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**DECLARATION OF CONDOMINIUM OWNERSHIP FOR
PLAZA CONDOMINIUMS**

Dated: February 16, 2007

**Declarant: Harvest, LLC,
an Oregon limited liability company**

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Exhibits to Declaration

Exhibit A - Property Description

Exhibit B - Area of Units and Allocation of Common Element Interest

Exhibit C – Bylaws of Plaza Condominiums Owners' Association

**DECLARATION OF CONDOMINIUM OWNERSHIP FOR
PLAZA CONDOMINIUMS
MADE PURSUANT TO THE OREGON CONDOMINIUM ACT**

This Declaration, to be effective upon its recording in the deed records of Deschutes County, Oregon, pursuant to the provisions of the Oregon Condominium Act, is made and executed this 16th day of February, 2007, by Harvest, LLC, an Oregon limited liability company ("Declarant").

Declarant proposes to create a residential condominium to be known as Plaza Condominiums, located in the City of Bend, Deschutes County, Oregon, to be composed of 42 Primary Units, 80 Parking Units and 47 Storage Units. The purpose of this Declaration is to submit the Property (as defined below) 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 Plaza Condominiums Owners' Association, its Bylaws, its Rules and Regulations, and any exhibits hereto and 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 Plaza Condominiums Owners' Association, the nonprofit corporate entity responsible for the administration, management, and operation of the Condominium.

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

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

1.1.5 Building shall mean the building containing Units in the Condominium.

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

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

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

1.1.9 Declaration shall mean this Declaration of Condominium Ownership for Plaza Condominiums and any amendments hereto.

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

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

1.1.12 Limited Common Elements shall mean those Common Elements designated as Limited Common Elements in Section 6 below.

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

1.1.14 Mortgage Insurer or Guarantor shall mean an insurer or governmental guarantor of a first mortgage on a Unit.

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

1.1.16 Owner shall mean the owner or owners of a Primary Unit and, in addition to a Primary Unit, any Parking Unit or Storage Unit, but does not include a Mortgagee unless in possession of a Primary Unit and, in addition to a Primary Unit, any Parking Unit or Storage Unit. A person or entity that does not own a Primary Unit shall not be an Owner.

1.1.17 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 below.

1.1.18 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 or supplements to such plat subsequently recorded.

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

1.1.20 Primary 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.

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

1.1.22 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.

1.1.23 Turnover Meeting shall mean the meeting at which Declarant relinquishes control of the administration of the Association pursuant to Section 100.210 of the Act.

1.1.24 Unit Sales Agreement shall mean the purchase agreement pursuant to which an Owner purchases his or her Unit(s).

1.1.25 Units shall mean those parts of the Condominium designated as such pursuant to 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 each Unit and will continue to be deemed the Owner of such Units until a conveyance or other document changing the ownership of such Unit are filed of record.

1.5 No Fiduciary Standard. In no event shall Declarant be deemed a fiduciary of the Owners or be held to a fiduciary standard with respect to activities hereunder. The foregoing language does not apply to Declarant's exercise of powers of the Association, the Board or the Association officers pursuant to Section 20.3 of this Declaration.

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 "Plaza Condominiums."

4. Units.

4.1 General Description of Buildings. The Condominium shall consist of one Building, with four (4) floors above grade and a one-level underground post tension concrete parking structure. The Building is situated on a generally level site. The above grade portion of the Building is of wood frame construction with a brick and concrete facade and has a composition roof on sloped areas and single-ply roof on flat surfaces.

4.2 General Description, Location, and Designation of Units. The Condominium consists of a total of 169 Units, consisting of 42 Primary Units, 80 Parking Units, and 47 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 Primary Units are designated as Primary Units 101 through 109, inclusive, 201 through 211, inclusive, 301 through 311, inclusive, and 401 through 411, inclusive, as shown on the Plans. The Parking Units are designated as P-1 through P-80, inclusive, as shown on the Plans. The Storage Units are designated as S-1 through S-47, inclusive, as shown on the Plans.

4.3 Boundaries of Units.

4.3.1 Primary Units. Each Primary Unit shall be bounded by the interior surfaces of its perimeter and bearing walls, floors, ceilings and skylights (if any), and the interior surfaces of 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 and the underside of the finished floor or top surface of any concrete slab, as applicable) and the air space so encompassed and shall exclude those portions of the walls, floors or ceilings that materially contribute to the structural or shear capacity of the Condominium. In addition, each Primary Unit shall include the nonbearing interior partitions, fixtures and improvements within the boundaries of the Primary Unit and the outlet of any utility service lines, including water, sewer, electricity, or cable television, and of ventilating or air conditioning ducts, but shall not include any part of such lines or ducts themselves. In addition, Primary Unit shall include the fireplace box within such Primary Unit's boundaries as described above, but shall exclude the vertical chase for serving such fireplace. In addition, each Primary Unit located the first three floors of the Building shall include (a) the storage area and (b) area where the heater is located, each such space being adjacent to the balconies and patios adjoining each Primary Unit and as bounded in the manner described above in this Section 4.3. The area in square feet of each Primary Unit is listed on Exhibit B and shown on the Plans.

4.3.2 Parking Units. Each Unit identified on the Plans as a parking unit (a "Parking Unit") shall consist of the paved floors and 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 interior 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. Interest in Common Elements; General Common Elements. Each Owner shall be entitled to an undivided percentage ownership interest in the Common Elements, as shown on the Plans and the table attached as Exhibit B. The method used to establish this allocation consists of (i) an allocation of an 0.01 percent undivided interest to each of the Parking Units and Storage Units, and (ii) an allocation of the remaining undivided interests to the Primary Units determined by the ratio which the area of each Primary Unit bears to the total area of all Primary Units combined, as shown on the Plans. The general location of the Common Elements is shown on the Plans. The General Common Elements consist of all parts of the Condominium other than the Units and the Limited Common Elements and include, without limitation, the following:

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

5.2 All floor slabs, foundations, exterior windows and window frames, exterior doors and door frames, crawl spaces, roofs, columns, beams, girders, supports, common corridor and stairwell walls and bearing walls.

5.3 Pipes, ducts, vertical chases serving fireplaces (but not the fireplace box located within a Primary Unit) conduits, wires, and other utility installations, in each case to their respective outlets.

5.4 Lobbies, mail areas, common corridors, entranceways, vestibules, elevators, stairs and stairways, meter rooms, boiler rooms, janitor's rooms, bicycle storage area, electrical rooms, office, storage rooms, and garbage and recycling rooms.

5.5 Party room which is located in the area designated "GCE Common Room" on the first floor as shown on the Plans, and the kitchen and restrooms which are located on the first floor adjacent to the area designated "GCE Lobby" on the Plans.

5.6 Landscaping, ground level courtyard areas, and exterior walkways.

5.7 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 shall consist of the balconies and patios located adjacent to the Primary Units, as shown on the Plans, the use of which is reserved on an exclusive basis for the Owner of the adjacent 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.

7.1.1 The common profits of the Property shall be distributed equally among the Owners of Primary Units, without regard to their Parking or Storage Units. The common expenses of the Property shall be charged equally to the Owners of the Primary Units.

7.1.2 Assessments for common expenses shall commence upon closing of the first sale of a Primary Unit, provided that Declarant may elect to defer the commencement of assessments for common expenses (other than assessments for reserves pursuant to Section 5.2 of the Bylaws) for a period not exceeding 60 days from such closing. Assessments for reserves pursuant to Section 5.2 of the Bylaws 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. If Declarant elects to defer the commencement of assessment for common expenses pursuant to this Section 7.1.2, then Declarant shall give not less than 10 days prior written notice to all Owners of the commencement of the date on which the common expense assessments shall commence. Until the commencement of assessments for all common expenses, Declarant shall be responsible for payment of all common expenses of the Association (other than assessments for reserves pursuant to Section 5.2 of the Bylaws).

7.2 No Exception and No Offset. No Owner may claim exemption from liability for contribution toward the common expenses by such Owner's waiver of the use or enjoyment of any of the Common Elements or by such Owner's abandonment of his or her Unit. No Owner may claim an offset against assessment for common expenses for failure or alleged 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 delinquent amount from the due date thereof, together with all expenses, including attorneys' fees, incurred by the Association in any proceeding brought to collect such unpaid amount, or any appeal therefrom. No interest or late charges will be assessed on common expenses or other charges paid within 10 days after the due date therefor. Otherwise delinquent payments of common expense assessments and other charges shall bear interest from the date thereof at a rate of 12 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 charges imposed are based upon a resolution adopted by the Board that is delivered to each Owner, mailed to the mailing address of each Unit or such other address designated in writing by the Owner of the Unit. The Board shall have the right and duty to recover for the Association such common expenses, 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 Unit with respect to all such obligations.

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

7.5 First Mortgages; Liability of Subsequent Owner.

7.5.1 Any lien of the Association against a Unit for assessments and charges shall be subordinate to tax and assessment liens and any first Mortgage of record, except as otherwise provided by Section 100.450(7) of the Act. Where the purchaser or Mortgagee of a Unit obtains title to the Unit as a result of foreclosure of a first Mortgage or by deed in lieu of foreclosure, such purchaser or Mortgagee and his 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 the Act; *provided*, in the case of a deed in lieu of foreclosure, that the Mortgagee complies with the requirements of Section 100.465(1) of the Act. Any sale or transfer of a Unit or Units pursuant to a foreclosure shall not relieve the purchaser or transferee of such Unit or Units from liability for, nor such Unit or Units from the lien of, any common expense assessments or charges thereafter becoming due.

