owner has warranted that Owner had adequate opportunity to investigate the condition of the manufactured products installed in his or her Unit, and Owner has relied solely on this independent investigation in purchasing the Unit.

27.3 No Other Warranties. TO THE FULLEST EXTENT ALLOWED BY LAW, DECLARANT HAS MADE NO OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF HABITABILITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR ANY WARRANTIES REGARDING CONSUMER PRODUCTS AS DEFINED IN THE MAGNUSSON-MOSS WARRANTY ACT OR THE UNIFORM COMMERCIAL CODE, WITH RESPECT TO THE BUILDING, THE UNIT, COMMON ELEMENTS, OR ANY OTHER PART OF THE CONDOMINIUM OR THE PROPERTY OTHER THAN THOSE EXPRESSLY DESCRIBED IN EACH UNIT SALES AGREEMENT. WITHOUT LIMITATION TO THE FOREGOING, AND EXCEPT FOR THE EXPRESS WARRANTY OF THE UNIT SALES AGREEMENTS, DECLARANT HAS MADE NO REPRESENTATION OR WARRANTY REGARDING (I) COMPLIANCE WITH APPLICABLE BUILDING CODES, (II) ACOUSTICS, CONSISTENCY OF FLOOR SLOPE, OR SOUND TRANSFERENCE WITHIN THE CONDOMINIUM, (III) LIGHT, AIR OR VIEW, OR (IV) THE ABILITY OF THE BUILDING ENVELOPE OR ANY COMPONENTS OF THE CONDOMINIUM TO WITHSTAND WATER INTRUSION. Declarant shall not be responsible for damage to the Unit, Common Elements, or the Condominium (i) caused by normal wear and tear; (ii) caused by Owner, the Association or other parties, whether by misuse, abuse, failure to maintain the Unit and/or Common Elements or otherwise; (iii) for damage exacerbated by Owner, the Association, or other parties, or allowed by Owner or the Association to be exacerbated, including, without limitation, damages exacerbated by Owner or the Association, as applicable, failing to allow Declarant access to the Unit or Condominium, as applicable, to perform warranty work; or (iv) related to work performed in or on the Unit, Common Elements, or the Condominium by or on behalf of the Owner, Association, or parties other than Declarant; or (v) any other items covered by a manufacturer's warranty. Declarant made no warranty that views from the Condominium will remain available and makes no warranty regarding soundproofing of units and transmission of sounds between units and other areas of the Condominium shall not be considered a construction defect.

27.4 Defects. As used in this Section 27, "defect(s)" or "defective" means a flaw in the materials or workmanship used in constructing the Unit or Common Elements that: (i) materially affects the structural integrity of the Unit or Common Elements; (ii) has an obvious and material negative impact on the appearance of the Unit or Common Elements; or (iii) jeopardizes the life or safety of the occupants of the Unit. So long as the Unit was completed substantially in accordance with Declarant's plans and specifications, minor deviations and variations therefrom such as, without limitation, paint color, window and floor coverings, countertops and cabinets, appliances, plumbing and electrical fixtures, hardware and other decorations, and other finish work shall not be considered "defects." Deficiencies inherent in the quality of a particular component or element of the Unit or Common Elements shall not be considered defects due to workmanship or materials. Wood grains, veining or other patterns inherent in natural materials such as wood or stone may vary and such variances shall not be considered a "defect." Conditions caused by or resulting from the failure of Owner or the Association to perform normal and routine maintenance of the Unit and Common Elements, as applicable, shall not be considered "defects."

27.5 **RELEASE AND WAIVER OF ALL OTHER PAST, PRESENT, AND FUTURE CLAIMS REGARDING CONDITION OF PROPERTY.** EXCEPT FOR ANY EXPRESS WARRANTY CLAIMS PURSUANT TO SECTION 8 OF THE UNIT SALES AGREEMENT BETWEEN DECLARANT AND A PURCHASER OF A UNIT, TO THE FULLEST EXTENT ALLOWED BY LAW, EACH PURCHASER OF A UNIT, THE ASSOCIATION AND ALL SUCCESSOR OWNERS AND OCCUPANTS, RELEASE AND WAIVE ANY CLAIM WHENEVER ARISING AGAINST DECLARANT OR ITS MEMBERS, AGENTS, BROKERS, SUCCESSORS, EMPLOYEES, AFFILIATES, CONTRACTORS, REPRESENTATIVES, OFFICERS, DIRECTORS, OR AGAINST THE ASSOCIATION OR ANY BOARD MEMBER THEREOF (COLLECTIVELY, THE "DECLARANT PARTIES"), RELATING TO OR ARISING FROM THE CONDITION OF THE CONDOMINIUM PROPERTY AT ANY TIME. THE WAIVER IS ABSOLUTE AND UNCONDITIONAL, AND THIS RELEASE AND WAIVER APPLIES WHETHER OR NOT THE PURCHASER HAD KNOWLEDGE OF ANY POTENTIAL CAUSE OF ACTION FOR SUCH CLAIMS. THE WAIVER APPLIES TO CLAIMS UNDER ANY LEGAL THEORY OTHER THAN BREACH OF THE EXPRESS WARRANTY GIVEN BY DECLARANT IN A UNIT SALES AGREEMENT. SUCH WAIVED CLAIMS INCLUDE, WITHOUT LIMITATION, CLAIMS RELATING TO OR ARISING IN OR FROM ANY OF THE FOLLOWING: (A) DEFECTS, REPAIRS, REPLACEMENTS OR MODIFICATIONS TO THE UNIT OR COMMON ELEMENTS EXCEPT AS SPECIFICALLY COVERED BY THE ONE-YEAR WARRANTY; (B) FAILURE TO COMPLY WITH CODE, NONCOMPLIANCE WITH PLANS AND SPECIFICATIONS, DEFECTIVE CONSTRUCTION, NEGLIGENT CONSTRUCTION AND/OR NON-WORKMANLIKE CONSTRUCTION; (C) TORT AND/OR UNLAWFUL TRADE PRACTICES VIOLATIONS, EMOTIONAL DISTRESS, FRAUDULENT, INTENTIONAL, NEGLIGENT OR INNOCENT MISREPRESENTATION, NEGLIGENCE OR GROSS NEGLIGENCE, STRICT LIABILITY, NUISANCE, AND/OR TRESPASS; (D) BREACH OF CONTRACT, BREACH OF EXPRESS WARRANTY AND/OR BREACH OF IMPLIED WARRANTIES, INCLUDING THE WARRANTIES OF PROFESSIONAL CONSTRUCTION AND REASONABLE WORKMANLIKE CONSTRUCTION;

(E) BREACH OF FIDUCIARY DUTY BY DECLARANT OR ITS AFFILIATES PRIOR TO OR AFTER THE DATE CONTROL OF THE ASSOCIATION IS TURNED OVER TO THE UNIT OWNERS; (F) WATER INTRUSION, WATER INFILTRATION, OR WATER PENETRATION; (G) PRODUCTS OR SUBSTANCES FOUND IN OR USED IN THE UNIT OR COMMON ELEMENTS, INCLUDING, FOR EXAMPLE PURPOSES ONLY, RADON; (H) THE CONDITION OF THE UNIT AND/OR COMMON ELEMENTS; (I) NOISE OR SOUND TRANSMISSION, MOLD, MILDEW, FUNGUS AND/OR ODORS IN THE UNIT OR COMMON ELEMENTS; (J) LOSS OF USE OF THE UNIT AND/OR COMMON ELEMENTS AND/OR THE LOSS OF VALUE THEREOF; AND (K) CONSEQUENTIAL DAMAGES OR EXPENSES FOR ATTORNEY FEES AND/OR RESULTING FROM THE RELOCATION OF OWNER, IF ANY, SUCH AS LODGING, COMMISSIONS, INTEREST RATE FLUCTUATIONS, STORAGE, MOVING, MEALS OR TRAVEL EXPENSE. IT IS ACKNOWLEDGED THAT DECLARANT WOULD HAVE REQUIRED A SIGNIFICANTLY HIGHER PURCHASE PRICE FOR THE UNITS IF THE PURCHASER REFUSED TO PROVIDE THIS RELEASE AND WAIVER. THIS SECTION 27.5 SERVES AS NOTICE OF RECORD THAT THE RELEASE AND WAIVER SHALL BE BINDING UPON SUCH PURCHASERS, ALL SUCCESSOR OWNERS OR OCCUPANTS OF THE UNIT, THE ASSOCIATION, AND THEIR RESPECTIVE EMPLOYEES, CONTRACTORS, PROPERTY MANAGERS, BROKERS, HEIRS, SUCCESSORS, ASSIGNS, GUESTS AND INVITEES. CLAIMS OF THE ASSOCIATION ARE DERIVATIVE OF CLAIMS OF UNIT OWNERS AND THE ASSOCIATION SHALL BE BOUND BY THE WAIVER. THE WAIVER ACTS AS A COMPLETE BAR AND DEFENSE AGAINST ANY RELEASED OR WAIVED CLAIM.

27.6 Time Limitation on Other Claims. IT IS THE INTENTION OF THE WAIVER IN SECTION 27.5 TO BE FULL AND FINAL. TO THE EXTENT ANY COURT OR ARBITRATOR OF COMPETENT JURISDICTION DETERMINES ANY CLAIM TO SURVIVE SECTION 27.5 FOR ANY REASON, THEN TO THE FULLEST EXTENT ALLOWED BY APPLICABLE LAW, ANY SUCH CLAIMS (OTHER THAN EXPRESS WARRANTY CLAIMS PURSUANT TO A UNIT SALES AGREEMENT) MUST BE BROUGHT ON OR BEFORE THE EARLIER OF (A) EXPIRATION OF THE APPLICABLE STATUTE OF LIMITATIONS, OR (B) WITHIN ONE (1) YEAR FROM THE DATE OF THE TURNOVER MEETING AS DESCRIBED IN THE BYLAWS, WHETHER SUCH CLAIMS ARISE FROM STATUTE, CONTRACT, TORT OR OTHERWISE WHETHER FOR DAMAGES OR PERSONAL INJURY NOW EXISTING OR ARISING AFTER THE DATE OF THIS AGREEMENT ANY SUCH CLAIMS NOT BROUGHT WITHIN THIS TIME PERIOD WILL BE DEEMED FULLY WAIVED BY OWNER, REGARDLESS OF WHEN OWNER ACTUALLY DISCOVERED THE ALLEGED BASIS FOR THE CLAIM. FOR PURPOSES OF THIS SECTION 27.6, A CLAIM IS "BROUGHT" WHEN (A) FOR MATTERS WITHIN THE SMALL CLAIMS COURT JURISDICTION, A COMPLAINT WAS FILED IN THE APPROPRIATE SMALL CLAIMS COURT AND SERVED PROMPTLY ON DECLARANT OR (B) FOR MATTERS NOT WITHIN THE SMALL CLAIMS COURT JURISDICTION, THE DECLARANT HAS ACTUAL RECEIPT OF A FILED COMPLAINT OR REQUEST FOR ARBITRATION BY OWNER. THIS SECTION 27.5 SHALL NOT BE DEEMED TO EXPAND AN OWNER'S RIGHT TO ASSERT ANY CLAIMS.

27.7 BINDING EFFECT. TO THE FULLEST EXTENT ALLOWED BY LAW, THE LIMITATIONS OF THIS SECTION 27 SHALL BE BINDING UPON EACH OWNER, BUYERS FROM EACH OWNER AND ALL SUCCESSOR BUYERS, THE ASSOCIATION AND THEIR RESPECTIVE EMPLOYEES, CONTRACTORS, PROPERTY MANAGERS, BROKERS, HEIRS, SUCCESSORS, ASSIGNS, GUESTS AND INVITEES AND SHALL APPLY TO POTENTIAL CLAIMS BROUGHT DIRECTLY BY OWNER, BY OWNER THROUGH THE ASSOCIATION OR BY THE ASSOCIATION.

27.8 Covenants Running with the Land. The provisions of this Section 27 are intended to touch and concern the Condominium and shall be deemed covenants running with the land. Each and every term of this Section 27 shall, to the fullest extent allowed by law, bind each Owner, the Association and each subsequent owner or transferee of a Unit.

28. Relocation of Boundaries.

28.1 Approval. The boundaries between adjoining Units, including any intervening common elements, may be relocated or eliminated by an amendment to this Declaration. The owners of the affected Units shall submit to the Board a proposed amendment that shall identify the Units involved, state any reallocations of common element interest, voting rights, common expense liability and right to common profits and contain words of conveyance. The Board shall approve the amendment unless it determines within 45 days that the reallocations are unreasonable or the relocation or elimination will impair the structural integrity or mechanical systems of the Condominium or lessen the support of any portion of the Condominium.

28.2 Powers of Board. The Board may require the Owners of the affected Units to submit an opinion of a registered architect or registered professional engineer that the proposed relocation or elimination will not impair the structural integrity or mechanical systems of the Condominium or lessen the support of any portion of the Condominium. The Board or any agent appointed by the Board may supervise the work necessary to effect the boundary relocation or elimination. Any expenses incurred under this section shall be charged to the Owners of the Units requesting the boundary relocation or elimination.

28.3 Amendment. The amendment shall be executed by the Owners and Mortgagees of the affected Units, certified by the chairperson and secretary of the Association, approved as required by law and recorded in the appropriate records of Deschutes County, Oregon. In addition, plat and floor plans necessary to show the altered boundaries between the adjoining Units shall be recorded as required by law. All costs of preparation, review by county and Oregon Real Estate Agency and recording of the amendments to the declaration and plat and floor plans shall be paid by the Owners of the affected Units.