7.5.2 In a voluntary conveyance of a Unit, the grantee shall be jointly and severally liable with the grantor for all unpaid assessments against the grantor of the Unit 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, and the grantee in such case shall not be liable for, nor shall the Unit when conveyed be subject to, a lien filed thereafter for any unpaid assessments against the grantor in excess of the amounts therein set forth.

7.6 Acceleration of Assessments. In the event any monthly assessment attributable to a particular Unit remains delinquent for more than 60 days, the Board may, upon 15 days written notice to the Owner of such Unit, accelerate and demand immediate payment of all, or such portion as the Board determines, of the monthly assessments and other charges which the Board reasonably determines will become due during the next succeeding 12 months with respect to such Unit.

7.7 Delinquent Assessment Deposit.

7.7.1 An Owner may be required by the Board, from time to time, to make and maintain a deposit of not less than one (1) month's nor in excess of three (3) months' estimated monthly assessments and charges, which may be collected in the same manner as other

assessments and charges. Such deposit shall be held in a separate fund, be credited to the Unit or Units owned by such Owner, and be for the purpose of establishing a reserve for delinquent assessments.

7.7.2 Resort may be had thereto at any time when such owner is 10 days or more delinquent in paying his or her monthly or other assessments and charges. Such deposits shall not be considered as advance payments of regular assessments. In the event the Board should draw upon such deposit as a result of an Owner's delinquency in payment of any assessments, such Owner shall continue to be responsible for the immediate and full payment of such delinquent assessment (and all penalties and costs related thereto) and thus the full restoration of such deposit, and the Board shall continue to have all of the rights and remedies for enforcing such assessment payment and deposit restoration as provided by this Declaration and by law.

7.7.3 Upon the sale of a Unit or Units, the seller/Owner thereof shall not be entitled to a refund from the Association of any deposit or reserve account made or maintained with respect to such Unit or Units pursuant to this or any other Section of this Declaration; rather, any such deposit or reserve account shall continue to be held by the Association for the credit of such Unit or Units, the Unit(s) purchaser shall succeed to the benefit thereof, and the Unit(s) seller shall be responsible for obtaining from the purchaser appropriate compensation therefor.

8. Voting Rights. Subject to the provisions of Section 20 of this Declaration, one vote shall be allocated to each Primary Unit. No votes shall be allocated to Parking or Storage Units.

9. Occupation and Use. The Primary Units are intended for use and occupancy by the Owners as primary or secondary residences. The use of the Parking Units shall be limited to the parking of vehicles owned or operated by the Owner, tenant or resident of a Primary Unit, or the invitees of such Owner, tenant or resident. In no event shall the general public be allowed to use the Parking Units. The Storage Units shall be limited to storing items associated with a Primary Unit.

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

11. Authority Regarding Easements and Other Property Rights. The Association has the authority, pursuant to Section 100.405(5) and (6) of the Act, 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 (other than leases having a term of two years or less) shall first be approved by the Owners holding at least 75 percent of the voting power of the Association unless otherwise allowed to be approved by the Board under 100.405(6)(a)(B).

12. No Restrictions on Alienation. The right of an Owner to sell, transfer, or otherwise convey his Primary Unit shall not be subject to any right of approval, disapproval, first refusal, or similar restriction by the Association or the Board, or anyone acting on their behalf. No person or entity may own or shall be entitled to acquire a Parking Unit or Storage Unit unless such person or entity owns or shall simultaneously acquire a Primary Unit, provided that Declarant or its successors and assigns may own unsold Parking Units or Storage Units even if Declarant or its successors and assigns has conveyed all Primary Units. Any conveyance, transfer, or other disposition ("Transfer") of a Parking Unit or Storage Unit to a person or entity who does not own or who will not simultaneously acquire a Primary Unit is prohibited; provided, however, that the Declarant or its successors and assigns may transfer any unsold Storage Units to the Association. In addition, the following Parking units may only be sold together: P-30 and P-29; P-28 and P-27; P-26 and P-25; P-24 and P-23; P-22 and P-21; P-18 and P-17; P-16 and P-15; P-14 and P-13; P-12 and P-11; P-10 and P-9; P-8 and P-7; P-6 and P-5; P-4 and P-3; and P-2 and P-1. In the case of a Transfer or attempted Transfer of a Parking Unit 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 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, attorney's 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 Unit 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 amount 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. An Owner intending to sell a Unit or Units shall deliver a written notice to the Board, at least two weeks before closing, specifying: (i) the Unit or Units to be sold; (ii) the name and address of the purchaser, of the closing agent, and of the title insurance company insuring the purchaser's interest; and (iii) the estimated closing date. The Board shall have the right to notify the purchaser, the title insurance company, and the closing agent of the amount of unpaid assessments and charges outstanding against the Unit or Units, whether or not such information is requested. Except to the extent set forth in this Section 12 and certain restrictions on leasing set forth in Section 7.1 of the Bylaws, this Declaration and the Bylaws impose no restrictions on the alienation of any Unit.

13. Intentionally Omitted.

14. Rights of Access and Use; Special Declarant Rights; Declarations and Easements.

14.1 In General. Each Owner shall have a perpetual right of reasonable access and use to, through, over, and of each of the Common Elements adjoining such Owner's Unit as may be required for ingress to and egress from such Owner's Unit; for the support of such Owner's Unit; and for the installation, operation, repair, maintenance, and replacement of utilities and other systems serving such Owner's Unit, including, but not limited to, water, natural gas, air conditioning, cable television, electrical power and wiring, light, or plumbing. 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 Additional Rights Created by Association. The Association, upon prior approval of the 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 Common Elements. No such right may be granted with respect to a Common Element unless the Owners and Mortgagees of the Units having the right to use such Common Elements consent to the creation of such a right. Nothing in this Section 14.2 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.

14.3 Water Intrusion and Mold Inspection. The Board, acting on behalf of the Association, may authorize entry into any Owner's Unit or Limited Common Elements to conduct a periodic inspection of the Owner's 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. The right of entry and inspection provided in this Section 14.3 shall not in any way obligate the Association or the Board 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 the Board of Directors. Nothing contained within this Section 14.3 is intended to modify the maintenance and repair obligations of any party as provided in the Bylaws and this Declaration.

14.4 Right of Entry and Access. In addition to the rights granted to the Declarant and the Association elsewhere in this Declaration, the Bylaws, or by the Act, the Board, acting on behalf of the Association, or Declarant or a managing agent, manager, or any other person authorized by the Board or the Declarant, shall have the right to enter into and have access through or over any Unit or Common Element (i) in the case of any emergency originating in or threatening the Unit or Units, Common Elements or other Units, (ii) requiring repairs necessary to protect public safety, whether or not the Owner is present at the time, (iii) for the purpose of performing installations, alterations, or repairs to any Common Element or Unit, (iv) to prevent damage to the Common Elements or another Unit, or (v) to inspect the Unit or 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* except in the case of an emergency requests for entry to a Unit are made in advance and that such entry is at a time reasonably convenient to the Owner. Neither Declarant nor the Association shall be deemed guilty in any manner of trespass for entering or accessing a Unit, Limited Common Element or any portion of the Condominium in accordance with this Section 14.4.

14.5 Special Declarant Rights. As more particularly provided in this Section, Declarant, for itself and any successor Declarant, has reserved the following special Declarant rights in addition to any special Declarant rights that may be set forth herein or in the Bylaws:

14.5.1 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.

14.5.2 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 of the Condominium, 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 and its affiliates. 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.

14.5.3 Termination of Declarant Rights. Except as otherwise provided in this Declaration, the special Declarant rights set forth in this Section 14.5 shall continue for so long as (i) Declarant is completing improvements which are within or may be added to this Condominium or (ii) Declarant owns any Units; *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.

14.5.4 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.

14.5.5 Right of Approval. For a period of 10 years after the Turnover Meeting, Declarant shall have the right to approve amendments proposed by the Owners to this Declaration, the Bylaws, the Plans, and the Rules and Regulations.

14.5.6 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 suggested maintenance schedule prepared by Declarant, if any, and/or the maintenance plan required under the Act. 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 7.6 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.

14.6 Declarations and Easements.

14.6.1 Master Declarations. The Condominium, the Owners and the Association are subject to that certain Amended and Restated Master Declaration of Covenants,

Conditions, And Restrictions For River Bend dated November 4, 1997 and recorded in the deed records of Deschutes County, Oregon on June 26, 1998 in Book 499; Page 2948 as Document No. 98-27427 (the "River Bend Master Declaration") pursuant to that certain Supplemental Declaration of Covenants, Conditions, and Restrictions For River Bend dated July 27, 1998 and recorded in the deed records of Deschutes County, Oregon on August 11, 1998 in Book 507, Page 0288 as Document No. 98-35330, as amended (the "Upper Terrace Phases II and III Declaration"), including without limitation, the use restrictions imposed therein and the easements created thereby. The River Bend Master Declaration and Upper Terrace Phases II and III Declaration subjected the Property to the River Bend Master Owners Association, Inc. (the "Master Association"). The Upper Terrace Phases II and III Declaration subjected the Property to the Upper Terrace Phases II and III Owners Association, Inc., a sub-association of the Master Association (the "Upper Terrace Phases II and III Association"). Each Owner is a member of the River Bend Master Association and the Upper Terrace Phases II and III Association, as set forth in the River Bend Master Declaration and Upper Terrace Phases II and III Declaration, respectively and has the right to use certain common areas as set forth in the foregoing documents. The River Bend Master Declaration and the Upper Terrace Phases II and III Declaration authorize the imposition and levying of certain assessments against the Owners by the Master Association and Upper Terrace Phases II and III Association, respectively, and the respective associations shall have a lien against each Owner's Units for the payment of such assessments.

14.6.2 Driveway Easement. The Condominium, the Owners and the Association are subject to that certain Declaration of Easement ("Driveway Easement") dated January 31, 2000 and recorded in the deed records of Deschutes County, Oregon on January 31, 2000 as Document No. 2000-35231 which grants the Owners an easement for pedestrian and vehicular ingress and egress over and across a certain driveway (the "Driveway") located on the real property parcel adjacent to the Condominium for the purpose of accessing the Condominium. The Association is responsible for certain costs in connection with the repair and maintenance of the Driveway. These costs may be charged to the Owners as common expenses in accordance with Section 7.

15. Encroachments.

15.1 Each Unit shall have an easement over all 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 appear in the Declaration. There shall be a valid easement for the maintenance of the encroaching Units so long as the encroachment shall exist and the rights and obligations of Owners shall not be altered in any way by the encroachment.

15.2 The easement described in this Section 15 does not relieve an Owner of liability in case of willful misconduct of an Owner or relieve any contractor, subcontractor, or materialman of liability for failure to adhere to the Plans.

15.3 The encroachments described in this Section 15 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. Plaza 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 Section 100.410(1) of the Act, are attached hereto as Exhibit C. 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 elsewhere in this Declaration or in the Bylaws.

18. Managing Agent. Subject to the rights of the Association to terminate such agreement without penalty or cause upon not less 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 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. 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 Unit, together with the undivided fractional interest in the Common Elements, 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, until the earlier to occur of (i) the date that is seven years after the date on which the first Primary Unit is conveyed to an Owner other than Declarant or (ii) the date at which 75 percent of the 169 Units planned for the Condominium have been conveyed to persons other than the Declarant:

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

20.2 Declarant shall have five votes for each Primary Unit owned by it, 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 Association 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 less than 30 days written notice given to the other party thereto no 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 Primary Units and Storage Units. Each Owner shall be responsible for the repairing, reconstructing, or rebuilding of his Primary Unit and Storage Unit to the extent not covered by the Association's insurance within 12 months of the occurrence of such casualty. 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 Primary Units and Storage 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 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 Section 100.615 of the Act.

21.2 Responsibility of Owner. If, due to the act or neglect of an Owner, or of a member of his family or his household pet or of a guest, servant, invitee, 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 covered by the Association's insurance. Owners are required to carry homeowner's insurance on Primary Units and Storage Units, as specified in Section 9 of the Bylaws.

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 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 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 10 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 ("Fannie Mae") 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 30 percent or more 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 or attached to any written ballot or 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 the Owners holding at least 75 percent of the voting power of the Association and the consent of Declarant, for a period of 10 years from the date of the Turnover Meeting. Sections 14.2, 14.3, 14.4 and 16 may not be changed unless all Owners agree to such change as evidenced by their signature on an amendment to the Declaration implementing such change. Except as otherwise provided in the Act, no amendment may change the size, location, or 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 Owners of the affected Unit. 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. Notwithstanding any of the foregoing, this Declaration shall 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 where a greater percent is required by this Declaration or the 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 power of the Association and the amendment of any of the following provisions approval of at least 51 percent of those holders of first Mortgages on Primary Units (based upon one vote for each first Mortgage held) shall be required for any amendments of a material nature to this Declaration or the Bylaws. Any amendment to this Declaration or the Bylaws that changes any of the provisions of such documents governing the following shall constitute a material change:

- 24.2.1 The boundaries of any Unit;
- 24.2.2 Re-allocation of common profits and expenses and related matters;
- 24.2.3 Voting rights;
- 24.2.4 Imposition of any restrictions on the right of an Owner to sell or transfer his or her Unit;
- 24.2.5 Imposition of any restrictions on the leasing of Units;
- 24.2.6 Increases in assessments that raise the previously assessed amount by more than 25 percent, assessment liens or the priority of such liens;
- 24.2.7 Reduction in reserves for maintenance, repair and replacement of the Common Elements;
- 24.2.8 Responsibility for maintenance and repairs;
- 24.2.9 Reallocation of interests in the General or Limited Common Elements, or rights to their use;
- 24.2.10 Convertibility of Units into Common Elements or of Common Elements into Units;
- 24.2.11 Hazard or fidelity insurance requirements;
- 24.2.12 A decision by the Association to establish self-management when professional management has 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; and

24.2.15 Any other provision of this Declaration which expressly benefits Mortgagees of a Primary Unit or insurers or guarantors of a Mortgage on a Primary Unit.

In addition, except as otherwise provided in the Act, no amendment to this Declaration may change the 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 first Mortgages on the affected Units. Any approval of a Mortgagee required under this Section 24.2 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 official records of Deschutes County, Oregon.

25. Termination. Termination of the Condominium shall be effected in accordance with Section 100.600 and any other applicable provision of the Act, but in no event shall be consummated without the prior written consent of at least 51 percent 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 deemed approved by the Association if such Mortgagee fails to submit a response to a written request within 60 days after it receives notice of such request by certified mail, return receipt requested. The common profits and expenses of the Property following termination of the Condominium shall be allocated in accordance with the Act.

26. Dispute Resolution.

26.1 Required Procedure. Except as provided in this Section 26 below, to the fullest extent allowed by law, if a dispute arises, 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 herein. 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/Purchase Resolution. The Parties will seek a fair and prompt negotiated resolution of Claims and shall meet at least once to discuss and seek to resolve such Claims, but if this is not successful, all Claims shall be resolved in small claims court, by mediation or by binding arbitration as set forth in Sections 26.3, 26.4 or 26.5 below, as applicable. Alternatively, if Declarant or its successor or assigns is a Party to a dispute, Declarant reserves for itself and its successors and assigns the right to purchase the Primary Unit (and associated Parking Unit(s)) owned by the other Party to the dispute, at a fair market value as set forth below. Fair market value shall be determined as follows: Declarant and the other Party to the dispute shall each select broker with at least 10 years experience in condominium sales. These two brokers shall select a third broker with at least 10 years experience in condominium sales. The foregoing three brokers shall each give their opinion of the fair market value of the Unit(s) at issue. The controlling fair market value ("FMV") under this Section 26.2 shall be the average of the three values fixed by the foregoing brokers. Such purchase by Declarant at FMV shall be considered by the Parties as a complete, final and binding resolution of all claims, and Sections 26.3 to 26.5 shall not apply.

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 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.

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 shall be deemed to have waived 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 one arbitrator selected by the parties, or, if the parties cannot agree on an arbitrator within 30 days after a request for arbitration, the arbitrator shall be appointed by the presiding judge of the Circuit Court for Deschutes County, Oregon. The arbitration shall be conducted by and pursuant to the then effective arbitration rules of Construction Arbitration Services, Inc., 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 Claims Procedure. An Owner or the Association may not commence arbitration 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, SUB-CONTRACTOR 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.

26.7 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.

26.8 Claims by Association. To the fullest extent allowed by law and except for Claims in an amount less than or equal to \$7,500, no Claim shall be initiated by the Association without approval from the Owners holding 75 percent of the voting power of the Association. The foregoing vote requirement shall not be required to institute or respond to the following actions: (i) actions for delinquent assessments, fines or other charges under the Declaration, the Bylaws or the Rules and Regulations; (ii) actions initiated by the Association during Declarant's period of administrative control pursuant to Section 20 of the 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 claims filed against the Association or the assertion of counterclaims in proceedings instituted against it; (vi) actions to appoint a receiver pursuant to Section 5.9 of the Bylaws; or (vii) actions to summarily abate, enjoin and remove a structure or condition that violates this Declaration or the Bylaws or the Rules and Regulations.

26.9 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.

26.10 Special Reserve Account Deposit. Declarant has agreed, in each Unit Sales Agreement, to deposit, upon its sale of each Primary Unit, the sum of One Thousand Dollars and No/100 (\$1,000.00), for a refundable reserve deposit totaling Forty Two Thousand Dollars and No/100 (\$42,000.00) ("Special Reserve Account Deposits") into a separate interest bearing account specifically designated for the deposit of such Special Reserve Account Deposits. Declarant shall maintain such account in trust for the Association and the Owners subject to the provisions of this Section. The Special Reserve Account Deposits shall become non-refundable to Declarant, and may be retained by the Association and deposited into the reserve fund provided that (i) 10 years has passed from the last closed sale of all Units, (ii) no claim has been brought by the Association or any Owner within the foregoing 10 year period against Declarant and/or its agents, successors, assigns, employees, affiliates, representatives, officers, directors, members and partners, and (iii) the Association provides Declarant with a letter confirming that no covered claims exist and waiving any and all rights to any potential covered claim, whether known or unknown. In the event or to the extent a covered claim is brought by the Association or an Owner within the stated time period, Declarant or its successor or assigns shall be entitled to an immediate refund of all the Special Reserve Account Deposits paid by Declarant.

27. General Provisions.

27.1 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.

27.2 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 or Units to which that interest is allocated is void.

27.3 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.