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

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

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

29.3 Termination of Declarant Rights. Except as otherwise provided in this Declaration, the special Declarant rights set forth in this Section 29 shall continue until the later of: (i) Declarant completes improvements which are within or may be added to this Condominium, (ii) Declarant owns any Units, or (iii) 10 years from the date of the Turnover Meeting; *provided*, that Declarant may voluntarily terminate any or all of such rights at any time by recording an amendment to this Declaration, which amendment specifies which right is thereby terminated.

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

29.5 Approval Rights. Declarant shall have the right to approve amendments proposed by the Owners to this Declaration, the Bylaws, the Plans, and the Rules and Regulations for so long as Declarant owns a Unit or for 10 years from the date of the Turnover Meeting, whichever is latest.

29.6 Right of Review. Upon reasonable advance notice to the Board, Declarant shall have the perpetual right to review all inspection and maintenance records of the Association, including, without limitation, changes to the Maintenance Plan. In addition, upon request from Declarant, the Board shall provide Declarant at Declarant's cost copies of all inspection reports, proposed plans for alterations and copies of all warranty claims. As provided in Section 7.5 of the Bylaws, the Board shall provide Declarant with copies of submissions for alteration requests, advance notice of the Board's inspections of such

alterations, and an opportunity for Declarant, its contractors or agents to accompany the Board's professional advisors on any such inspection.

30. Partition; Division.

30.1 Partition. The Commercial Unit may be partitioned into individual discrete premises at any time by the Owner thereof without the consent of Owners of other Units or of the Board of Directors, by the erection of demising walls and partitions or other walls, as determined by the Owner of the Commercial Unit, in such Owner's sole discretion. The Owner of the Commercial Unit may change and reconfigure such partitioning at any time in such Owner's sole discretion, subject only to the rights of tenants of a portion of the Commercial Unit.

30.2 Division. Pursuant to, and in accordance with the processes set forth in, ORS 100.625, the Owner of the Commercial Unit may divide and create the Commercial Unit as two or more Units. The maximum number of Units into which the Commercial Unit may be divided is 32. Any Units so created shall be used only for commercial purposes, as required by this Declaration and the Bylaws prior to such creation. In the event of such division and creation, the interest in the Common Elements reserved for the divided Commercial Unit as of the date of this Declaration shall be reallocated by taking the total interest in the Common Elements reserved for the divided Unit and allocating it among the newly created Units on the basis of the ratio of the square footage of each newly created Unit bears to the square footage of all newly created Units, such that there shall be no reallocation of the original Commercial Unit's interest in the Common Elements. The Limited Common Elements serving the divided Commercial Unit shall continue to serve the Units created from such Unit and be used for the same purposes. Commercial Expenses assigned to the divided Commercial Unit as of the date of this Declaration shall be allocated among all of the newly created Units of the former Commercial Unit on the basis of the ratio by which the square footage of each newly created Unit bears to the square footage of all newly created Units, such that there shall be no reallocation of the total Commercial Expenses allocated to the Commercial Units. Common profits assigned to the Commercial Unit then being divided as of the date of recordation of this Declaration shall be reallocated among all of the newly created Commercial Units on the basis of the ratio by which the square footage of each newly created Commercial Unit bears to the square footage of all of the newly created Commercial Units, such that there shall be no reallocation of the total common profits assigned to the Commercial Units. Voting rights shall be allocated by dividing the number of votes allocated to the original Commercial Unit by the number of resulting Units and then assigning votes to the newly created Units equally. For purposes of this Section 30.2, the square footage of the newly created Commercial Unit shall be measured to the centerpoint of the newly established boundary walls between newly created Commercial Unit, such that the total square footage of all newly created Commercial Unit equals the total square footage of the former Commercial Unit.

31. Miscellaneous.

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

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

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

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

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

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

31.7 Sound Transmission Disclosure. The Condominium was designed and built in accordance with local, state and federal building codes regarding insulation and sound transmission. Where condominium units are built either above or below each other, or side by side, it is normal to experience some transmissions of sound between those units from music,

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

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

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

IN WITNESS WHEREOF, Declarant has caused this Declaration to be executed this 12 day of July, 2006.

Declarant:

KEYSTONE PARTNERS, LLC, an Oregon limited liability company

By: [Signature]
Its: PARTNER

STATE OF OREGON)
) ss.
County of Deschutes)

This instrument was acknowledged before me on July 12, 2006, by Stuart J. Sheik Jr as partner of KEYSTONE PARTNERS, LLC, an Oregon limited liability company.



[Signature]
Notary Public for Oregon
My Commission Expires: 3-20-10

[Signature]
County Assessor

[Signature] 12-19-06
County Tax Collector

November The foregoing Declaration is approved pursuant to ORS 100.110 this 24 day of 2006 and in accordance with ORS 100.110(7), this approval shall automatically expire if this Declaration is not recorded within two (2) years from this date.

SCOTT W. TAYLOR
Oregon Real Estate Commissioner

[Signature]
By: Laurie Skillman

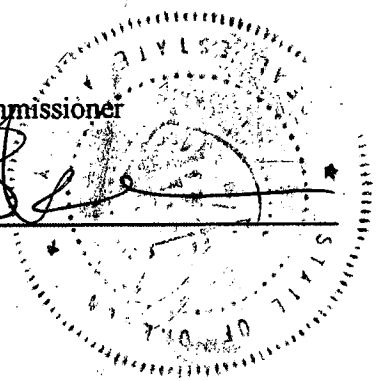


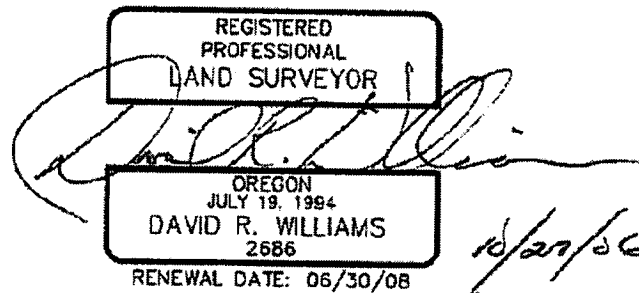
EXHIBIT A
Property Description

A parcel of land containing 0.56 acres, more or less, located in a portion of the Northwest Quarter of the Southeast Quarter (NW1/4 SE1/4) of Section 32, Township 17 South, Range 12 East, Willamette Meridian, City of Bend, Deschutes County, Oregon, being more particularly described as follows:

The southwesterly 1/2 of Lot Three (3) and all of Lots Four (4), Five (5) and Six (6) in Block Sixteen (16), of Plat of Bend, City of Bend, Deschutes County, Oregon, more particularly described as follows:

Beginning at the most westerly corner of said Lot 6; thence along the westerly line of said Lots 3, 4, 5 and 6 North $38^{\circ}29'52''$ East a distance of 174.97 feet; thence leaving said westerly line South $51^{\circ}29'35''$ East a distance of 140.05 feet to the easterly line of said Lot 3; thence along the easterly line of said Lots 3, 4, 5 and 6 South $38^{\circ}28'35''$ West a distance of 174.97 feet to the most southerly corner of said Lot 6; thence along the southerly line of said Lot 6 North $51^{\circ}29'35''$ West a distance of 140.12 feet to the point of beginning, the terminus of this description.

Subject to: All easements, restrictions and right-of-ways of record and those common and apparent on the land.



October 27, 2006

S:\Land Projects\FRANKLIN CROSSING\dwg\060301-Franklin Crossing\docs\060301 Boundary Legal Description.doc

EXHIBIT B

Areas of Primary, Parking and Storage Units

<u>Unit No.</u>	<u>Area (sq. ft.)</u>
<i>Residential</i>	
1	1,711
2	2,352
3	1,783
4	1,131
5	1,904
6	1,184
7	1,184
8	979
<i>Commercial</i>	
9	61,506
<i>Parking</i>	
P-1	180
P-2	180
P-3	180
P-4	180
P-5	180
P-6	180
P-7	180
P-8	180
P-9	180
P-10	180
P-11	180
P-12	180
P-13	180
P-14	180
P-15	180
P-16	180
P-17	180
P-18	180
P-19	180
P-20	180
P-21	180
P-22	134
P-23	134
P-24	127
P-25	180
P-26	180

EXHIBIT B

Areas of Primary, Parking and Storage Units

<u>Unit No.</u>	<u>Area (sq. ft.)</u>
<i>Parking</i>	
P-27	180
P-28	180
P-29	180
P-30	180
P-31	180
P-32	180
P-33	180
P-34	180
P-35	180
P-36	180
P-37	180
P-38	180
P-39	180
P-40	180
P-41	180
P-42	180
P-43	180
P-44	180
P-45	180
P-46	180
P-47	180
P-48	180
P-49	180
P-50	180
<i>Storage</i>	
S-1	66
S-2	112
S-3	66
S-4	66
S-5	68
S-6	69
S-7	68
S-8	69
<hr/>	
<i>Total:</i>	83,173

EXHIBIT C

Allocation of Interest in Common Elements

<u>Unit No.</u>	<u>Area (sq. ft.)</u>	<u>Allocation of Ownership Interests In Common Elements</u>
<i>Residential</i>		
1	1,711	2.05%
2	2,352	2.82%
3	1,783	2.14%
4	1,131	1.35%
5	1,904	2.28%
6	1,184	1.42%
7	1,184	1.42%
8	979	1.17%
<i>Commercial</i>		
9	61,506	73.94%
<i>Parking</i>		
P-1	180	0.22%
P-2	180	0.22%
P-3	180	0.22%
P-4	180	0.22%
P-5	180	0.22%
P-6	180	0.22%
P-7	180	0.22%
P-8	180	0.22%
P-9	180	0.22%
P-10	180	0.22%
P-11	180	0.22%
P-12	180	0.22%
P-13	180	0.22%
P-14	180	0.22%
P-15	180	0.22%
P-16	180	0.22%
P-17	180	0.22%
P-18	180	0.22%
P-19	180	0.22%
P-20	180	0.22%
P-21	180	0.22%
P-22	134	0.15%
P-23	134	0.15%
P-24	127	0.15%

EXHIBIT C

Allocation of Interest in Common Elements

<u>Unit No.</u>	<u>Area (sq. ft.)</u>	<u>Allocation of Ownership</u>
		<u>Interests In Common</u> <u>Elements</u>
<i>Parking</i>		
P-25	180	0.22%
P-26	180	0.22%
P-27	180	0.22%
P-28	180	0.22%
P-29	180	0.22%
P-30	180	0.22%
P-31	180	0.22%
P-32	180	0.22%
P-33	180	0.22%
P-34	180	0.22%
P-35	180	0.22%
P-36	180	0.22%
P-37	180	0.22%
P-38	180	0.22%
P-39	180	0.22%
P-40	180	0.22%
P-41	180	0.22%
P-42	180	0.22%
P-43	180	0.22%
P-44	180	0.22%
P-45	180	0.22%
P-46	180	0.22%
P-47	180	0.22%
P-48	180	0.22%
P-49	180	0.22%
P-50	180	0.22%
<i>Storage</i>		
S-1	66	0.07%
S-2	112	0.13%
S-3	66	0.07%
S-4	66	0.07%
S-5	68	0.07%
S-6	69	0.07%
S-7	68	0.07%
S-8	69	0.07%
<i>Total:</i>	83,173	100.00%

EXHIBIT D

Allocation of Association Common Profits

<u>Unit No.</u>	<u>Area (sq. ft.)</u>	<u>Allocation of Association Common Profits</u>
<i>Residential</i>		
1	1,711	2.32%
2	2,352	3.19%
3	1,783	2.42%
4	1,131	1.53%
5	1,904	2.58%
6	1,184	1.61%
7	1,184	1.61%
8	979	1.33%
<i>Commercial</i>		
9	61,506	83.41%
<hr/>		
<i>Total:</i>	73,734	100.00%

EXHIBIT E-1

Listing of Commercial Expenses

1. Office supplies, printing, and postage relating to Commercial Unit.
2. 83% of Association insurance charges.
3. Tax, accounting, legal, design, architectural, engineering, and other professional services and licenses relating to Commercial Unit.
4. 83% of Association water and sewer charges.
5. Electricity for lights serving Commercial Unit.
6. 83% of Association professional management charges.
7. Electrical, plumbing, and other supplies, repairs, and cleaning relating to Commercial Unit.
8. 83% of Association emergency/security systems and security personnel (including fire system and sprinkler servicing and inspections).
9. Bad debt allowance for Commercial Unit.
10. Lien filings relating to Commercial Unit.
11. Pest control in areas serving Commercial Unit.
12. 83% of maintenance and expenses for landscape maintenance and irrigation repairs.
13. 83% of elevator licenses, repairs and maintenance.
14. 83% of state and federal income taxes for interest earned.
15. 83% of garage door and access system servicing, repairs and maintenance.
16. 83% of Association gas and electrical charges.
17. Maintenance and repairs of the Limited Common Element patios and planter boxes on the third level above grade and landscaping in such planter boxes installed by the Association or Declarant.
18. 83% of maintenance and operating expenses for central HVAC system and boiler, based on the relative square footage of the first four levels above grade to the square footage of the Limited Common Element hallway on the fifth level above grade.
19. 38/50ths of maintenance expenses for Parking Units.
20. Exterior window cleaning of Commercial Unit.

EXHIBIT E-1

Listing of Commercial Expenses

21. 82% of trash collection and recycling, based on the relative square footage of the Commercial Unit (excluding the square footage of the restaurant portion of the Commercial Unit, for which the Owner of the Commercial Unit will contract for trash collection and recycling) to the square footage of all Residential Units, as reasonably determined by the Board of Directors.

EXHIBIT E-2

Listing of Residential Expenses

1. Operating supplies relating to Residential Units.
2. Office supplies, printing, and postage relating to Residential Units.
3. Association telephone charges.
4. Tax, accounting, legal, design, architectural, engineering, and other professional services relating to Residential Units.
5. 17% of elevator licenses, repairs and maintenance.
6. 17% of state and federal income taxes for interest earned.
7. Bad debt allowance for Residential Units.
8. 17% of Association insurance costs.
9. Expenses for Association committees relating to Residential Units.
10. Lien filings relating to Residential Units.
11. 17% of Association water and sewer charges.
12. Electricity for lights and other amenities serving lobby areas, and other areas used principally by Owners and occupants of Residential Units.
13. 17% of Association professional management charges.
14. Exterior window cleaning of Residential Units.
15. General maintenance and housekeeping for lobby areas and other areas used principally by Owners and occupants of Residential Units.
16. 17% of garage door servicing.
17. 17% of Association emergency/security systems and security personnel (including fire system and sprinkler servicing and inspections).
18. 17% of Association landscape maintenance and irrigation repairs.
19. 18% of trash collection and recycling, based on the relative square footage of the all Residential Units to the square footage of the Commercial Unit (excluding the square footage of the restaurant portion of the Commercial Unit, for which the Owner of the Commercial Unit will contract for trash collection and recycling), as reasonably determined by the Board of Directors.

EXHIBIT E-2

Listing of Residential Expenses

20. Pest control in lobby areas and other areas used principally by Owners and occupants of Residential Units.
21. Furniture and drapery cleaning in lobby areas serving the Residential Units only.
22. Carpet cleaning on the fifth level above grade.
23. Electrical, plumbing, and other supplies, repairs, and cleaning relating to Residential Units.
24. Residential Unit and 12/50th of Parking Unit repairs for which Association is responsible.
25. 17% of Association gas charges.
26. 17% of Association security cameras.
27. 17% of maintenance and operating expenses for central HVAC system and boiler, based on the relative square footage of the first four levels above grade to the square footage of the Limited Common Element hallway on the fifth level above grade.
28. Maintenance and repairs of the Limited Common Element patios and planter boxes on the fifth level above grade and landscaping in such planter boxes installed by the Association or Declarant.

EXHIBIT E-3

Allocation of Residential Expenses to Owners of Residential Units

<u>Unit No.</u>	<u>Area (sq. ft.)</u>	<u>Allocation of Residential Expenses</u>
<i>Residential</i>		
1	1,711	13.99%
2	2,352	19.24%
3	1,783	14.58%
4	1,131	9.25%
5	1,904	15.57%
6	1,184	9.68%
7	1,184	9.68%
8	979	8.01%
<hr/>		
<i>Total:</i>	12,228	100.00%

EXHIBIT E-4

Reserve Allocation

<u>Reserve Item</u>	<u>Residential Expense Allocation</u>	<u>Commercial Expense Allocation</u>
Elevator Remodeling	17%	83%
HVAC and Boiler Equipment	17%	83%
Sealing Exterior Skin	17%	83%
Waterproof Membrane Decks	17%	83%
Roof and Flashing	17%	83%
Garage Doors	17%	83%
Floor Coverings	17%	83%
Interior Painting	17%	83%
Exterior Painting	17%	83%
Fire and Emergency Systems	17%	83%
Security Access Control	17%	83%
Concrete Areas and Pavers	17%	83%
Street Landscaping	17%	83%
Electrical	17%	83%
Trash Compactor	17%	83%

EXHIBIT F

Bylaws of Franklin Crossing Condominiums Owners' Association

**BYLAWS
OF
FRANKLIN CROSSING CONDOMINIUMS OWNERS' ASSOCIATION**

TABLE OF CONTENTS

	Page
1. GENERAL PROVISIONS.....	1
1.1 Identity.	1
1.2 Bylaws Subject to Other Documents.	1
1.3 Defined Terms.....	1
1.4 Applicability.....	1
1.5 Office.....	1
2. MEETINGS OF OWNERS.....	1
2.1 Administrative Control.....	1
2.2 Transitional Committee.....	1
2.3 Turnover Meeting.....	2
2.4 Annual Meetings.	2
2.5 Place of Meetings.	2
2.6 Special Meetings.	2
2.7 Notice.	3
2.8 Voting.....	3
2.9 Proxies.....	4
2.10 Fiduciary, Corporate and Joint Owners.	4
2.11 Quorum.....	4
2.12 Binding Vote.	5
2.13 Order of Business.	5
2.14 Rules of Order.	5
3. BOARD OF DIRECTORS.....	5
3.1 Number, Term and Qualification.	5
3.2 Powers and Duties.	6
3.3 Limitation.	9
3.4 Organizational Meeting.....	9
3.5 Regular and Special Meetings.....	9
3.6 Waiver of Notice.	10
3.7 Quorum.....	10
3.8 Removal.	10
3.9 Resignation.....	11
3.10 Vacancies.	11
3.11 Compensation.....	11
3.12 Liability and Indemnification of Directors, Officers, Manager or Managing Agent.	11
3.13 Insurance.	11
3.14 Special Committees.....	11
4. OFFICERS.	12
4.1 Designation.....	12
4.2 Election.....	12

4.3	Removal.	12
4.4	Chairperson.	12
4.5	Vice Chairperson.....	12
4.6	Secretary.....	13
4.7	Treasurer.....	13
4.8	Execution of Instruments.	13
4.9	Compensation of Officers.	13
5.	BUDGET, EXPENSES AND ASSESSMENTS; RESERVE FUND.....	13
5.1	Budget.	13
5.2	Reserve Fund for Replacing Common Elements.	14
5.3	Determination of Common Expenses.	15
5.4	Assessment of Common Expenses.....	17
5.5	Special Assessments.....	17
5.6	Violation by Owners; Remedies.	18
5.7	Liability of Owners.	19
5.8	No Waiver.	19
5.9	Receiver.....	19
6.	RECORDS AND AUDITS.....	19
6.1	General Records.	19
6.2	Records of Receipts and Expenditures.....	20
6.3	Assessment Roll.	20
6.4	Payment of Vouchers.	20
6.5	Reports and Audits.....	20
6.6	Notice of Sale, Mortgage, Rental or Lease.	20
6.7	Statement of Assessments.	21
7.	OCCUPATION AND USE.....	21
7.1	Rental of Units.	21
7.2	Residential Use.....	22
7.3	Commercial Use.....	22
7.4	Compliance.....	23
7.5	Alterations.	23
7.6	Post-Tension Slabs.	24
7.7	Occupants of Corporate Unit.....	24
7.8	Non-Interference.	25
7.9	Nuisances.	25
7.10	Unlawful or Improper Activities.....	25
7.11	Contested Legal Requirements.....	26
7.12	Improper Discharge.....	26
7.13	Limitation on Storage Areas, Patios and Balconies.	26
7.14	Vehicle Parking Restrictions.....	27
7.15	Tradesmen.	27
7.16	Animals.	27
7.17	Signs.....	27
7.18	Trash.....	28

7.19	Roof Access.....	28
7.20	Window Coverings.....	28
7.21	Bicycle Parking Area.	28
7.22	Association Rules and Regulations.....	28
7.23	Activities of Declarant.	29
8.	MAINTENANCE OF CONDOMINIUM PROPERTY.....	29
8.1	Maintenance and Repair.....	29
8.2	Failure to Follow Maintenance Plan.	31
9.	INSURANCE.....	31
9.1	Types.	31
9.2	Mandatory Policy Provisions.	32
9.3	Discretionary Provisions.	33
9.4	Additional Requirements.....	35
9.5	By the Owner.	35
9.6	FannieMae and GNMA Requirements.....	36
10.	AMENDMENTS TO BYLAWS.	36
10.1	How Proposed.	36
10.2	Adoption.....	37
10.3	Execution and Recording.	37
10.4	Rights of Declarant.....	37
11.	LITIGATION.....	37
11.1	By Less than All Owners.	37
11.2	Complaints Against.....	38
11.3	Mediation.	38
11.4	Limitation on Actions.....	38
11.5	No Attorneys' Fees.....	38
11.6	Suits Against Declarant.	38
11.7	Initial Dispute Resolution Procedures.....	39
12.	MISCELLANEOUS.....	39
12.1	Notices.....	39
12.2	Waiver.	39
12.3	Invalidity; Number; Captions.....	39
12.4	Action Without a Meeting.....	39
12.5	Conflicts.	40
12.6	Liability Survives Termination.	40
12.7	Indexing.....	40
12.8	Declarant as Owner.	40

**BYLAWS
OF
FRANKLIN CROSSING CONDOMINIUMS OWNERS' ASSOCIATION**

1. GENERAL PROVISIONS.

1.1 Identity. Franklin Crossing Condominiums Owners' Association, a nonprofit corporation organized under the laws of the State of Oregon, the Articles of Incorporation of which were filed in the Office of the Oregon Corporation Commissioner in or around July, 2006 (the "Association"), has been organized for the purpose of administering the operation and management of Franklin Crossing Condominiums (the "Condominium"), in accordance with the terms of these Bylaws. The Condominium was established by Keystone Partners, LLC, an Oregon limited liability company (the "Declarant"), in accordance with the provisions of ORS Chapter 100 (the "Act"). The Condominium is located upon property in Deschutes County, Oregon, as more particularly described in the Declaration of Condominium Ownership for Franklin Crossing Condominiums (the "Declaration"), which is being recorded simultaneously herewith in the records of Deschutes County, Oregon.

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

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

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

1.5 Office. The office of the Association shall be at 164 N.W. Hawthorne Avenue, Bend, Oregon 97701, or at any other place within Bend, Oregon designated by the Association.

2. MEETINGS OF OWNERS.

2.1 Administrative Control. Notwithstanding any other provisions of these Bylaws, until the Turnover Meeting, the Declarant shall have the powers and authorities reserved to the Declarant in Section 20 of the Declaration.

2.2 Transitional Committee. Unless the Turnover Meeting has been held, the Declarant shall call a meeting of the Owners within 60 days after the conveyance to persons other than the Declarant of 50 percent of the 67 Units. Notice of the meeting shall be given as provided in Section 2.7 to each Owner at least 10 but not more than 50 days prior to the meeting. The notice shall state the purpose, time, and place of the meeting. If the meeting is not called by

the Declarant within the time specified, the meeting may be called and notice given by any Owner. If at the meeting the Owners other than the Declarant fail to select a transitional committee (the "Transitional Committee"), the Declarant shall have no further responsibility to form such a committee. The Transitional Committee shall be advisory only and shall consist of two members selected by Owners other than the Declarant and shall not include more than one representative of the Declarant. The members of the Transitional Committee shall serve until the Turnover Meeting. The Transitional Committee shall function to ease the transition from control of the administration of the Association by the Declarant to control by the Owners. The Transitional Committee shall have access to the information, documents, and records which the Declarant must turn over to the Owners pursuant to Section 2.3.

2.3 Turnover Meeting. The Turnover Meeting, which shall constitute the initial meeting of the Association, shall be called by the Declarant within 90 days of the expiration of the period of Declarant's administrative control described in Section 20 of the Declaration. The Declarant shall give notice (as provided in Section 2.7) of the Turnover Meeting to each Owner at least 10 but not more than 50 days prior to the meeting. The notice shall state the purpose, time, and place of the meeting. If the meeting is not called by the Declarant, the meeting may be called and notice given by any Owner or by any first Mortgagee of a Unit. At the Turnover Meeting, the Declarant shall relinquish control of the administration of the Association to the Owners and the latter shall assume control; the Owners shall elect a board of directors as set forth in these Bylaws; and the Declarant shall deliver to the Association the items specified in ORS 100.210(5). During the three-month period following the Turnover Meeting, the Declarant or an informed representative thereof shall be available to meet with the Board on at least three mutually acceptable dates to review the documents delivered pursuant to ORS 100.210(5). If the Declarant has complied with the terms of ORS 100.210, then, unless the Declarant otherwise has sufficient voting rights as an Owner to control the Association, the Declarant shall not be responsible for the failure of the Owners to comply with the provisions of ORS 100.210(4), and the Declarant shall be relieved of any further responsibility for the administration of the Association except as an Owner for any unsold Unit.

2.4 Annual Meetings. Within 12 months after the Turnover Meeting, the first annual meeting of Owners shall be held. At the second annual meeting, the incumbent directors of the Association (any director of the Association, a "Director") elected at the Turnover Meeting shall resign and three directors (who may have previously served as Directors) shall be elected by the Owners in accordance with these Bylaws. In each calendar year thereafter, annual meetings shall be held in the same month as the first annual meeting of Owners or in the month following, at such hour and on such date as the Chairperson of the Board of Directors (the "Chairperson") may designate. At such meetings, the Owners shall elect Directors to fill vacancies or to succeed retiring Directors as provided in Article 3 of these Bylaws and shall also transact such other business of the Association as may properly come before the meeting.

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

2.6 Special Meetings. It shall be the duty of the Chairperson to call a special meeting of the Association if the Chairperson so elects or if so directed by resolution of the

Board or upon a petition signed and presented to the secretary of the Association (the "Secretary") by the Owners of not less than 35 percent of the Primary Units stating the purpose of the meeting. The notice of any special meeting shall state the purpose, time, and place of such meeting. No business shall be transacted at a special meeting except as stated in the notice.