27.4 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 Association; (ii) injury or damage to person or property caused by the elements, or resulting from electricity, noise, smoke, water, rain (or other liquid), dust, or sand which may leak or flow from the outside or from any parts of Unit structures, or from any of its pipes, drains, conduits, appliances, or equipment, or from any other places; or (iii) inconvenience or discomfort resulting from any action taken to comply with any law, ordinance, or order 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.

27.5 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.

27.6 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).

28. Severability. Each provision of this Declaration and the Bylaws shall be deemed independent and severable and shall be valid and enforceable to the fullest extent permitted by law. 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 Condominium 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.

29. Warranty, Releases and Waiver of Claims.

29.1 Home Builder's Limited Warranty. In each Unit Sales Agreement, Declarant, as seller, provided to each initial Owner of a Primary Unit a Home Builder's 2-10 Limited Warranty (the "10 Year Warranty"), which warranty is effective from the date of closing of such Owner's purchase of a Primary Unit through the date which is 10 years thereafter. The 10 Year Warranty is administered by Home Buyers Warranty Corporation. On or before closing, each Owner was provided with a sample copy of the 10 Year Warranty and acknowledged that he or she read and understood the 10 Year Warranty.

29.2 Dispute Resolution Process. Each Owner and the Association acknowledges and agrees that the 10 Year Warranty sets forth the procedures for resolving claims thereunder. Such process includes the right of Declarant to investigate and to cure alleged defects. The 10 Year Warranty compels arbitration of disputes that Declarant and any Owner and/or the Association are unable to resolve by the other processes set forth therein. The dispute resolution procedures set forth in the 10 Year Warranty will be the sole method for resolving any and all disputes and/or claims between Declarant, any Owner and/or the Association with respect to alleged construction defects and/or warranty claims.

29.3 RELEASE AND WAIVER OF ALL FUTURE CLAIMS. IN EXCHANGE AND CONSIDERATION FOR THE 10 YEAR WARRANTY AND TO THE FULLEST EXTENT ALLOWED BY APPLICABLE LAW, EACH OWNER, FOR ITSELF AND ALL SUBSEQUENT OWNERS OF A UNIT, HEREBY WAIVES AND RELINQUISHES ANY AND ALL CLAIMS WHEREVER ARISING AGAINST DECLARANT AND ITS AGENTS, SUCCESSORS, EMPLOYEES, AFFILIATES, CONTRACTORS, REPRESENTATIVES, OFFICERS, DIRECTORS, MEMBERS AND PARTNERS, AND AGAINST THE ASSOCIATION OR ANY BOARD MEMBER THEREOF (COLLECTIVELY, THE "DECLARANT PARTIES"), RELATING TO OR ARISING FROM THE CONDITION OF THE PROPERTY AT ANY TIME. THIS WAIVER IS ABSOLUTE AND UNCONDITIONAL, AND THIS RELEASE AND WAIVER APPLIES WHETHER OR NOT OWNER HAS KNOWLEDGE OF ANY POTENTIAL CAUSE OF ACTION FOR SUCH CLAIMS. THIS WAIVER APPLIES TO CLAIMS UNDER ANY LEGAL THEORY OTHER THAN THE WARRANTY GIVEN IN EACH UNIT SALES AGREEMENT, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, NEGLIGENCE PER SE, NEGLIGENT OR INTENTIONAL MISREPRESENTATION, DEFECTIVE CONSTRUCTION, BREACH OF CONTRACT, UNLAWFUL TRADE PRACTICE, BREACH OF FIDUCIARY DUTY, STRICT LIABILITY, NUISANCE, TRESPASS OR ANY OTHER THEORY, WHETHER ARISING FROM STATUTE, CONTRACT, TORT OR OTHERWISE. THIS WAIVER INCLUDES, WITHOUT LIMITATION, CLAIMS RELATING TO CONSTRUCTION DEFECTS, WATER INTRUSION, MOLD, MILDEW, FUNGUS AND/OR ODORS IN THE UNIT OR COMMON ELEMENTS; PRODUCTS OR CONDITIONS IN THE UNIT OR COMMON ELEMENTS, INCLUDING FOR EXAMPLE CARBON MONOXIDE, RADON OR CARPET GLUE; NOISE OR SOUND TRANSMISSION; LOSS OF USE; EMOTIONAL DISTRESS; INCIDENTAL

OR CONSEQUENTIAL DAMAGES; ATTORNEY FEES AND COSTS; OR RELOCATION EXPENSES (TEMPORARY OR OTHERWISE). EACH OWNER ACKNOWLEDGES THAT DECLARANT IS NOT OBLIGATED TO PROVIDE OWNER ANY WARRANTY OTHER THAN THE ONE-YEAR WARRANTY REQUIRED UNDER THE ACT AND THAT THE 10 YEAR WARRANTY IS PROVIDED IN EXCHANGE FOR OWNER'S VOLUNTARY AND INTENTIONAL WAIVER OF THE CLAIMS SET FORTH IN THIS SECTION 29.3. EACH OWNER ACKNOWLEDGES THAT DECLARANT WOULD HAVE REQUIRED A SIGNIFICANTLY HIGHER PURCHASE PRICE FOR THE UNIT IF OWNER DECLINED TO PROVIDE THE FOREGOING RELEASE AND WAIVER. THIS RELEASE AND WAIVER SHALL BE BINDING UPON EACH OWNER, ALL SUCCESSOR OWNERS OR OCCUPANTS OF THE UNIT, THE ASSOCIATION, AND THEIR RESPECTIVE EMPLOYEES, CONTRACTORS, PROPERTY MANAGERS, BROKERS, HEIRS, SUCCESSORS, ASSIGNS, GUESTS AND INVITEES. EACH OWNER AGREES THAT CLAIMS OF THE ASSOCIATION ARE DERIVATIVE OF CLAIMS OF UNIT OWNERS AND THAT THE ASSOCIATION WILL BE BOUND BY THE FOREGOING WAIVER. THIS WAIVER SHALL ACT AS A COMPLETE BAR AND DEFENSE AGAINST ANY RELEASED OR WAIVED CLAIM. EACH OWNER ACKNOWLEDGES THAT IT HAS READ AND UNDERSTANDS THIS WAIVER, AND THAT IT HAS HAD AN OPPORTUNITY TO SEEK AND CONSULT COUNSEL REGARDING THIS WAIVER.

29.4 TIME LIMITATION ON ACTIONS. IT IS THE INTENT OF THE PARTIES THAT THE RELEASES AND WAIVERS OF CLAIMS IN THIS SECTION 29 BE COMPREHENSIVE AND FINAL. TO THE EXTENT IT IS DETERMINED THAT ANY CLAIM AGAINST ANY DECLARANT PARTY, UNDER ANY LEGAL THEORY, SURVIVES THE FOREGOING RELEASE AND WAIVER FOR ANY REASON, SUCH CLAIM MUST BE BROUGHT ON THE EARLIER OF (A) WITHIN 60 DAYS AFTER THE DATE OWNER KNEW OR REASONABLY SHOULD HAVE KNOWN OF FACTS SUFFICIENT TO PUT OWNER ON NOTICE OF THE CLAIM, OR (B) WITH RESPECT TO THE UNIT AND RELATED LIMITED COMMON ELEMENTS, BY NO LATER THAN THE FIRST ANNIVERSARY OF THE CLOSING DATE OR (C) PRIOR TO THE EXPIRATION OF THE APPLICABLE STATUTE OF LIMITATIONS OR (D) WITH RESPECT TO THE GENERAL COMMON ELEMENTS, THE FIRST ANNIVERSARY OF THE DATE OF THE FIRST CONVEYANCE OF A UNIT IN THE CONDOMINIUM TO A UNIT OWNER OTHER THAN DECLARANT. ANY AND ALL SUCH CLAIMS NOT BROUGHT WITHIN THIS TIME PERIOD WILL BE DEEMED TIME BARRED, REGARDLESS OF WHEN OWNER ACTUALLY DISCOVERED THE ALLEGED BASIS FOR THE CLAIM. FOR PURPOSES OF THIS SECTION 29, A CLAIM IS "BROUGHT" WHEN ARBITRATION IS FORMALLY INITIATED OR A COMPLAINT IS FILED IN THE APPROPRIATE COURT AND SERVED PROMPTLY ON DECLARANT.

29.5 Personal Property. Notwithstanding any other provision of this Section 29, Declarant 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 Primary Unit or Common Elements. Each Owner has agreed that the warranties of appliances, equipment and other consumer products installed in the Primary Unit or Common Elements are those of the manufacturer or supplier and are not warranted by Declarant.

To the extent assignable, all such manufacturer or supplier warranties have been assigned to Owner, effective on the closing of such Owner's purchase of his or her Primary Unit(s) from Declarant. Declarant has made no representations or guarantees regarding 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, Owner expressly has assumed the risk, as against Declarant, that such products may be defective. Owner warranted that Owner had adequate opportunity to investigate the condition of the manufactured products, and Owner relied solely on such independent investigation in purchasing the Unit.

29.6 No Other Warranties. TO THE FULLEST EXTENT ALLOWED BY LAW DECLARANT HAS MADE NO OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY 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 UNITS, COMMON ELEMENTS, OR ANY OTHER PART OF THE CONDOMINIUM OTHER THAN THOSE EXPRESSLY DESCRIBED IN EACH UNIT SALES AGREEMENT. WITHOUT LIMITATION TO THE FOREGOING, AND EXCEPT FOR THE EXPRESS WARRANTY OF EACH UNIT SALES AGREEMENT, 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 made no warranty regarding sound transmission between Primary Units or the level or adequacy of sound insulation in a Primary Unit or the Common Elements. The terms of the warranties set forth in each Unit Sales Agreement shall not be extended by any warranty repair or replacement work performed or caused to be performed by Declarant or its representatives. Declarant shall not be responsible for and the warranties set forth in each Unit Sales Agreement shall not cover: (i) 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; (ii) any modifications to the Unit, Common Elements, or the Condominium made by parties other than Declarant; (iii) any items covered by a manufacturer's or supplier's warranty as set forth in Section 29.5 above; (iv) damage caused by normal wear and tear; or (v) conditions or defects 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.

29.7 Defects. For purposes of Declarant's warranties as set forth in each Unit Sales Agreement, "defect(s)" or "defective" means a flaw in the materials or workmanship used in constructing the Units 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; (iii) jeopardizes the life or safety of the occupants

of the Unit; or (iv) results in the inability of the Unit or the applicable Common Elements to provide the functions that can reasonably be expected in a condominium dwelling. So long as the Unit is 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. Conditions caused by or resulting from the failure of the Owner or the Association to perform normal and routine maintenance of the Unit and Common Elements, as applicable, shall not be considered "defects." The Owners' maintenance obligations are set forth in the 10 Year Warranty and in the Bylaws. Any warranty work performed by Declarant and its representatives will be during Declarant's normal weekday hours, and Owner agrees to provide access therefor.

29.8 Right of Inspection. By appointment arranged in advance, Declarant, its agents and assigns shall have the continuing right, but not the obligation, after the conveyance of each Unit by Declarant to inspect Owner's Unit and the Common Elements at reasonable times to identify and correct any conditions for which Declarant could potentially be responsible under the Unit Sales Agreement or any applicable law.

29.9 Acoustics, Light, Air and View. Declarant has made no representation or warranty regarding the existence of or changes in the level of noise, light, air or view benefiting or burdening the Primary Unit specifically or the Condominium generally. Each Owner acknowledges that the Declarant will have no liability if the current level of noise, light, air or view affecting the Primary Unit changes due to future developments. Each Owner acknowledges that as is typical in residential condominiums, the Primary Units are not soundproof and Declarant made no warranty or representation regarding the degree that exterior sounds and light will infiltrate the Primary Unit. Primary Unit occupants may hear some degree of noise from the nearby streets and see visible light from the nearby streets, commercial buildings and parking areas, the Les Schwab Amphitheater, nearby residences and nearby common areas. The Association, and not Declarant, will have the responsibility of enforcing rules against disturbing other members of the Association, however noise occurring outside the Primary Unit may be audible inside the Primary Unit to some degree. Each Owner also acknowledges that any removal of the finished flooring or other alterations within the Primary Unit or Condominium may adversely affect the noise levels within the Primary Unit.

29.10 Mold. Owner acknowledges that mold is a commonly occurring natural substance that can grow in the Primary Units, Storage Units, and the Common Elements where water infiltration and humidity exist. Owner also acknowledges that there is controversy regarding whether and to what extent certain types of mold are toxic to humans. Owner understands and agrees that Declarant will not be liable for any property damage or bodily injury suffered by the Primary Unit's occupants and resulting from the presence of mold. Owner is hereby advised to regularly cause the Primary Unit, Storage Unit, and the Common Elements to be inspected for mold or any other dangerous condition. Owner should take prompt action to remedy underlying water infiltration and humidity conditions that are causing any mold discovered and thereby avoid any possibility of damage or injury from long-term exposure to mold.

29.11 Covenants Running with the Land. The provisions of this Section 29 are intended to touch and concern the Condominium and shall be deemed covenants running with the land. Each and every term of this Section 29 shall, to the fullest extent allowed by law, bind each initial Owner, the Association and each subsequent owner or transferee of a Unit.

30. Disclosures; Disclaimers.

30.1 Unit Square Footage. Unit square footage may be different from the square footage shown on plans and specifications or advertising brochures, which are based on good faith estimates. Variations in size may be seen even between units having the same floor plan.

30.2 Model Units. Model units and their appurtenances and furnishings are displayed only for illustration purposes and shall not be deemed to be an agreement or commitment by Declarant to deliver the Unit being purchased by Owner in accordance with any such model unit or with the same or similar appurtenances and furnishings shown in such model unit. The furnishings, decorations, gas fireplaces, appliance drip pans, custom colors or textures, and other appurtenances and finish work in or to any model unit are not included in the sale of the Unit(s); provided, however, that such items may be included in the sale of a specified model unit if, and only to the extent, the Unit Sales Agreement for that model unit specifically describes appurtenances and furnishings as part of the sale. Unless expressly stated otherwise in the Unit Sales Agreement, Owner acknowledges that it is not purchasing a model unit, each of which has been professionally decorated and furnished.

30.3 Wood Flooring Disclosure. Wood is not a man-made product and consequently it is subject to variations in grain and color. These variations are among the characteristics which make wood attractive for use as a floor covering. On the other hand, because wood is a natural product, it is subject to seasonal expansion and contraction as a result of the normal fluctuation of temperature and humidity. There is more moisture in indoor air during warm wet weather such as is common in early summer than during winter months when forced air heating results in very dry indoor conditions. Wood flooring will absorb moisture from the air during wet conditions, consequently expanding in width, and lose moisture, then contracting, when conditions are drier. This gradual and continual expansion and contraction can result in cracks appearing in wood flooring from time to time. This cracking may be more accentuated near heat registers and appliances where warm dry air blows across the wood. These cracks may also appear accentuated due to the white stain used in today's popular floor finishes. Declarant cannot control moisture conditions during the life of the product and therefore cannot warrant the product against cracks which appear after move-in unless they exceed 1/8" in width and occur within the One-Year Warranty (as defined in the Unit Sales Agreement) period. When selecting wood as a floor finish, Owner is advised to take into account the proper care which it requires: wood is very sensitive to liquid, therefore spills left standing will result in floor damage; detergents and waxes cannot be used without damaging the finish; and scratches and depressions are often the result of normal foot traffic and are difficult and costly to repair. High heeled shoes are often the culprit. Various carpet backings may cause a chemical reaction causing color gradation to the wood floor. Owners are advised to use caution in placing rugs over hardwood.

30.4 Vegetation. Grass, trees and other vegetation, if any, even if remaining at close of purchase of a particular Unit, escrow and occupancy, may not survive and may need to be replaced at the sole expense of the Association. No warranty of quality or survival is given by Declarant with respect to grass, trees and other vegetation. Further, Owner is advised that native trees are often subject to governmental regulation and may not necessarily be removed at will.

30.5 Sound Transmission. As provided in the Unit Sales Agreement, Owner acknowledges and agrees that it is normal to experience some transmission of sound between Primary Units, that on occasion these sounds are heard in normal conditions with typical noise levels, that Declarant made no warranty regarding soundproofing, transmission of sound between Primary Units and/or levels or adequacy of sound insulation, and that transmission of sound between Primary Units shall not be considered a construction defect. Owner further acknowledges that Owner has had ample opportunity to discern to his or her satisfaction the level of sound and sound transmission at the Primary Unit at various times of day, that sound levels may differ over time depending on a variety of factors, and that he or she has accepted all current and potential future sound levels. The consideration paid to Declarant for the Primary Unit reflects Owner's acceptance of sound transmissions, and Owner acknowledges that Declarant would have required a higher purchase price for any additional sound insulation or any warranties regarding sound.

30.6 No Warranty of Views. The Condominium is located in the Old Mill District of Bend, Oregon. Each Owner understands and acknowledges that the Old Mill District is a mixed use zone with commercial and residential buildings and future development in the area may block or alter views from the Condominium units. As of the date of this Declaration, the City of Bend has a 35-foot height restriction on all buildings unless a higher building height is approved by the City of Bend's conditional use permit process. Declarant makes no warranty or representation that current views from the Condominium will remain in the future.

30.7 Les Schwab Amphitheater. Each Owner understands and acknowledges that the Les Schwab Amphitheater is located near the Condominium in the Old Mill District and that outdoor concerts and events are scheduled at the amphitheater throughout the year during both daytime and evening hours and, as of the date of this Declaration, are scheduled through 10:00 p.m. on some nights. Each Owner shall be deemed to have waived such Owner's right to protest against outdoor concerts at the Les Schwab amphitheater.

31. Floodplain Restrictions. As required by 24 CFR 55.12(6)(iii), any construction and landscaping activities (except for minor grubbing, clearing of debris, pruning, sodding, seed, and similar activities) in the portions of the Property consisting of a 100-year floodplain, if any, shall be conducted only in ways that preserve such floodplain and no building shall be constructed within such floodplain, if any.

IN WITNESS WHEREOF, Declarant has caused this Declaration to be executed
this 16 day of FEBRUARY, 2007.

Declarant: HARVEST, LLC, an
Oregon limited liability company

By: [Signature]
Name: THOMAS E WURZEL
Title: PARTNER

STATE OF OREGON)
) ss.
County of Deschutes)

The foregoing instrument was acknowledged before me on this 16th day of
February, 2007, by Thomas E. Wurzel, who is the
Partner of Harvest, LLC, an Oregon limited liability company,
on behalf of the limited liability company.