2.7 Notice. The Chairperson or Secretary shall give written notice of each meeting of the Association, at least 10 days but not more than 50 days prior to the date set for such meeting, stating the purpose, time, and place of the meeting and the items on the agenda (including the general nature of any proposed amendment to the Declaration or these Bylaws, any budget changes or proposal to remove a director or officer of the Association), to each Owner of record (and to any first Mortgagee of record requesting such notice), at the address of such Owner as listed on the books of the Association, or at such other address as such Owner shall have designated by notice in writing to the Chairperson or Secretary at least 10 days prior to the giving of such notice by the Chairperson or Secretary. The giving of a notice in the manner provided in these Bylaws shall be considered notice properly served. Proof of the giving of such notice, whether by mail or personal delivery, shall be given by the affidavit of the person giving the notice. Notice of a meeting may be waived by any Owner before or after a meeting. For a period of 10 years following recording of the Declaration, notices of meetings shall also be given to Declarant in the same manner as given to Owners, and Declarant or a representative of Declarant shall be entitled to attend such meetings. When a meeting is adjourned for less than 30 days, no notice of the adjourned meeting need be given other than by announcement at the meeting at which such adjournment takes place.

2.8 Voting.

2.8.1 One vote shall be allocated to each Residential Unit and 32 votes shall be allocated to the Commercial Unit, subject to the provisions of Section 20 of the Declaration (which grants Declarant five times the votes allocated to each Primary Unit owned by Declarant during Declarant's period of administrative control as defined therein) and to Section 3.1 of these Bylaws regarding the election of Directors. No voting rights shall be allocated to Parking or Storage Units. The Declarant shall be entitled to vote as the Owner of any Primary Units retained by the Declarant, and the Board shall be entitled to vote on behalf of any Primary Unit which has been acquired by or on behalf of the Association; provided, however, that the Board shall not be entitled to vote such Primary Units in any election of Directors.

2.8.2 If an Owner is in default under a first Mortgage on its Unit for 90 consecutive days or more and the Mortgage instrument signed by the Owner provides for such a pledge upon default, the Mortgagee shall automatically be authorized to declare at any time thereafter that the Unit Owner has pledged his or her vote on all issues to the Mortgagee during the continuance of the default. If the Board has been notified of any such pledge to a Mortgagee, or in the event the record Owner or Owners have otherwise pledged their vote regarding special matters to a Mortgagee under a duly recorded Mortgage, only the vote of such Mortgagee or vendor will be recognized in regard to the special matters upon which the vote is so pledged, if a copy of the instrument with this pledge has been filed with the Board. Amendments to this Section shall only be effective upon the written consent of all the voting Owners and their respective Mortgagees, if any.

2.8.3 Voting of the Owners may be by written ballot in accordance with the Oregon Nonprofit Corporations Act.

2.8.4 An Owner's voting rights hereunder shall be suspended for so long as such Owner is delinquent in the payment of amounts owed to the Association.

2.9 Proxies. A vote may be cast in person or by proxy. A proxy given by an Owner to any person who represents such Owner at meetings of the Association shall be in writing, signed by such Owner, may be given to any person or persons of legal age, and shall be filed with the Secretary. In no event shall a proxy be valid for over one year and no proxy shall be valid if it is undated, purports to be revocable without notice, or after the meeting for which it was solicited (unless otherwise expressly stated in the proxy) and every proxy shall automatically cease upon sale of a Primary Unit by its Owner. An Owner may revoke such Owner's proxy only as provided in ORS 100.427. An Owner may pledge or assign such Owner's voting rights to a Mortgagee. In such case, the Mortgagee or its designated representative shall be entitled to receive all notices to which the Owner is entitled hereunder and to exercise the Owner's voting rights from and after the date that the Mortgagee shall give written notice of such pledge or assignment to the Board of Directors. Any first Mortgagee may designate a representative to attend all or any meetings of the Association.

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

2.11 Quorum. At any meeting of the Association other than the Turnover Meeting, the presence, in person or by proxy, of a number of Owners holding 20 percent or more of the voting power of the Association shall constitute a quorum; provided that the Owners may not take any action adversely affecting the Commercial Unit unless the affected Owner thereof is present at such meeting and approves of such action. For purposes of the Turnover Meeting, the number of Owners in attendance shall be deemed a quorum. The subsequent joinder of an Owner in the action taken at a meeting, evidenced by that Owner signing and concurring in the minutes thereof, shall constitute the presence of such person for the purpose of determining a quorum. When a quorum is once present to organize a meeting, it cannot be broken by the subsequent withdrawal of an Owner or Owners. If any meeting of the Association cannot be organized because of lack of a quorum, the Owners who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present.

2.12 Binding Vote. The vote of more than 50 percent of the voting power present (whether in person or by proxy) at a meeting at which a quorum is constituted shall be binding upon all Owners for all purposes except where a higher percentage vote is required by law, the Declaration or these Bylaws.

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

2.13.1 Calling of the roll and certifying of proxies;

2.13.2 Proof of notice of meeting or waiver of notice;

2.13.3 Reading of minutes of preceding meeting;

2.13.4 Reports of officers;

2.13.5 Reports of committees, if any;

2.13.6 Election of directors;

2.13.7 Unfinished business;

2.13.8 New business; and

2.13.9 Adjournment.

2.14 Rules of Order. Unless other rules of order are adopted by resolution of the Association or the Board of Directors, all meetings of the Association shall be conducted according to the latest edition of *Roberts' Rules of Order* published by Robert's Rules Association.

3. BOARD OF DIRECTORS.

3.1 Number, Term and Qualification. The affairs of the Association shall be governed by the Board of Directors, which shall consist of one to three persons prior to the Turnover Meeting and three persons after the Turnover Meeting. Until the Turnover Meeting (as provided for in Section 2.3 of these Bylaws) shall have been held, the Board of Directors shall consist of the Directors named in the Articles, subject to the appointment and removal powers of the Declarant described in Section 20 of the Declaration; provided, however, that after selection of the Transitional Committee pursuant to Section 2.2, one Director shall be a member of the Transitional Committee (as the members of the Transitional Committee shall determine). At the Turnover Meeting, one Director shall be elected by all Owners other than the Owner of Commercial Unit (the "Residential Owners"), to serve until the second annual meeting of the Association and two Directors shall be elected by the vote of the Owner of the Commercial Unit (the "Commercial Owner"). At the second annual meeting of the Association, one Director shall be elected by the Residential Owners and two Directors shall be elected by the Commercial Owner. The Director elected by the Residential Owners shall serve for a term of two years and the Directors elected by the vote of the Commercial Owner shall serve for a term of two years.

Election by the Residential Owners shall be by plurality. At the expiration of the initial term of office of each Director elected at the second annual meeting of the Association, his or her successor shall be elected as provided in this Section 3.1 to serve for a term of two years. The Directors shall hold office for the term herein fixed and until their successors have been qualified and elected. There shall be no limit on the number of successive terms a Director may serve on the Board of Directors, if elected as herein provided. After the Turnover Meeting, all Directors shall be Owners and no Director shall continue to serve on the Board of Directors after he ceases to be an Owner. For purposes of this Section 3.1, the officers of any corporation, the trustee of any trust, the partners of any partnership, the members or managers, employees or designees of any limited liability company which owns a Primary Unit shall be considered co-owners of any such Unit.

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

3.2.1 Inspection, operation, care, upkeep, repair, replacement and maintenance of the Common Elements, Parking Units and Association Property (as defined by ORS 100.005(3)).

3.2.2 Determination of the amounts required for inspection, operation, maintenance and other affairs of the Association and the making of such expenditures, including, without limitation, the provision of concierge services for the Residential Units and security guards for the Condominium for such hours as may be determined by the Board of Directors, in the Board's sole discretion.

3.2.3 Collection of the common expenses from the Owners.

3.2.4 Provision for the designation, hiring and removal of employees and other personnel, including lawyers and accountants and personnel necessary for the inspection, maintenance, upkeep and repair of the Common Elements, Parking Units and Association Property; engagement of or contracting for the services of others; and making purchases for the maintenance, repair, replacement, administration, management and operation of the Condominium and delegating any such powers to the manager or managing agent (and any such employees or other personnel as may be employees of the managing agent); provided, however, that any management agreement, service contract, or employee contract entered into before the Turnover Meeting shall not be in excess of three (3) years, and shall be terminable by the Association without penalty or cause upon not more than 30 days' written notice to the other party given not later than 60 days after the Turnover Meeting; and provided further, that any agreement for management services entered into after the Turnover Meeting on behalf of the Association must be terminable by the Association without penalty or cause upon not more than 90 days' nor less than 30 days' notice thereof, must have a reasonable term not exceeding three

years, and may only be renewed with the express written consent of the Association and the manager. If a Mortgagee had previously required professional management, the Board of Directors may not terminate professional management and assume self-management unless the decision to do so is approved by at least one hundred percent (100%) of the total voting power of the Association, and approved by Mortgagees holding Mortgages on Units which have at least fifty-one percent (51%) of the voting rights of the Units subject to Mortgagee Mortgages. Any approval of a Mortgagee required under this Section 3.2.4 may be presumed by the Association if such Mortgagee fails to submit a response to a written proposal seeking such approval within 60 days after it receives notice of such proposal by certified or registered mail, return receipt requested.

3.2.5 Adoption and amendment of reasonable rules and regulations of the Condominium ("Rules and Regulations") pursuant to Section 7.22 hereof.

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

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

3.2.8 Purchasing Units at foreclosure sales (judicial or non-judicial) or other judicial or execution sales, in the name of the Association or its designee, corporate or otherwise, upon the consent or approval of the Owners.

3.2.9 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.

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

3.2.11 Obtaining and reviewing bonds and insurance at least annually, including directors' liability insurance, for the Association and the Condominium, including the Units, pursuant to the provisions of these Bylaws.

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

3.2.13 Making additions and improvements to, or alterations of, the Common Elements; provided, however, that no such project of a non-structural or non-capital nature may be undertaken by the Board of Directors if the total cost will exceed the amount of Fifteen Thousand Dollars (\$15,000), unless the Owners have enacted a resolution authorizing the project. This limitation shall not be applicable to repairs or maintenance undertaken pursuant to Section 3.2.1 or to work that is urgently needed for life, safety or structural integrity reasons.

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

3.2.15 Borrowing money on behalf of the Association when required in connection with the operation, care, upkeep, and maintenance of the Common Elements, Parking Units and Association Property; provided, however, that (i) the consent of the Owners shall be required for the borrowing of any sum in excess of an amount or amounts, aggregated for the calendar year in question, exceeding 15 percent of the estimated budget of the Association for that calendar year to cover the operation, care, upkeep and maintenance of the Common Elements, and (ii) no lien to secure repayment of any sum borrowed may be created on any Unit or its appurtenant interest in the Common Elements without the consent of the Owner of such Unit. If any sum borrowed by the Board of Directors on behalf of the Association pursuant to the authority contained in this Section 3.2.15 is not repaid by the Association, an Owner who pays to the creditor such proportion thereof equal to his or her interest in the Common Elements shall be entitled to obtain from the creditor a release of any judgment or other lien which said creditor shall have filed or shall have the right to file against such Owner's Unit.

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

3.2.17 Bidding for and purchasing any Unit at a sale pursuant to a foreclosure of the lien for common expenses under the Act, or at a sale pursuant to an order or direction of a court, or other involuntary sale, upon the consent or approval of the Owners.

3.2.18 Filing all appropriate income tax returns.

3.2.19 Filing of the Annual Report described in ORS 100.260 with the Real Estate Agency pursuant to ORS 100.250.

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

3.2.21 Charging and collecting a fee in connection with moving in to or out of a Primary Unit other than in connection with the initial sale of a Unit or for holding special events in the courtyard.

3.2.22 The preparation or review and update of an annual reserve study to determine reserve account requirements, as specified in Section 5.2 herein.

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

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

3.2.24 Establish, periodically update, and implement a 30-year "Maintenance Plan" that identifies those components of the Common Elements, Association Property and Parking Units requiring periodic maintenance, repair and replacement, including a maintenance manual defining how and when such maintenance should be performed and setting forth the estimated cost of such maintenance. The Maintenance Plan shall meet the requirements of ORS 100.175 and shall be appropriate for the size and complexity of the Common Elements and Association Property, if any, shall address issues including warranties and the useful life of the Common Elements and Association Property, if any, and shall provide for not less than annual inspections of the Property for evidence of water intrusion or other needed repairs by a knowledgeable independent party or the property manager for the Association, and the Board shall reasonably address any matters revealed by the inspection. For a period of ten (10) years following recording of the Declaration, Declarant shall be notified prior to the inspections, shall have a right for Declarant or its employees or contractors to be present during the inspections and have a right to receive a copy of the inspection reports promptly upon request. The operating and reserve budgets of the Association shall take into account the costs of complying with the Maintenance Plan. Changes or updates to the Maintenance Plan should be based upon the advice of competent experts or consultants.