[Signature]
Notary Public for Oregon
My Commission Expires: August 21, 2010

[Signature]
County Assessor

[Signature] 7-17-07
County Tax Collector

The foregoing Declaration is approved pursuant to ORS 100.110 this 5th day of
June, 2007 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.

Acting SCOTT W. TAYLOR [Signature]
Oregon Real Estate Commissioner

By: [Signature]
Laurie Skillman

EXHIBIT A

Property Description

A parcel of land being Lot 30 as shown on the official plat of "Upper Terrace, Phase II" as recorded in Plat Cabinet E, Page 156, Deschutes County Official Records, located in a portion of the Northeast Quarter (NE1/4) of Section 5, Township 18 South, Range 12 East, Willamette Meridian, City of Bend, Deschutes County, Oregon, being more particularly described as follows:

Beginning at the southeast corner of said Lot 30; thence along the boundary of said Lot 30 the following six (6) courses and one (1) curve:

North 70°02'34" West a distance of 196.36 feet;
North 47°33'18" West a distance of 29.14 feet;
North 40°37'28" East a distance of 108.22 feet;
North 53°13'06" East a distance of 147.68 feet;
South 82°09'41" East a distance of 102.58 feet;
59.89 feet along a non-tangent curve to the right with a radius of 472.50 feet, the chord of which bears South 16°19'33" West a distance of 59.85 feet;
South 19°57'26" West a distance of 197.70 feet to the point of beginning, the terminus of this description.

EXHIBIT B

Area of Primary, Parking And Storage Units and Allocations of Common Element Interest

<u>Unit No.</u>	<u>Area (Sq. Ft.)</u>	<u>Allocation</u>
<i>Primary:</i>		
101	1,547	2.189%
102	1,801	2.548%
103	1,662	2.351%
104	1,689	2.389%
105	1,798	2.544%
106	1,543	2.183%
107	1,543	2.183%
108	1,547	2.189%
109	1,543	2.183%
201	1,551	2.194%
202	1,810	2.561%
203	1,743	2.466%
204	1,705	2.412%
205	1,820	2.575%
206	1,555	2.200%
207	1,684	2.382%
208	1,555	2.200%
209	1,551	2.194%
210	1,555	2.200%
211	1,544	2.184%
301	1,871	2.647%
302	1,844	2.609%
303	1,824	2.580%
304	1,711	2.421%
305	1,967	2.783%
306	1,594	2.255%
307	1,738	2.459%
308	1,594	2.255%
309	1,593	2.254%
310	1,629	2.305%
311	1,596	2.258%
401	1,790	2.532%
402	1,785	2.525%
403	1,711	2.421%
404	1,683	2.381%
405	1,787	2.528%

406	1,533	2.169%
407	1,670	2.363%
408	1,533	2.169%
409	1,529	2.163%
410	1,533	2.169%
411	1,526	2.159%

Parking:

P-1	171	0.010%
P-2	165	0.010%
P-3	171	0.010%
P-4	165	0.010%
P-5	171	0.010%
P-6	165	0.010%
P-7	171	0.010%
P-8	165	0.010%
P-9	171	0.010%
P-10	165	0.010%
P-11	171	0.010%
P-12	165	0.010%
P-13	171	0.010%
P-14	165	0.010%
P-15	171	0.010%
P-16	165	0.010%
P-17	171	0.010%
P-18	165	0.010%
P-19	171	0.010%
P-20	171	0.010%
P-21	165	0.010%
P-22	171	0.010%
P-23	183	0.010%
P-24	190	0.010%
P-25	165	0.010%
P-26	171	0.010%
P-27	165	0.010%
P-28	171	0.010%
P-29	165	0.010%
P-30	171	0.010%
P-31	159	0.010%
P-32	159	0.010%
P-33	159	0.010%
P-34	159	0.010%
P-35	159	0.010%
P-36	159	0.010%

P-37	171	0.010%
P-38	171	0.010%
P-39	171	0.010%
P-40	171	0.010%
P-41	152	0.010%
P-42	152	0.010%
P-43	158	0.010%
P-44	153	0.010%
P-45	153	0.010%
P-46	153	0.010%
P-47	186	0.010%
P-48	186	0.010%
P-49	176	0.010%
P-50	176	0.010%
P-51	171	0.010%
P-52	171	0.010%
P-53	171	0.010%
P-54	171	0.010%
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P-56	171	0.010%
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P-61	171	0.010%
P-62	171	0.010%
P-63	171	0.010%
P-64	171	0.010%
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P-66	171	0.010%
P-67	171	0.010%
P-68	171	0.010%
P-69	171	0.010%
P-70	171	0.010%
P-71	171	0.010%
P-72	171	0.010%
P-73	171	0.010%
P-74	171	0.010%
P-75	171	0.010%
P-76	171	0.010%
P-77	171	0.010%
P-78	171	0.010%
P-79	171	0.010%

P-80	165	0.010%
<i>Storage:</i>		
S-1	8	0.010%
S-2	8	0.010%
S-3	8	0.010%
S-4	8	0.010%
S-5	8	0.010%
S-6	8	0.010%
S-7	8	0.010%
S-8	8	0.010%
S-9	8	0.010%
S-10	8	0.010%
S-11	8	0.010%
S-12	8	0.010%
S-13	8	0.010%
S-14	8	0.010%
S-15	8	0.010%
S-16	8	0.010%
S-17	8	0.010%
S-18	8	0.010%
S-19	8	0.010%
S-20	8	0.010%
S-21	8	0.010%
S-22	8	0.010%
S-23	8	0.010%
S-24	8	0.010%
S-25	8	0.010%
S-26	8	0.010%
S-27	8	0.010%
S-28	8	0.010%
S-29	8	0.010%
S-30	8	0.010%
S-31	8	0.010%
S-32	8	0.010%
S-33	8	0.010%
S-34	8	0.010%
S-35	8	0.010%
S-36	8	0.010%
S-37	8	0.010%
S-38	8	0.010%
S-39	8	0.010%
S-40	8	0.010%
S-41	8	0.010%

S-42	8	0.010%
S-43	8	0.010%
S-44	8	0.010%
S-45	8	0.010%
S-46	8	0.010%
S-47	8	<u>0.010%</u>

Total:		100.000%
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EXHIBIT C

Bylaws of Plaza Condominiums Owners' Association

BYLAWS
OF
PLAZA CONDOMINIUMS OWNERS' ASSOCIATION

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1. GENERAL PROVISIONS.

1.1 Identity. Plaza 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 on the 16th day of February, 2007 (the "Association"), has been organized for the purpose of administering the operation and management of the Plaza Condominiums (the "Condominium"), in accordance with the terms of these Bylaws. The Condominium was established by Harvest, 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 Plaza 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 defined terms used in these Bylaws and not specifically defined herein shall have the meaning given such terms in the Declaration.

1.4 Applicability. All (i) owners of Units ("Owners"); (ii) tenants and occupants of any Unit; and (iii) 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 Bend, Oregon, or at any other place within the Bend, Oregon area designated by the Association.

2. MEETINGS OF OWNERS.

2.1 Administrative Control. Notwithstanding any other provisions of these Bylaws, except Section 10.2 below, 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 all 169 Units planned for the Condominium. Notice of the meeting shall be given as provided in Section 2.7 to each Owner at least 10 days 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 or more members selected by Owners other than the Declarant and 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 days 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 timely called by the Declarant, the meeting may be called and notice given by any Owner or by any first Mortgagee of a Primary Unit. At the Turnover Meeting, (i) the Declarant shall relinquish control of the administration of the Association to the Owners and the latter shall assume control thereof; (ii) the Owners shall elect a board of directors as set forth in these Bylaws; and (iii) the Declarant shall deliver to the Association the items specified in Section 100.210(5) of the Act. 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 Section 100.210(5) of the Act. If the Declarant has complied with the terms of Section 100.210 of the Act, 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 Section 100.210(4) of the Act, 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. In the 12th month following the month in which the Turnover Meeting is held, the first annual meeting of Owners shall be held. At such 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. Thereafter, annual meetings shall be held in the same month as the initial annual meeting or in the month following, at such hour and on such date as the chairperson of the Board of Directors (the "Chairperson") may designate or, if the Chairperson fails to designate such date by the last day of the first month in which the meeting may be held, the meeting shall be held on the second Wednesday of the second month in which the meeting may be held, unless such date shall be a legal holiday, in which event the meeting shall be held on the next succeeding business day. 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 Bend, Oregon area, as may be designated by the Board.

2.6 Special Meetings. Special meetings of the Association may be called by the Chairperson, a majority 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 as well as the items on the meeting agenda, including, without limitation, the general nature of any proposed amendment to the Declaration or Bylaws, any budget changes or any proposal to remove a Director or Officer. No business shall be transacted at a special meeting except as stated in the notice.

2.7 Notice of Meetings. The Chairperson or Secretary shall give written notice of each meeting of the Association, by hand delivery or U.S. Mail at least 10 days but not more than 50 days prior to the date set for such meeting, to each Owner of record (and to any first Mortgagee of record requesting such notice and to Declarant for all meetings held within five (5) years after the date of the Turnover Meeting), 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 notice of any meeting shall state the purpose, time, and place of such meeting as well as the items on the meeting agenda, including, without limitation, the general nature of any proposed amendment to the Declaration or Bylaws, any budget changes or any proposal to remove a Director or Officer. 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 The total number of votes of all Owners shall be equal to the total number of Primary Units in the Condominium and each Owner shall be entitled, subject to the provisions of Section 20 of the Declaration (which grants the Declarant five votes for each Primary Unit owned by it) and to Section 3.1 of these Bylaws regarding the election of Directors, to a number of votes equal to the number of Primary Units owned by such Owner. 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 Primary 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 Primary 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 If an Owner is in default for failure to pay assessments or other charges under these Bylaws, the Declaration or the Rules and Regulations for 60 consecutive days or more, such Owner's voting rights shall be suspended until such delinquencies are paid in full, including any interest, penalties and late charges due on such delinquencies.

2.9 Persons Under Disability. Minors and persons declared legally incompetent shall be eligible for membership in the Association, if otherwise qualified, but shall not be permitted to vote except through a legally appointed, qualified, and acting guardian of their estate voting on their behalf, or, in the case of a minor with no legal guardian of the minor's estate, through a parent having custody of the minor.

2.10 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. No proxy shall be valid (i) for over one year, or (ii) which is undated, or (iii) which purports to be revocable without notice, or (iv) 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 have given 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.

2.11 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 in such capacity, whether or not the same shall have been transferred to his name; *provided, however*, that he shall satisfy the Secretary that he is the executor, administrator, conservator, guardian or trustee holding such Primary 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 Primary 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 Primary Unit shall be disregarded completely in determining the proportion of votes given with respect to the matter voted upon.

2.12 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. 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.

2.13 Binding Vote. The vote of more than 50 percent of the voting power of the Association, present 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.

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

2.14.1 Calling of the roll and certifying of proxies;

2.14.2 Proof of notice of meeting or waiver of notice;

2.14.3 Reading of minutes of the immediately preceding meeting;

2.14.4 Reports of officers;

2.14.5 Reports of committees, if any;

2.14.6 Election of Directors;

2.14.7 Unfinished business;

2.14.8 New business; and

2.14.9 Adjournment.

2.15 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 person(s) prior to the Turnover Meeting and three person(s) thereafter. Until the Turnover Meeting shall have been held, the Board of Directors shall consist of the Director(s) named in the Articles of Incorporation of the Association, subject to the appointment and removal powers of the Declarant described in Section 20 of the Declaration. At the Turnover Meeting, these Director(s) shall be elected by all Owners to serve until the first annual meeting of the Association. At the first annual meeting of the Association, two Director(s) shall be elected by the Owners to serve for a term of two years and one Director shall be elected by the Owners to serve for a term of one

year. Those two Director(s) receiving the three highest vote totals will serve for the initial two-year term. Election by the Owners shall be by plurality. At the expiration of the initial term of office of each Director elected or appointed at the first annual meeting of the Association, that Director's successor shall be elected or appointed 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 or appointed 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 the Director 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, or the members or managers of any limited liability company which owns a 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 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 Operation, care, inspection, upkeep, repair, replacement and maintenance of the Common Elements and Association Property.

3.2.2 Determination of the amounts required for operation, inspection, maintenance and other affairs of the Association, and the making of such expenditures.

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; engagement of or contracting for the services of others; and making purchases for the maintenance, inspection, 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 agreement for management services entered into after the Turnover Meeting on behalf of the Association must be terminable by the Association for cause upon not more than 30 days notice, must have a reasonable term not exceeding three years, and must be renewable only with the consent of the Association and any such property 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 100 percent of the total voting power of the Association, and approved by Mortgagees holding Mortgages on Units which have at least 51 percent of the voting rights of the Units subject to Mortgages.

3.2.5 Adoption and amendment of reasonable rules and regulations of the Condominium ("Rules and Regulations") pursuant to Section 7.31 hereof.

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

3.2.7 Purchasing or otherwise acquiring, in the name of the Association or its designee, corporate or otherwise, on behalf of the Owners, Units offered for sale 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, on behalf of all Owners upon the consent or approval of the Owners holding not less than 75 percent of the voting power of the Association.

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 on behalf of all the Owners.

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, including directors' liability insurance, for the Association and the Condominium, including the Units, pursuant to the provisions of these Bylaws.

3.2.12 Obtaining and updating the annual reserve study required by the Act.

3.2.13 Making repairs, additions and improvements to, or alterations of, the Condominium and repairs to and restoration of the Condominium in accordance with these Bylaws and Sections 21 and 22 of the Declaration 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.

3.2.14 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 Ten Thousand Dollars (\$10,000), unless (i) the Owners have enacted a resolution authorizing the project by a vote of Owners holding at least 75 percent of the voting power of the Association, present in person or by proxy at a meeting of the Owners or (ii) the expenditure is authorized in the annual budget of the Association. 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.

3.2.15 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 based on a resolution of the Board of Directors that is delivered to each Primary Unit, mailed to the mailing addresses designated in writing by the Owners, or mailed to the mailing address for each Primary Unit.

3.2.16 Borrowing money on behalf of the Association when required in connection with the inspection, operation, care, upkeep, and maintenance of the Common Elements and Association Property; *provided, however*, that (i) the consent of Owners holding at least 75 percent of the voting power of the Association, obtained at a meeting duly called and held for such purpose in accordance with the provisions of these Bylaws, 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 Association Property, 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 written 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 3.2.16 is not repaid by the Association, an Owner who pays to the creditor such proportion thereof equal to his 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.

3.2.17 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.

3.2.18 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 holding not less than 75 percent of the voting power of the Association.

3.2.19 Filing all appropriate income tax returns.

3.2.20 Filing of the Annual Report described in Section 100.260 of the Act with the Real Estate Agency pursuant to Section 100.250 of the Act.

3.2.21 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.

3.2.22 In conjunction with preparing and updating the reserve study, establish, periodically update, and implement a 30-year maintenance plan that identifies those components of the Common Elements requiring periodic maintenance, including a maintenance manual defining how and when such maintenance should be performed, and setting forth the estimated cost of such maintenance and including information about warranties (the "Maintenance Plan"). The Maintenance Plan shall comply with ORS 100.175 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. The Maintenance Plan shall be appropriate for the size and complexity of the Common Elements. For a period of 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 three years, except agreements specifically authorized in these Bylaws, without, in each case, the prior approval of the Owners holding at least 75 percent of the voting power of the Association.

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, or telecopy 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 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 that the following matters and such other matters as are permitted by the Act, if any, may be considered in executive session: (a) consulting with legal counsel regarding the rights and duties of the Association in connection with existing or potential litigation, or criminal matters *provided, however*, that the Board of Directors shall not initiate legal proceedings against the Declarant or any Director without first obtaining the approval of the Owners holding at least 75 percent of the voting power of the Association; (b) dealing with personnel matters, including salary negotiations and discipline; (c) negotiating of contracts with third parties; and (d) discussing the collection of unpaid assessments. 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. 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. Meetings of the Board of Directors may be conducted by any means of communication that allows all members of the Board of Directors to hear each other simultaneously or otherwise to communicate during the meeting. The meeting and notice requirements in ORS 100.420 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. 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 may be removed with or without cause, but only by approval of at least a majority of the Owners, notwithstanding the quorum provisions of Section 2.12, and a successor may then and there or thereafter be elected by the Owners 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.

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 be filled by vote of a majority of the remaining Directors at a special meeting of the Board of Directors held for that purpose promptly after the occurrence of any such vacancy, even though the Directors present at such meeting may constitute less than a quorum. Each person so elected or appointed 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 or appointed as provided in these Bylaws 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 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 (including pre-turnover Directors) to the Association or its Owners for monetary damages for conduct as a Director shall be eliminated. Each Director (including pre-turnover Directors) 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 (including pre-turnover Directors), 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 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 and 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 are appropriate to assist in the conduct of the affairs of the Association as determined by the Chairperson in his or her discretion.

4.5 Vice Chairperson. The Vice Chairperson shall take the place of the Chairperson and perform the Chairperson's 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 required by these Bylaws and other notices required by law, 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 the Vice Chairperson's 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 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, shall disburse funds of the Association upon properly authorized vouchers, and 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 him 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. Checks of up to Ten Thousand Dollars (\$10,000) may be signed by the professional property management company for the Condominium if authorized by general or special resolution of the Board of Directors, and, in the absence of any such general or special resolution applicable to any such instrument, then such instrument shall be signed by the Treasurer, or in his or her absence or disability, Chairperson or another person duly authorized by the Board of Directors. Notwithstanding the foregoing, all checks of Ten Thousand Dollars (\$10,000) or more shall require the signatures of the Chairperson or Treasurer and one other officer of the Association.

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.

5.1 Budget.

5.1.1 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 over assessment, and assess the common expenses in accordance with Section 7.1 of the Declaration. The budget shall provide for an adequate reserve fund for maintenance, repairs and replacement of those Common Elements which will normally require replacement in more than three and fewer than 30 years and for the painting of exterior painted surfaces of Common Elements, if any, in accordance with Section 5.2 of these Bylaws. The Board of Directors shall advise each Owner in writing of the amount of common expenses payable by such Owner, and furnish copies of each budget and amended budget on which such common expenses are based to all Owners, the Declarant (for at least five (5) years after the date of the Turnover Meeting), and, if requested, to their Mortgagees, at least 30 days prior to the annual meeting of the Association. 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. If the Board of Directors fails to adopt an annual budget, the last adopted budget shall continue in effect. 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 the 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 Declarant's good faith projection of the requirements of the Association for the period in question. Such projection (i) may increase over time and (ii) may vary substantially from the actual requirements of the Association for such period. Such projection need not include (a) items that

reasonably could be funded from operating assessments (as described in Sections 5.5 and 5.6 below) or (b) a reserve for limited common elements for which maintenance and replacement are the responsibility of one or more unit Owners under the provisions of the Declaration or these Bylaws. The reserve study on which such projection is based assumes that the Board conducts normal, routine maintenance for the elements reserved for and that the Board is required to perform pursuant to the Declaration, these Bylaws, the Maintenance Plan and the Act. If the Board fails to perform the 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, in its sole discretion, for preparation of the budget of the Association and shall not rely upon prior budgets or projections prepared by the Declarant. The budget shall take into account the requirements of the Maintenance Plan adopted pursuant to Section 3.2.22 above.