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

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

3.5 Regular and Special Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors. Special meetings of the Board of Directors may be called by the Chairperson and must be called by the Secretary at the written request of at least two Directors. Notice of any special meeting shall be given to each Director, personally or by mail, telephone, telecopy or telegraph at least two days prior to the day named for such meeting, and shall state the time, place and purpose of such meeting. For a period of ten (10) years following recording of the Declaration, notices of meetings shall also be given to Declarant in the same manner as given to Directors. All meetings of the Board of Directors shall be open to the Owners except such matters as are permitted by the Act to be considered in executive session. Except in the

event of an emergency, the Board of Directors shall vote in an open meeting on whether to meet in executive session. If the Board of Directors votes to meet in executive session, the Chairperson shall announce the general nature of the action being considered and when and under what circumstances the deliberations can be disclosed to the Owners. The statement, motion, or decision to meet in executive session must be included in the minutes of the meeting. A contract or action considered in executive session does not become effective unless the Board, following the executive session, reconvenes in an open meeting and votes on the contract or action, which must be reasonably identified in the open meeting and included in the minutes. Such meetings may be conducted by telephonic communication or by other means authorized under ORS 100.420(2), except that if a majority of the Primary Units are principal residences of the occupants, then: (i) for other than emergency meetings, notice of each meeting of the Board of Directors shall be posted at a place or places on the Property at least three days prior to the meeting, or notice shall be provided by a method otherwise reasonably calculated to inform the Owners of such meeting; and (ii) only emergency meetings of the Board of Directors may be conducted by telephonic communication. The meeting and notice requirements in ORS 100.420(1) may not be circumvented by chance or social meetings or by any other means. Unless other rules of order are adopted by resolution of the Association or the Board of Directors, all meetings of the Board of Directors shall be conducted according to the latest edition *Robert's Rules of Order* published by Robert's Rules Association.

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

3.7 Quorum. At all meetings of the Board of Directors, a majority of the members thereof shall constitute a quorum for the transaction of business, and the votes of a majority of the members of the Board of Directors present at a meeting at which a quorum is present shall constitute the act of the Board of Directors; provided that the Board can not take any action adversely affecting the Commercial Unit unless the Director elected by the Owner of the Commercial Unit is present. If at any meeting of the Board of Directors there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time until a quorum is present. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

3.8 Removal. At any regular or special meeting of the Owners, any one or more of the members of the Board of Directors elected by the Residential Owners may be removed with or without cause, but only by approval of at least a majority of the Residential Owners, notwithstanding the quorum provisions of Section 2.11, and a successor may then and there or thereafter be elected to fill the vacancy thus created. The notice of any 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. Any Director elected by the Commercial Owner may be removed with or without cause by the vote of the Commercial Owner held at a meeting called by the Commercial Owner, notwithstanding any quorum requirement, and a successor may then and there or promptly thereafter be elected to fill the vacancy thus created by a vote of the Commercial Owner. The notice of any such meeting shall state that such removal is to be considered, and any Director elected by the Commercial Owner whose removal has been proposed shall be given an opportunity to be heard at the meeting.

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

3.10 Vacancies. Vacancies on the Board of Directors caused by any reason other than the removal of a member pursuant to Section 3.8 shall, in the case of a vacancy relating to a Director elected by the Residential Owners, be filled by the majority vote of the Residential Owners conducted at a meeting of the Residential Owners held promptly after the occurrence of the vacancy. Any vacancy relating to a Director elected by the Commercial Owner shall be filled by the vote of the Commercial Owner held promptly after the occurrence of the vacancy. Each person so elected or appointed as provided in this Section shall be a member of the Board of Directors for the remainder of the term of the member whose position was vacated and until a successor shall be elected by the majority vote of the Residential Owners or by the vote of the Commercial Owner, as applicable, at the next annual meeting of the Owners.

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

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

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

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

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

4. OFFICERS.

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

4.2 Election. The officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board of Directors and shall hold office at the pleasure of the Board of Directors and until their successors are elected and qualified. 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.

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

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

4.5 Vice Chairperson. The Vice Chairperson shall take the place of the Chairperson and perform his or her duties whenever the Chairperson shall be absent or unable to act. If neither the Chairperson nor the Vice Chairperson is able to act, the Board of Directors shall appoint some other member of the Board of Directors to act in the place of the Chairperson on an interim basis. The Vice Chairperson shall also perform such other duties as shall from time to time be prescribed by the Board of Directors or by the Chairperson.

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

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

4.8 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, including the execution of checks of up to Five Thousand Dollars (\$5,000) by the professional property management company for the Condominium, and, in the absence of any general or special resolution applicable to any such instrument, then such instrument shall be signed by the Chairperson. All checks of Five Thousand Five One Dollars (\$5,001) or more shall be signed by the Treasurer, or in the Treasurer's absence or disability, by the Chairperson or any duly elected Assistant Treasurer. Notwithstanding the foregoing, all checks in excess of Five Thousand Dollars (\$5,000) or more covering expenses not expressly provided for in the Association's approved annual budget shall require the signatures of at least two authorized signatories.

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

5. BUDGET, EXPENSES AND ASSESSMENTS; RESERVE FUND.

5.1 Budget. The Board of Directors shall from time to time, at least annually, prepare and adopt a budget for the Association, estimate the common expenses expected to be incurred, less any previous overassessment, and assess the common expenses to each Owner in accordance with Section 7.1 of the Declaration. The budget shall divide the common expenses into Commercial Expenses and Residential Expenses strictly in accordance with Section 7.1 of the Declaration. If the Board of Directors fails to adopt a budget, the last adopted budget shall remain in effect. The Board of Directors shall have no authority to modify the division of expenses between Commercial Expenses and Residential Expenses. The Board of Directors

shall advise each Owner in writing of the amount of common expenses payable by him, and furnish copies of each budget and amended budget on which such common expenses are based to all Owners and, if requested, to their Mortgagees, within 30 days after adoption of the budget. Failure to deliver a copy of any budget or amended budget to each Owner shall not affect the liability of any Owner for any such assessment. Nothing herein contained shall be construed as restricting the right of the Board of Directors to, at any time, in their sole discretion, levy any additional assessment in the event that the budget originally adopted shall appear to be insufficient to pay costs and expenses of operation and management of the Condominium, or in the event of emergencies. Any budget for the Association prepared by Declarant or during the period of Declarant's administrative control of the Association pursuant to Section 20 of the Declaration shall be based on the Maintenance Plan and reserve study of the requirements of the Association for the period in question, but such projection may vary substantially from the actual requirements of the Association for such period. **The reserve study assumes that the Board conducts normal, routine maintenance for the elements reserved for and that the Board is required to perform pursuant to the Maintenance Plan, the Declaration, these Bylaws and the Act. If the Board fails to perform required maintenance, the reserve fund may be inadequate at the time of the required replacement for one or more elements included in the reserve study.** After the Turnover Meeting, the Board of Directors shall be responsible for preparation of the budget of the Association and shall not rely upon prior budgets or projections prepared by Declarant. The budget shall take into account the requirements of the Maintenance Plan adopted pursuant to Section 3.2.24 above.

5.2 Reserve Fund for Replacing Common Elements. Declarant shall conduct an initial reserve study as required by the Act and shall establish in the name of the Association a reserve fund for replacement of Common Elements which will normally require replacement in more than three and fewer than 30 years, for significant future maintenance items as required by the Maintenance Plan established pursuant to Section 3.2.24 above, and for the painting of exterior painted surfaces, if any. The common expenses of the Condominium shall be calculated on the basis of expected replacement costs and life expectancy of the items comprising the Common Elements which will normally require replacement in more than three and fewer than 30 years such that the reserve fund is reasonably expected to provide sufficient funds for replacement of such Common Elements, for significant future maintenance items as required by the Maintenance Plan established pursuant to Section 3.2.24 above, and for the painting of exterior painted surfaces, if any. Declarant shall conduct and rely on a reserve study in establishing the reserve fund assessments, but such projection may vary substantially from the actual requirements of the Association. Declarant may elect to defer payment of the assessments for the reserve fund with respect to a Unit until the time of conveyance of the Unit; provided that Declarant may not defer payment of such reserve assessments beyond the date of the Turnover Meeting, or, if no Turnover Meeting is held, the date the Owners assume administrative control of the Association.

The Board of Directors shall annually conduct a reserve study or review and update an existing reserve study of the Common Elements to determine reserve account requirements. The reserve study shall include all information required by the Act, including, without limitation, the Maintenance Plan. The Board of Directors shall administer the reserve funds and shall adjust at regular intervals, but not less than annually, the amount of the periodic payments into it to reflect changes in current replacement costs over time as reflected by the reserve study or update

thereof. Within 30 days after conducting or updating the reserve study, the Declarant, as applicable, and the Board of Directors shall provide each Owner with a written summary of the reserve study and any revisions to the Maintenance Plan as a result of the reserve study. Following the Turnover Meeting, the Association may also reduce or increase future assessments for the reserve funds upon an affirmative vote of at least 75 percent of the Owners. After the Turnover Meeting, the Association may, on an annual basis by unanimous vote of the Owners, elect not to fund the reserve account. Any funds established for any of the purposes mentioned in this Section 5.2 shall be deemed to be a reserve fund notwithstanding that it may not be so designated by the Board of Directors. The amount of the reserve funds shall constitute an asset of the Association and shall not be distributed to any Owner except on termination of the Condominium and the Association. The reserve fund is to be used only for replacement of the Common Elements which will normally require replacement in more than three and fewer than 30 years, for significant future maintenance items as required by the Maintenance Plan established pursuant to Section 3.2.24 above, and for the painting of exterior painted surfaces, if any, and is to be kept separate from the assessments described in Section 5.4. After the Turnover Meeting, however, the Board of Directors may borrow amounts from the reserve fund to meet high seasonal demands on funds obtained from regular assessments or to meet other unexpected increases in expenses which will later be paid from special or regular assessments, if the Board of Directors has adopted a resolution, which may be an annual continuing resolution, authorizing the borrowing of funds. Not later than the adoption of the budget for the following year, the Board shall adopt by resolution a repayment plan providing for repayment of the borrowed funds within a reasonable period. Repayment of such amounts borrowed from the reserve fund shall include any interest that would otherwise have been earned on such amounts. Assessments under this Section 5.2 shall be allocated between the Commercial Unit and Residential Units as provided in Section 7.1 of the Declaration.

5.3 Determination of Common Expenses. Common expenses shall include:

5.3.1 Expenses of administration.

5.3.2 Cost of insurance or bonds obtained in accordance with these Bylaws.

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

5.3.4 Reserve for replacements and deferred maintenance and for painting any exterior painted surfaces as needed.

5.3.5 The costs of the preparation of the annual reserve study or the renewal and update of such study.

5.3.6 The costs of establishing, updating and implementing the Maintenance Plan.

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

5.3.8 Utilities for the Common Elements and Association Property and other utilities not separately metered or charged.

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

5.3.10 Professional management services, concierge services, security guard services, gardening, snow and ice removal, waste removal (subject to the provisions of the Declaration relating thereto), painting, cleaning, outside window washing (at the election of the Board), and inspection, maintenance, repair and replacement of the exterior of the structures within the Condominium and inspection, maintenance, decorating, repair and replacement of the Common Elements and Association Property (but not including interior surfaces of Units, and interior surfaces of doors which provide the means of ingress and egress to and from a Primary Unit or Storage Unit, which the Owners shall maintain in accordance with these Bylaws), Parking Units, and such furnishings and equipment for the Common Elements and Association Property as the Board of Directors shall determine are necessary and proper, which the Board of Directors shall have the exclusive right and duty to acquire for the Common Elements and Association Property.

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

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

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

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

5.4 Assessment of Common Expenses. All Owners shall be obliged to pay on a monthly basis in advance common expenses assessed to them by the Board of Directors on behalf of the Association pursuant to these Bylaws and the Declaration, including amounts applicable to the reserve fund described in Section 5.2 of these Bylaws; provided, however, that such reserve assessments may be collected on a monthly, quarterly, or biannual basis, and at least annually, and may be assessed prospectively or in arrears. Assessments for Commercial Expenses and Residential Expenses shall be allocated in accordance with Section 7.1 of the Declaration, as it may be supplemented or amended. Assessments may not be waived due to limited use or nonuse of Common Elements and no Owner may claim an offset against assessments for failure of the Board of Directors to perform its obligations. Declarant shall be assessed as the Owner of any unsold Unit, but such assessment shall be prorated to the date of sale of the Unit. Assessments shall commence in accordance with Section 7.1 of the Declaration. At the time of closing of the sale of each Primary Unit, the purchaser shall make the contribution described in Section 5.5.3 to the working capital fund. The Board of Directors, on behalf of the Association, shall assess the common expenses against the Owners from time to time, and at least annually, and shall take prompt action to collect from an Owner any common expense due which remains unpaid by him for more than 30 days from the due date for its payment (except as provided above for the Declarant). All assessments shall be deposited in a separate bank account in the name of the Association. All expenditures of the Association shall be paid from the Association bank account.

5.5 Special Assessments.

5.5.1 Capital Improvements. In the case of any duly authorized capital improvement to the Common Elements, the Board of Directors may by resolution establish separate assessments for the same, which may be treated as capital contributions by the Owners, and the proceeds of which shall be used only for the special capital improvements described in the resolution. Assessments for capital improvements shall be allocated between Residential Expenses and Commercial Expenses, if any, in the manner described in Section 7.1 of the Declaration.

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

5.5.3 Working Capital Fund. Declarant shall establish in the name of the Association a working capital fund for the Association. Amounts paid into this fund shall not be considered advance payments of the monthly assessments for common expenses described in Section 5.3. At the time of closing of the sale of each Primary Unit, the purchaser shall make an initial contribution to the working capital fund equal to two months of Association assessments for such Unit, but, in any event, not less than the amount that may have been contributed to the working capital fund on behalf of such Unit by Declarant under this Section 5.5.3. At or prior to the Turnover Meeting, Declarant shall make a contribution to the working capital fund equal to two months of Association assessments for all Primary Units then existing but not yet conveyed to persons other than Declarant; provided, however, that the contribution by the initial purchaser of a Primary Unit described in the preceding sentence shall be paid to Declarant at the closing of such purchase in reimbursement of contributions made to the working capital fund by Declarant. At or prior to the Turnover Meeting, Declarant shall transfer the amount of the working capital reserve fund to the Association for deposit in a segregated fund and administration in accordance with Section 5.5.2. During the period of administrative control described in Section 20 of the Declaration, Declarant shall not use any funds contained in the working capital fund to defray Declarant's expenses, contributions to reserves, or construction costs, or to compensate for any deficits in the operating budget of the Condominium.

5.6 Violation by Owners; Remedies. The violation of any Rule or Regulation or other determination duly adopted by the Board of Directors, or the breach of any covenant or provision contained in the Declaration or these Bylaws, shall give the Association the right: (i) to enter upon that part of the Condominium where such violation or breach exists and summarily abate and remove, at the expense of the defaulting Owner, any structure, thing or condition that may exist thereon contrary to the intent and meaning of the provisions so violated, and the Association, or its agents, shall not thereby be deemed guilty in any manner of trespass; provided, however, that the Association must institute legal proceedings before any item of construction may be altered or demolished in remedying such violation, and (ii) to enjoin, abate or remedy by appropriate legal proceedings the continuance of any breach. Any Owner aggrieved by such a violation shall also have the right, on behalf of the Association, to enjoin, abate, or remedy by appropriate legal proceedings any such violation and to recover its expenses in accordance with Section 11.1. All expenses of the Association in connection with such violation and such action or proceedings (including any action or proceeding brought on behalf of the Association), including engineering, architectural and other professional fees and costs, court costs and attorneys' fees and any other fees and expenses (including fees, fines, late charges and interest imposed pursuant to these Bylaws), and all damages, liquidated or otherwise, together with interest thereon at the rate provided in Section 7.3 of the Declaration until the amount outstanding is paid, shall be charged to and assessed against such defaulting Owner and shall be added to and deemed part of his or her respective share of the common expenses. The Association shall have a lien for all of the same upon the Units of such defaulting Owner and upon all of his or her additions and improvements thereto and upon all of his or her personal property located in such Units or elsewhere in the Condominium. Any and all of such rights and remedies may be exercised at any time and from time to time, cumulatively or otherwise, by the Board of Directors. Any violations by an Owner of the Declaration, these Bylaws or any Rules and Regulations which are deemed by the Board of Directors to be a hazard to public health or safety may be corrected immediately as an emergency matter by the Association, and the cost thereof shall be charged to the offending Owner as a specific item,

which shall be a lien against the offending Owner's Unit or Units with the same force and effect as if the charge were a part of the normal common expenses attributable to such Unit or Units.

5.7 Liability of Owners. An Owner shall be liable for the expenses of any maintenance, repair or replacement rendered necessary by his or her act, neglect or carelessness or by that of any member of his or her family, or his or their pets, guests, employees, servants, invitees, agents or lessees, to the extent such maintenance, repair or replacement is not covered by the Association's insurance policy. Such liability shall include any increase in insurance rates occasioned by use, misuse, occupancy or abandonment of any Unit or its appurtenances. Nothing in these Bylaws, however, shall be construed to modify any waiver by insurance companies of rights of subrogation. This section shall not be construed to require the Association to make repairs that are not necessary for the structural or aesthetic integrity of the Condominium, such as the replacement of a redundant post-tension cable, if determined unnecessary by the Board of Directors. Any such decision of the Board relating to the structural integrity of the Condominium shall be based upon the advice of a licensed architect or structural engineer. The expense of any such maintenance, repair or replacement shall be charged to the responsible Owner as a specific item, which shall be a lien against such Owner's Unit or Units with the same force and effect as if the charge were a part of the normal common expenses attributable to such Owner's Unit or Units.

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

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

6. RECORDS AND AUDITS.

6.1 General Records. The Board 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 and contemporaneous written documentation of the Association's inspection, operation, care, upkeep, repair, replacement and maintenance of the Common Elements and Association Property. 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. The Association shall maintain, within the State of Oregon, a copy, suitable for duplication, of: (i) the Declaration, these Bylaws, the Rules and Regulations and any amendments or supplements thereto; (ii) the most recent annual financial statement of the Association described in Section 6.5 hereof; and (iii) the current operating budget of the Association; and (iv) all documents, information and records delivered to the Association at the Turnover Meeting. Such documents shall be available for inspection within the State of Oregon by Owners, Mortgagees of Units, insurers and guarantors of such Mortgages, and prospective purchasers of Units during normal business hours, except as otherwise permitted under ORS 100.480.

6.2 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 Owners, Mortgagees of Units, and insurers and guarantors of such Mortgages during normal business hours.

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

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

6.5 Reports and Audits. An annual financial statement consisting of a balance sheet and income and expense statement for the preceding fiscal year shall be rendered by the Board of Directors to all Owners and to all Mortgagees of Units who have requested the same within ninety (90) days after the end of each fiscal year. If required by ORS 100.480, the Board shall have the financial statement reviewed by an independent certified public accountant licensed in the State of Oregon in accordance with the requirements of ORS 100.480(4) within 180 days after the end of the fiscal year. Pursuant to ORS 100.480(6), the Association may elect on an annual basis not to comply with ORS 100.480(4) by an affirmative vote of at least 60% of the Owners, not including the votes of the Declarant with respect to Units owned by the Declarant. Upon written request, any holder, insurer or guarantor of a first Mortgage shall be entitled to a copy of the financial statement for the immediately preceding fiscal year at the expense of the Association and shall be made available within 120 days after the end of such fiscal year.

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

6.7 Statement of Assessments. Within 10 business days after receipt of a written request from an Owner or Owner's agent for the benefit of a prospective purchaser of such Owner's Unit(s), the Association shall provide a written statement detailing the amount of assessments due from the Owner and unpaid at the time the request was received, including regular and special assessments, fines and other charges, accrued interest, late payment charges; the percentage rate at which interest accrues on assessments not paid when due; and the percentage rate used to calculate the late payment charges or the amount of a fixed charge for late payment. The Association is not required to comply with the foregoing request if the Association has commenced litigation by filing a complaint against the Owner and the litigation is pending when the statement would otherwise be due.

7. OCCUPATION AND USE.

7.1 Rental of Units. The Leasing or Renting of a Unit by its Owner shall be governed by the provisions of this Section 7.1 and Section 12 of the Declaration. "Leasing or Renting" a Unit means the granting of a right to use or occupy a Unit, for a specified term or indefinite term (with rent reserved on a periodic basis), in exchange for the payment of rent (that is, money, property or other goods or services of value); but shall not mean and include joint ownership of a Unit by means of joint tenancy, tenancy-in-common or other forms of co-ownership. With the exception of a lender in possession of a Unit following a default in a Mortgage, a foreclosure proceeding or any deed or other arrangement in lieu of a foreclosure, no Owner shall be permitted to Lease his or her Unit for hotel or transient purposes, which shall be defined as Renting for any period less than 30 days.

7.1.1 No Partial Leases. No Owner of a Residential Unit may Lease less than the entire Unit, except when the Owner remains in occupancy of at least a portion of his or her Unit.

7.1.2 Written Leases. All Leasing or Rental agreements shall be in writing.

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

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

7.1.5 No Other Restrictions. Other than as stated in this Section 7.1 and Section 12 of the Declaration, there is no restriction on the right of any Owner to Lease or otherwise Rent his or her Unit.

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

7.2 Residential Use. Except as expressly permitted in these Bylaws or the Declaration, each Residential Unit shall be occupied and used only as a private residence and for no other purpose. Without the prior written consent of the Board of Directors, no more persons may live in a Residential Unit on a permanent basis than the maximum number permitted under any applicable law, ordinance or regulation adopted by the City of Bend, Oregon. Nothing contained in the Declaration or these Bylaws shall preclude an Owner from having a "home office" within a Residential Unit from which the Owner conducts some of his or her business affairs, so long as the Residential Unit is not generally open to the public and its use is limited to occasional visits by appointment-only customers, clients, or trade vendors. Except as permitted by the foregoing sentence, no industry, business, trade, occupation or profession of any kind shall be conducted, maintained or permitted in any Unit (other than as set forth in Section 7.3). Nothing contained in this Section 7.2 shall prevent the Declarant from completing the Units and the buildings in which they are situated, maintaining Units as models for display and sales purposes, and otherwise maintaining construction offices, displays and signs until the sale by the Declarant of all Primary Units. Notwithstanding the other provisions of this Section 7.2, the Commercial Unit may be used for commercial purposes subject to the Declaration, as it may be supplemented or amended, and the other provisions of these Bylaws (including, without limitation, Sections 7.3 and 7.4, as applicable).

7.3 Commercial Use.

7.3.1 Authority to Determine Allowed Commercial Use. The Commercial Unit shall be used for commercial purposes in accordance with Section 7.3. Declarant shall have the sole authority, in its complete and absolute discretion, to determine whether a particular commercial use of a Commercial Unit shall be permitted under the Declaration and these Bylaws, subject only to the other provisions of this Article 7. Declarant shall have the right to assign this authority to a subsequent Owner of the Commercial Unit. In the event that Declarant or a subsequent Owner of the Commercial Unit to whom Declarant has assigned its authority hereunder has assigned this authority to the Association, the determination of the Board of Directors with respect to the restrictions imposed by Section 7.3 shall be final and conclusive, unless a special meeting for the purpose of reviewing the propriety of such decision is called pursuant to Section 2.6 and at that meeting, providing a quorum is certified, at least 75% of Owners present in person or by proxy vote to overturn the decision of the Board of Directors, in which case the written determination of the Owners at such meeting shall be final and conclusive.

7.3.2 Minimum Standards for Commercial Use. The Commercial Unit may be used only for commercial purposes, including retail, restaurant and general office use. Any commercial use of the Commercial Unit is permitted only if it (i) is conducted in accordance with applicable zoning or land use regulations, if any, (ii) does not cause objectionable noise to

emanate out of or arise from such Unit, (iii) does not produce objectionable odors, (iv) does not involve the storage of material amounts of highly combustible materials or other materials that would pose an unreasonable threat to the Condominium or well-being of the Owners, (v) is not an adult entertainment, adult studio, adult arcade or any other type of adult business. For purposes of construing the foregoing provisions, the term "objectionable noise" shall mean, without limitation and for the purpose of illustration, persistent loud noises made by (i) machinery or equipment or (ii) a gathering of disorderly persons; and the term "objectionable odors" shall mean, without limitation and for the purpose of illustration, persistent and offensive odors such as odors produced by (i) gas-powered or diesel-powered machinery or equipment, (ii) refuse or garbage, or (iii) any number of chemicals or solvents. The word "objectionable" shall be construed in every instance in accordance with the sensibilities of an ordinary and reasonable person residing in attached condominiums with associated restaurant use in an urban environment. For purposes of construing the foregoing provisions, "adult" shall mean, without limitation and for purposes of illustration, pornographic or sexual items or activities. In no event shall a dry cleaning plant be permitted in the Condominium.

7.3.3 Limitation of Liability. No person having the right of approval for a proposed commercial use as provided in Section 7.3.1 shall be liable for any act involving the exercise of that right, except to the extent that the person acted with malicious disregard for the provisions of these Bylaws. Neither the Declarant, nor a subsequent Owner of the Commercial Unit, nor the Association, as the case may be, shall be responsible or liable to any Owner, occupant or contractor with respect to any loss, liability, claim or expense arising by reason of approval or disapproval of a proposed commercial use.

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

7.5 Alterations. Except as otherwise permitted by these Bylaws or the Declaration, no Owner shall make or allow any structural alterations in or to any of his or her Units, or make or allow any alteration or installation on or to the Common Elements (including, without limitation, the installation of a hot tub on a patio), or maintain, decorate, alter, paint, or repair any part of the Common Elements or allow others to do so (except the replacement of broken glass of windows to his or her Primary Unit), without the prior consent in writing of the Board of Directors. The Board of Directors shall consider the granting of such consent only after the Owner shall submit a complete set of architectural, mechanical, electrical or other relevant plans and specifications, which submission shall be reviewed by such architects and engineers as the Board of Directors shall deem appropriate. The Board shall provide a copy of such submission materials to the Declarant upon receipt. Whether or not such consent is granted, the Owner shall pay, upon demand and in advance, if so required by the Board of Directors, for such professional review. During the course of construction and after completion of same, the Board of Directors may cause its professional advisors to inspect the work to ensure that it is performed in compliance with the approved plans. The costs of such inspection(s) shall be paid by the Owner to the Board of Directors, upon demand. The Board shall provide reasonable advance notice to Declarant of its inspection to Declarant and Declarant or its contractors or agents may, but shall not be obligated to, inspect the work concurrently with the Board's professional advisors. Prior to commencement of construction, the Owner shall provide the Board of

Directors with copies of all relevant building permits and evidence of due compliance with any other requirements of government bodies having jurisdiction regarding such work. The Owner making such alterations shall indemnify, defend and hold harmless the Association and other Owners for, from and against any costs, claims, damages, or expenses caused by such alterations, including without limitation, property damage or personal injury resulting therefrom. An Owner may have removed by the Association, at such Owner's expense, a part of the partition wall separating contiguous Primary Units owned by an Owner provided that (i) such removal shall not interfere with any structural support elements or load bearing partitions or columns or with any pipes, wires, cables, conduits or ducts or other mechanical systems and (ii) such Owner agrees in writing to have the Association restore such wall at such Owner's expense in the event that the ownership of the Units is subsequently divided. Before proceeding with any approved alterations or improvements, the Owner shall, if the Board of Directors so requires, provide to the Association, at the expense of the Owner, a performance bond and a labor and materials bond, issued by a surety satisfactory to the Board of Directors, each in the amount of at least 125 percent of the estimated cost of such alterations or improvements or such other security as shall be satisfactory to the Board of Directors. With respect to the Commercial Unit in connection with a commercial use allowed pursuant to Section 7.3, the provisions of this Section 7.5 shall apply only to structural alterations that would impact the structural or acoustical integrity of the building, except there shall be no bond required as provided in the immediately prior sentence.

7.6 Post-Tension Slabs. The building contains post-tension slabs, each of which contains steel tendons located in various places under extremely high tension. Sawing, cutting, coring, or drilling into the post-tension tendons can cause serious injury or death. Therefore, in addition to the requirements of Section 7.5 of these Bylaws, in no event shall any Owner of a Primary Unit, or any agents, employees, permittees, or licensees of any Owner be permitted to bore, drill, or penetrate into in any way the post-tension slab without the prior written consent of the Board of Directors. The Board of Directors shall not grant such consent unless the Owner has first presented written documentation to the Board of Directors from a licensed and bonded contractor that the post-tension slab has been properly x-rayed (or otherwise surveyed through the use of ground penetrating radar or other similar technologies, if so recommended by the Association's consultant) and that it can be bored, drilled, or penetrated without adverse impact to the components of the post-tension slab. The Board of Directors shall have the sole and exclusive discretion to grant such consent but shall consult with the property management company in making its decision. In exercising its discretion, the Board of Directors shall not be deemed to be endorsing or certifying the quality, safety, or accuracy of such work itself. Any such work shall be undertaken by Owner at Owner's sole risk and the Board of Directors shall have no liability whatever for any consequences of such work.

7.7 Occupants of Corporate Unit. Whenever a Residential Unit is owned in whole or in part by a partnership, corporation, trust, or other entity, such an entity shall designate at the closing of the acquisition of its ownership interest particular persons which shall be entitled to use the Unit. Only such designated persons, their servants and non-paying guests and invitees may use such Unit. A different person or persons may be so designated as the named user of a Unit by written notice to the Association.

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

7.9 Nuisances. No nuisances or noxious or offensive activities shall be allowed in the Condominium nor shall any use or practice be allowed that is improper or offensive in the opinion of the Board of Directors or that unreasonably interferes with or is an unreasonable annoyance to the peaceful possession or proper use of the Condominium by other Owners or occupants or requires any alteration of or addition to any Common Element. The determination of acceptable commercial uses within the Condominium shall be made in accordance with Section 7.3. Residential Unit Owners, occupants and their guests shall exercise extreme care not to make or allow noises that may disturb other occupants or guests, including the use of musical instruments, radios, televisions, speakers and amplifiers. Televisions and speakers for audio equipment may not be mounted on or against perimeter walls or on floors of a Residential Unit without an adequate sound barrier to prevent vibration and transmission of bass sounds outside the Unit. Road noise, noise from mechanical systems of the Condominium, the elevators, air compressors and other incidental noises from a multi-family building, including, without limitation, from residents' use of the courtyard, patios or balconies in accordance with these Bylaws and the Rules and Regulations, shall not be considered nuisances. In addition, smells from barbeques on Unit balconies or patios shall not be considered nuisances. Owners shall not discard or throw, or allow to be discarded or thrown, intentionally or otherwise, any items from the windows or the balconies or decks adjacent to their Units, including, without limitation, cigarettes or ashes. Owners shall not allow the storage or use of hazardous substances in their Units other than normal cleaning materials stored and used in accordance with applicable law. Owners and other occupants shall not engage in any abusive or harassing behavior, either verbal or physical, or any form of intimidation or aggression directed at other Owners, occupants, guests, or invitees, or directed at the manager, its agents or employees, or vendors.

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

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

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

7.10.3 If any Owner conducts any activity or fails to comply with any Legal Requirement that increases the insurance premiums on insurance carried by the Association, or for which the Association is directly or indirectly responsible, such Owner shall pay such increased premium to the Association, upon demand, and if not so paid, such amount shall bear interest after the date of such demand at the rate provided in Section 5.6.

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

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

7.13 Limitation on Storage Areas, Patios and Balconies. Other than objects placed by the Declarant or the Association and except as permitted in this Section 7.13, no furniture or objects of any kind shall be placed in the lobby areas, vestibules, corridors, stairways, or any other part of the Common Elements other than those designated as storage areas, patios and balconies. The Owner and restaurant tenants of the Commercial Unit may place a reasonable number of tables and chairs in the lobby area adjacent to the restaurant portion of the Commercial Unit and on the sidewalk in front of the restaurant portion of the Commercial Unit in accordance with the Rules and Regulations and applicable Legal Requirements. The common corridors and stairs shall be used only for normal passage. In addition, no storage of any kind shall be permitted on the balconies or patios located adjacent to the Residential Units or the Commercial Unit, except for the following specific items: outdoor propane barbecue grills, well-maintained patio furniture, and plants with drip containers, so long as these do not protrude from the patio or balcony or overhang the patio or balcony railing. Hot tubs may be installed on the patios adjacent to Residential Units only with the prior written consent of the Board of Directors as set forth in Section 7.5. In addition, no items of any kind may be hung from the patio or balcony walls or railings without the prior approval in writing of the Board of Directors. Owners and occupants shall promptly clean up debris and water on their patio or balcony. The provisions hereof shall not apply to the Declarant until such time as all Primary Units have been initially sold and conveyed by the Declarant; however, the Declarant shall not use the Common Elements in such a manner as will unreasonably interfere with the use of the Residential Units for dwelling purposes.

7.14 Vehicle Parking Restrictions. Parking Units are restricted to use for parking of operative motor vehicles; other items and equipment may be parked or kept therein only subject to the Rules and Regulations. The Board shall require removal of any inoperative vehicle, or any unsightly vehicle, or any other equipment or item improperly stored in Parking Units. If the same is not removed, the Board shall cause removal at the risk and expense of the Owner thereof.

7.15 Tradesmen. Owners of Residential Units shall require their tradesmen to utilize exclusively the entrance, if any, designated by the Board of Directors for transporting packages, merchandise or any other objects. Tradesmen shall not be permitted within the Condominium after 5 p.m. on any day or at any time on Sundays without the prior authorization of the Board of Directors.

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

7.17 Signs. All signage displayed to public view, whether from a Unit or Common Element, except for signage for Commercial Unit, shall be subject to Rules and Regulations thereon adopted by the Board of Directors pursuant to Section 7.22. In no event

shall any "for sale," "for rent" or "for lease" or similar sign be placed in a window that is displayed to public view or any sign be placed on or in the vicinity of a common entry door of the Condominium, other than signs used by the Declarant to advertise Units for sale or lease, without the prior written approval of the Board of Directors. Subject to the foregoing sentence, the Owner of the Commercial Unit may, and may allow its tenants to, post signs advertising their business operating within the Unit, on the exterior of the ground floor of or within its Primary Unit, subject to applicable Legal Requirements.

7.18 Trash. No part of any Unit or the Common Elements (including the decks, patios, balconies, courtyard or terraces included in the Limited Common Elements) shall be used or maintained as a dumping area for rubbish, trash, garbage or other waste, except for the designated trash disposal and recycling areas. All garbage and other waste shall be kept in appropriate sanitary containers for proper disposal and out of public view. All trash placed in the Condominium's chutes shall be bagged and tied. All boxes placed in the Condominium's recycling areas shall be broken down. The hours for use of the trash chutes shall be established by the Board of Directors in its sole discretion, provided that no use of trash chutes shall be permitted between the hours of 10:00 p.m. and 7:00 a.m. In the event an Owner or occupant fails to remove any trash, rubbish, garbage, or other waste materials from such Owner's or occupant's Unit (or from the street or other Common Elements, other than trash disposal and recycling areas, if deposited thereon by such Owner or occupant) within two days after notice from the Association, the Association may have such waste removed and charge the expense of such removal to the Owner of the Unit as provided in Section 5.3.13. The Owner of the Commercial Unit shall be responsible for contracting for trash removal services for the occupants of the restaurant portion of the Commercial Unit and shall store all trash and recycling for such occupants in the trash room designated as a Limited Common Element in Section 6 of the Declaration for the Commercial Unit.

7.19 Roof Access. No access to the roof of any building within the Condominium shall be permitted without the prior authorization of the Board of Directors or the management company.

7.20 Window Coverings. All window coverings that are visible from the exterior of a Residential Unit shall be a solid neutral color, such as black, white, cream, beige, or natural wood tones.

7.21 Bicycle Parking Area. Use of the basement bicycle parking areas shall be restricted to the parking of bicycles by Owners, occupants or tenants of the Commercial Unit and Residential Units.

7.22 Association Rules and Regulations. In addition to the foregoing requirements, the Board of Directors from time to time may adopt, modify, or revoke such Rules and Regulations governing the conduct of persons and the operation and use of the Units and the Common Elements as it may deem necessary or appropriate in order to assure the peaceful and orderly use and enjoyment of the Condominium including, without limitation, establishment of reasonable administrative fees, such as fees for new owner set-up and owner's packet, move-in and move-out fees, etc. Any such Rules and Regulations may be amended, modified or revoked by the Owners in the same manner as these Bylaws. Any rules or regulations affecting the use of

the Commercial Unit must be approved by the Owner of the Commercial Unit. Any such Rules and Regulations may be amended, modified or revoked by the Owners in the same manner as these Bylaws, subject to the immediate prior sentence. A copy of the Rules and Regulations, upon adoption, and a copy of each amendment, modification or revocation thereof, shall be delivered by the Board of Directors promptly to each Owner and shall be binding upon all Owners and occupants of all Units from the date of delivery.

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

8. MAINTENANCE OF CONDOMINIUM PROPERTY.

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

8.1.1 Units. All maintenance of and repairs to any Primary or Storage Unit (other than the chases of a fireplace, if any, located in a Residential Unit) shall be made by the Owner of such Unit, who shall keep the same in good order, condition, and repair and shall do all maintenance activities which at any time may be necessary to maintain the good appearance and condition of his Unit or Units, subject to the provisions of these Bylaws. In addition, each Owner of a Primary Unit shall be responsible for the maintenance, repair and replacement of interior doors and any plumbing, heating fixtures, range hoods, telephones, fans, lighting fixtures and lamps, refrigerators, dishwashers, ranges and other equipment, appliances or accessories that may be in his or her Primary Unit, and each Owner of a Storage Unit shall be responsible for the maintenance, repair, and replacement of the exterior doorway or face panel of any Storage Unit and any fixtures thereon, such as knobs, handles, and hinges, the interior surfaces of the Storage Unit, and any lighting fixtures or other fixtures located within, or attached to the interior of, the Storage Unit. Each Owner of the Commercial Unit or a Residential Unit shall maintain, repair and replace the heating, ventilation and air conditioning equipment serving such Owner's Primary Unit, regardless that such equipment is located outside such Unit. In conducting such maintenance, the Owner must coordinate in advance repair, maintenance and replacement activities to equipment located on the roof with the managing agent or manager for the Association. The Owner of the Commercial Unit shall maintain signage for such Unit in first-class condition. Each Owner shall maintain the interior doors which provide the means of ingress and egress to and from his or her Primary Unit (including the repair of any damage thereto). Each Owner of a Residential Unit or Commercial Unit shall keep the patios, balconies and lobby areas adjacent to such Owner's Unit clean and free of debris, including, without limitation, standing water, snow and ice, notwithstanding that such patios, balconies and lobby areas are Common Elements. Each Owner shall also maintain any landscaping installed by such Owner or an occupant of his or her Unit on the patio or balcony adjoining such Owner's Unit.

8.1.2 Common Elements, Association Property and Parking Units. Except as otherwise provided herein, the necessary work to inspect, maintain, repair, or replace the Common Elements, the Parking Units (notwithstanding that such Parking Units are not Common Elements),

Association Property and the chases serving the fireplaces in Residential Units (notwithstanding that such chases are part of the Residential Units) in good condition and in accordance with the Maintenance Plan (as defined in Section 3.2.24) shall be the responsibility of the Association and shall be carried out as provided in these Bylaws. Without limitation of the foregoing, the Association shall be responsible for the inspection, painting, staining, repair and replacement of the exterior surfaces of the Condominium (including, without limitation, the inspection, repair and replacement of the roof, doors to building exterior and door frames, windows and window frames); cleaning of the exterior surfaces of all window and door glass; the cutting, pruning, trimming, and watering of all landscaping (except landscaping on the patio or balcony not installed by Declarant or the Association); and snow and ice removal from the sidewalks adjacent to the Condominium. The Association is responsible for maintaining warranties in effect for all portions of the Common Elements, Association Property, and Parking Units, to the fullest extent possible. Notwithstanding the foregoing, the Owner of the Commercial Unit shall be responsible for the maintenance, repair and replacement of the escalators serving the Commercial Unit regardless that the escalators are located outside the Commercial Unit and are part of the General Common Elements. If the Mortgagee of any Primary Unit determines that the Association is not providing an adequate maintenance, repair, and replacement program for the Common Elements and Parking Units, such Mortgagee, at its option, may deliver a notice to the registered agent of the Association, as required pursuant to ORS 100.550, setting forth the particular defect(s) which it believes exists in the maintenance, repair, and replacement program. If the specified defect(s) are not corrected within 60 days after receipt of such notice, then the Mortgagee, upon written notice to the registered agent that it is exercising its proxy rights thereunder, shall have the right to attend succeeding annual or special meetings of the Association and to cast a vote for each Primary Unit on which it holds a Mortgage on all business coming before such meeting, which proxy rights shall continue until the defect(s) described in the notice are corrected. The Association shall perform exterior window washing and washing of the interior atrium windows at least twice annually.

8.1.3 Repairs by Association. The Association may make repairs that an Owner is obligated to make and that he does not make within a reasonable time. If such repairs are of an emergency nature (in that the repairs must be promptly made to prevent further or imminent potential damage to the Unit involved, other Units or any Common Element), the Association may make such repairs immediately, without notice to the Owner, if he is not available for reasonable notification within the time frame that the nature of the emergency shall reasonably afford. The Association shall indemnify its agents, employees and other of its representatives from any and all liability to any Owner incurred by reason of any reasonable exercise of the right of entry afforded in the Declaration or these Bylaws to effect emergency repairs. The Association shall have no liability to an Owner for any use of its right of entry or right to make emergency repairs if it shall have reasonable cause to believe that such action is required. An Owner shall be deemed to have consented to having such repairs done to his or her Unit by the Association. An Owner shall reimburse the Association in full for the cost of such repairs, except to the extent covered by insurance proceeds received by the Association, including any legal or collection costs incurred by the Association in order to collect the costs of such repairs. All such sums of money shall bear interest from the due date therefor at the rate provided in Section 5.6. The Association may collect all such sums of money in such installments as the Board of Directors may determine, which installments shall be added to the monthly contributions towards the common expenses of such Owner, after the Owner's receipt

of notice thereof. All such payments are deemed to be additional contributions towards the common expenses and recoverable as such.

8.2 Failure to Follow Maintenance Plan. If the Association fails to follow the maintenance and inspection requirements contained in the Maintenance Plan described in Section 3.2.24 above, then the Association hereby waives any claim it might otherwise have against Declarant and its design professionals, contractors and subcontractors and their consultants, including without limitation, all of their officers, members, directors, employees, agents, brokers and affiliates, for loss or damage to the extent the same results from such failure to follow the Maintenance Plan, and shall indemnify such persons and entities from and against claims by Owners or other persons or entities for loss or damage resulting from such failure.

9. INSURANCE.

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

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

9.1.2 A policy or policies insuring the Declarant, the Association, the Board of Directors, the Owners and the managing agent, against liability to the public or to the Owners, and their employees, invitees, or tenants, incident to the supervision, control, operation, maintenance, inspection or use of the Condominium, including all Common Elements, public ways, and any other areas under the supervision of the Association. There may be excluded from such policy or policies coverage of an Owner (other than as a member of the Association or Board of Directors) for liability arising out of acts or omissions of such Owner and liability incident to the ownership and/or use of the part of the Condominium as to which such Owner has the exclusive use or occupancy. Limits of liability under such insurance shall not be less than Two Million Dollars (\$2,000,000.00) on a combined single limit basis. In addition to the indexing provided under Section 12.7 of these Bylaws, the foregoing policy limits of liability shall be increased, in the sole discretion of the Board of Directors. Such policy or policies shall be issued on a comprehensive liability basis and shall provide cross liability endorsement

wherein the rights of the named insured under the policy or policies shall not be prejudiced as respects any action against another named insured.

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

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

9.1.5 Fidelity insurance for all officers, directors, trustees and employees of the Association and all other persons handling or responsible for funds of or administered by the Association. In the event the Association has retained a manager, such manager shall maintain fidelity insurance for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Association. The cost of such insurance shall be at the expense of the Association. The total amount of fidelity insurance coverage required shall be based upon the best business judgment of the Board of Directors. In no event, however, may the aggregate amount of such insurance be less than the sum equal to three months' aggregate assessments on all units plus reserve funds. Such fidelity insurance shall name the Association as obligee and shall contain waivers by the issuers of the insurance of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees" or similar terms or expressions. The insurance shall provide that it may not be canceled or substantially modified (including cancellation for nonpayment of premium,) without at least ten (10) days' prior written notice to the Association and each servicer on behalf of the Federal National Mortgage Association ("FannieMae").

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

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

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

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

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

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

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

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

9.2.8 Each Owner shall be required to notify the Board of Directors of all improvements made by the Owner to his or her Unit, the value of which is in excess of Five Hundred Dollars (\$500). Nothing in this paragraph shall permit an Owner to make improvements without first obtaining the approval of the Board of Directors pursuant to these Bylaws.

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

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

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

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

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

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

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

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

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

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

9.3.10 An "inflation guard" endorsement;

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

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

9.4 Additional Requirements.

9.4.1 Prior to obtaining any policy or policies of insurance under Section 9.1.1, or any renewal or renewals thereof and if any first Mortgagee holding Mortgages on at least 75 percent of the Primary Units so requires, or at such other times as the Board of Directors may deem advisable, the Board of Directors shall obtain an appraisal from an independent qualified appraiser, of the "full replacement cost" of the Condominium, for the purpose of determining the amount of insurance to be obtained pursuant to Section 9.1.1, and the cost of such appraisal shall be a common expense to be allocated in accordance with Section 7.1 of the Declaration; provided, however, that the full replacement cost of the Condominium for the policy or policies of insurance placed in force upon recording of these Bylaws or the Declaration shall be determined by the Declarant.

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

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

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

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

9.5.1 Insurance on any additions or improvements made by the Owner to his or her Unit or Units shall be purchased and maintained for the full insurable value thereof, to the extent not covered by the Association's insurance policy, unless the Owner presents in writing to the Board of Directors evidence that the additions or improvements made by the Owner to his or her Unit are insurable under the insurance issued pursuant to Section 9.1.1 and the Board of Directors, after consultation with the Association's insurer, concurs that such additions or improvements are insured under such insurance and, if necessary, the Association's

insurer undertakes the requisite action to cause the additions or improvements to be added to the policy issued pursuant to Section 9.1.1. Insurance also shall be purchased by the Owner for furnishings, fixtures (other than built-in kitchen appliances), equipment, decorating and personal property and chattels of the Owner contained within his or her Unit or Units, and his or her personal property and chattels stored elsewhere on the Property, including his or her automobile or automobiles, and for loss of use and occupancy of his or her Unit or Units in the event of damage. Owners shall be responsible for insuring the deductible amount under the Association's policies. The Association shall notify all Owners of the amount of the deductible under the Association policies, and to the extent reasonably practicable, the Association shall give at least 30 days' notice to the Owners of any increase in the deductible proposed in renewal or replacement insurance policies. Any such policy or policies of insurance shall contain waivers of subrogation against the Association, its manager, agents, employees and servants, and against the other Owners and any members of their households, except for vehicle impact, arson and fraud.

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

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

9.5.4 In the case of the Commercial Unit, such other insurance coverages as are customarily maintained by owners of businesses comparable to those operated within such Unit.

9.6 FannieMae and GNMA Requirements. Notwithstanding any other provisions of these Bylaws, the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the insurance and fidelity requirements for condominium projects established by FannieMae and Government National Mortgage Association, so long as either is a Mortgagee or Owner of a Unit within the Condominium, except to the extent such coverage is not available or has been waived in writing by FannieMae or Government National Mortgage Association. FannieMae or FannieMae's servicer, its successors and assigns, shall be named as a mortgagee in the Association's policies.

10. AMENDMENTS TO BYLAWS.

10.1 How Proposed. Amendments to the Bylaws shall be proposed by either a majority of the Board of Directors or by Owners holding at least 34 percent of the voting power of the Association. The proposed amendment must be reduced to writing and shall be included in the notice of any meeting at which action is to be taken thereon.

10.2 Adoption. A resolution adopting a proposed amendment may be proposed by either the Board of Directors or by the Owners and may be approved by a majority of the Owners at a meeting called for this purpose. Owners not present at the meeting considering such amendment may express their approval in writing or by proxy delivered to the Board of Directors at or prior to such a meeting. Any resolution shall be approved by at least a majority of the Owners, except that any resolution containing an amendment relating to age restrictions, pet restrictions, limitations on the number of persons who may occupy a Primary Unit and limitations on leasing or rental of Units shall be approved by at least 75 percent of the voting power of the Association, and (including, without limitation, the right of Declarant or its assigns to approve commercial uses) except that any provision of these Bylaws that is required to be in the Declaration may be amended only in accordance with the requirements governing amendment of the Declaration. Notwithstanding the foregoing, these Bylaws may not be amended in a manner that eliminates or impairs rights or privileges granted herein to the Owner of the Commercial Unit without the approval of the Owner of the Commercial Unit. In addition to the foregoing approval requirements, amendment of the following provisions of these Bylaws shall require the prior written approval of at least 51 percent of those holders of first Mortgages on Primary Units (based upon one vote for each first Mortgage held): (i) Section 8.1, which addresses maintenance and repair; (ii) Article 9, which addresses insurance requirements; and (iii) any other provision of these Bylaws which expressly benefits Mortgagees of Units or insurers or guarantors of such Mortgages. Any approval of a Mortgagee required under this Section 10.2 may be presumed by the Association if the Mortgagee fails to submit a response to a written proposal for an amendment to these Bylaws within 60 days after it receives notice of such proposal by certified or registered mail, return receipt requested. For a period of 10 years after the date of the Turnover Meeting or for so long as Declarant remains the owner of one or more Primary Units, whichever is longer, the Bylaws may not be modified, added to, amended or repealed so as to eliminate, change, or impair any rights, privileges, easements, licenses or exemptions granted therein or herein to the Declarant or its designee (including, without limitation, the right of Declarant or its assigns to approve commercial uses), or otherwise adversely affect the Declarant or such designee, without the Declarant's or such designee's prior written consent in each instance.

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

10.4 Rights of Declarant. Nothing in this Article 10 shall limit the right of the Declarant to approve amendments to the Bylaws pursuant to Section 29 of the Declaration.

11. LITIGATION.

11.1 By Less than All Owners. If any action is brought by one or more but less than all Owners on behalf of the Association and recovery is obtained, the plaintiff's expenses, including reasonable counsel's fees, shall be a common expense; provided, however, that if such action is brought against all of the Owners or against the Board of Directors, the officers, employees, or agents thereof, in their capacities as such, with the result that the ultimate liability asserted would, if proved, be borne by all the Owners, the plaintiff's expenses, including

counsel's fees, shall not be charged to or borne by the other Owners, as a common expense or otherwise.

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

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

11.4 Limitation on Actions. Notwithstanding any other provision of the Declaration or these Bylaws, the Association shall not expend or commit to expend in excess of \$5,000 for attorney fees and costs unless first approved by at least 75 percent of the outstanding votes of the Owners. The foregoing limitation shall not apply to actions for delinquent assessments or other charges under the Declaration or these Bylaws; for actions initiated by the Association during Declarant's period of administrative control pursuant to Section 20 of the Declaration; for actions challenging ad valorem taxation or condemnation proceedings; initiated against any contractor or vendor hired by the Association or supplier of goods and services to the Association; to defend claims filed against the Association or to assert counterclaims in proceedings instituted against it; actions to appoint a receiver pursuant to Section 5.9 of the Bylaws; actions to summarily abate and remove a structure or condition that violates the Declaration or these Bylaws; or for the defense of the Association or Board of Directors of an action or proceeding brought against the Association or the Board of Directors (except for non-mandatory counterclaims).

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

11.6 Suits Against Declarant. Declarant shall have the right to be present at any meeting of the Association during which the Board of Directors or the Owners vote on

whether to initiate legal action against Declarant. The Board of Directors shall provide Declarant with at least 10 days written notice of the time and place of any such meeting.

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

12. MISCELLANEOUS.

12.1 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 by written notice thereof to each Owner. All notices to any Owner shall be sent to such address as may have been designated by him from time to time, in writing, to the Board of Directors, or if no address has been designated, then to the Owner's Primary Unit.

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

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

12.4 Action Without a Meeting. Any action which the Act, the Declaration or the Bylaws require or permit the Board of 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 Directors entitled to vote on the matter. The consent, which shall have the same effect as a unanimous vote of the Board of Directors, shall be filed in the records of minutes of the Association. For votes of the Owners by written ballot, the Board of Directors shall provide Owners with at least 10 days' notice before written ballots are mailed or otherwise delivered. The notice shall state the general subject matter of the vote by written ballot, the right of Owners to request secrecy procedures specified in ORS 100.425, the date after which ballots may be distributed, the date and time by which any petition must be received by the Board requesting secrecy procedures, and the address where such a petition may be delivered. If, at least three (3) days before written ballots are scheduled to be mailed or otherwise distributed, at least 10 percent of the Owners petition the Board of Directors requesting secrecy procedures, a written ballot must be accompanied by a secrecy envelope, a return identification envelope to be signed by the Owner,

and instructions for mailing and returning the ballot. Written ballots that are returned in secrecy envelopes may not be examined or counted before the deadline for returning ballots has passed. Notwithstanding the foregoing, action by written ballot may not substitute for the Turnover Meeting or the annual meeting of the Association.

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

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

12.7 Indexing. Whenever any dollar amount is specified in these Bylaws, such amount shall be automatically adjusted each January 1 based upon any changes in the Consumer Price Index - All Items - for all urban consumers published by the U.S. Bureau of Labor Statistics (or any generally accepted substitute for such index, if such index shall be discontinued) using the index for January, 2006 as the base year.

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

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

Dated at Bend, Oregon, this 12 day of July, 2006 being hereby adopted by the undersigned Declarant on behalf of the Association.

Declarant:

KEYSTONE PARTNERS, LLC, an Oregon limited liability company

By:  _____

Its:  _____