5.1.2 Within 30 days after adoption of any proposed budget for the Condominium following the Turnover Meeting, the Board shall provide a summary of the budget to all Owners.

5.2 Reserve Fund for Replacing Common Elements. Declarant shall conduct a 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 (3) and fewer than 30 years, for significant future maintenance items as required by the Maintenance Plan established pursuant to Section 3.2.22 above, and for the painting of exterior painted surfaces of Common Elements, 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 (3) 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 3.2.22 above, and for the painting of exterior painted surfaces of such Common Elements, if any. Declarant, in establishing the reserve fund, shall obtain and rely on a reserve study from a professional property manager or reserve study provider in making a projection of the requirements of the Association with respect to replacement of such Common Elements and for the painting of exterior painted surfaces of Common Elements. Such projection (i) may increase over time and (ii) may vary substantially from the actual requirements of the Association. Such projection need not include (a) items that reasonably could be funded from operating assessments (as described in Sections 5.5 and 5.6 below) or (b) a reserve for limited common elements for which maintenance and replacement are the responsibility of one or more unit Owners under the provisions of the Declaration or these Bylaws. 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 books and records of the Association shall reflect the amount owned by Declarant for all reserve fund assessments. The Board 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 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. Following the second year after the Turnover Meeting, the Association may, by an affirmative vote of at least 75 percent of the Owners, elect to reduce or increase future assessments for the reserve funds. In addition to the Board's authority to do so, 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. The amount of the reserve fund 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 that will normally require replacement in more than three (3) and fewer than 30 years, for significant maintenance items as required by the Maintenance Plan and for the painting of exterior painted surfaces of Common Elements, if any, and is to be kept separate from the operating expense assessments described in Section 5.5. After the Turnover Meeting, however, the Board 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 that will later be paid from special or regular assessments, if the Board has adopted a resolution, which may be an annual continuing resolution, authorizing the borrowing of funds and, prior to adopting such a resolution, has provided advance notice of the pending resolution to all Owners and, for 10 years after recording of the Declaration, to Declarant and its successors and assigns. 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.

5.3 Assessments and Reserves. THE PROJECTION OF THE BUDGET OF THE ASSOCIATION OF UNIT OWNERS FOR THE OPERATION AND MAINTENANCE AND OTHER COMMON EXPENSES OF THE CONDOMINIUM IS ONLY AN ESTIMATE. INITIAL ASSESSMENTS MAY BE HIGHER THAN SHOWN IN THE PROJECTED BUDGET, AND ASSESSMENTS ARE LIKELY TO INCREASE OVER TIME. RESERVE PROJECTIONS MAY INCREASE AND MAY VARY SUBSTANTIALY FROM THE ACTUAL REQUIREMENTS OF THE ASSOCIATION IMPOSED ON UNIT OWNERS.

5.4 Determination of Common Expenses. Common expenses shall include:

5.4.1 Expenses of administration.

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

5.4.3 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.

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

5.4.5 The costs of the annual reserve study required by the Act, or the renewal and update thereof.

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

5.4.7 Utilities for the Common Elements and other utilities not separately metered or charged, except as provided in Section 5.10 below.

5.4.8 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.

5.4.9 Professional management services, gardening, landscaping, snow removal, waste removal, cleaning, and maintenance, decorating, inspection, repair and replacement of the Common Elements, Parking Units and Association Property and such machinery 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.

5.4.10 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 5.5.

5.4.11 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.

5.4.12 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 a Unit has failed or refused to perform such maintenance or repair in accordance with these Bylaws, the Maintenance Plan, or the Declaration 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 may levy a special assessment against such Owner for the cost of such maintenance or repair.

5.4.13 The amount of any Base Assessments, Special Assessments or Specific Assessments for which the Association is liable under the Upper Terrace Phases II and III Declaration and the River Bend Master Declaration as well as the amount of any repair or maintenance costs for which the Association is liable under the Driveway Easement.

5.4.14 Any other items properly chargeable as an expense of the Association.

5.5 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. 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. The 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 7.1.2 of the Declaration. At the time of closing of the initial sale and each subsequent of each Primary Unit, the purchaser shall make the contribution described in Section 5.6.3 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).

5.6 Special Assessments.

5.6.1 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 contributions by the Owners for capital improvements, and the proceeds of which shall be used only for the special capital improvements described in the resolution.

5.6.2 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 assessed to the Owners according to each Owner's percentage ownership in the Common Elements. 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 the Declarant shall be based upon the 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.

5.6.3 Working Capital Fund. The 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 5.5. At the time of closing of the initial and each subsequent 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 the 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 the Declarant under this Section 5.6.3. At or prior to the Turnover Meeting, the 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 the Declarant; *provided, however*, that the contribution by the initial purchaser of a Primary Unit described in the preceding sentence shall be paid to the Declarant at the closing of such purchase in reimbursement of contributions made to the working capital fund by the Declarant. At or prior to the Turnover Meeting, the Declarant shall transfer the amount of the working capital fund to the Association for deposit in a segregated fund and administration in accordance with Section 5.6.2. During the period of administrative control described in Section 20 of the Declaration, the Declarant shall not use any funds contained in the working capital fund to defray the Declarant's expenses, contributions to reserves, or construction costs, or to compensate for any deficits in the operating budget of the Condominium.

5.7 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 (including the pre-turnover Board of Directors), 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 such Owner's respective share of the common expenses. The Association shall have a lien for all of the same upon the Unit or Units of such defaulting Owner and upon all of his additions and improvements thereto and upon all of his personal property located in such Unit or 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.

5.8 Liability of Owners. An Owner shall be liable for the expenses of any maintenance, repair or replacement rendered necessary by his act, neglect or carelessness or by that of any member of his family, or his or their guests, employees, servants, invitees, agents or lessees, but only to the extent that such expense is not met by the proceeds of insurance carried by the Association. 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. 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 the corresponding 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.

5.9 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.

5.10 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, in violation of these Bylaws, 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 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, Parking Units 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 to the extent the Board of Directors has been notified of such Mortgagees. The Association shall maintain within the State of Oregon a copy, suitable for duplication, of: (i) the Articles, 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; 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. For a period of 10 years following the date of the Turnover Meeting, the Secretary shall mail to Declarant within 30 days after the creation, adoption or recordation of such documents, as applicable, copies of the foregoing documents, including without limitation, written consents of the actions of the Board of Directors and minutes of the meetings of the Association and the Board of Directors.

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 or on a computerized accounting program in which there shall be an account for each Unit. Such account shall designate the name and address of the Owner, the amount of each assessment against the Owner, 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. Vouchers and instruments shall be authorized and signed in accordance with Section 4.8 above.

6.5 Reports and Audits. Within 90 days after the end of each fiscal year, the Board shall prepare or cause to be prepared an annual financial statement of the Association consisting of at least a balance sheet and income and expense statement for the preceding fiscal year (the "Annual Financial Statement") and shall distribute a copy of the Annual Financial Statement to each Owner and to each Mortgagee who has requested the same in writing. If the Association has annual assessments exceeding \$75,000 for any fiscal year following the Turnover Meeting, then pursuant to ORS 100.480(4), the Board shall cause the Annual Financial Statement for that fiscal year to be reviewed within 180 days after the end of the fiscal year by an independent certified public accountant licensed in the State of Oregon in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Pursuant to ORS 100.480(6), the Association may elect on an annual basis not to comply with the review requirements set forth in ORS 100.480(4) by an affirmative vote of at least 60 percent of the Owners, not including the votes of Declarant with respect to Units owned by Declarant. If the Association has annual assessments of \$75,000 or less for any fiscal year, then pursuant to ORS 100.480(5), the Board shall cause the most recent Annual Financial Statement to be reviewed by an independent certified public accountant licensed in the State of Oregon in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants within 180 days after the Board receives a petition requesting such review signed by at least a majority of the Owners. At any time any Owner or Mortgagee may, at its own expense, cause an audit or inspection to be made of the books and records of the Association. In addition, the Board shall not less than annually provide each Owner and Declarant, including its successors and assigns, a written report regarding the Association's compliance with the Maintenance Plan.

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

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 such 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 Rentals. The Leasing or Renting of a Unit by its Owner shall be governed by the provisions of this Section 7.1. As used herein, "Leasing," "Renting," "Leased" or "Rented" means the granting of a lease, sublease, right to use or to occupy a Unit for a specified term or indefinite term 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 under a Mortgage, a foreclosure proceeding or any deed or other arrangement in lieu of a foreclosure, no Owner shall be permitted to Lease his Unit for hotel or transient purposes, or for any period of fewer than 60 days; provided, however, that Floregon Investment Company LLC and Triage California Development LLC or their assigns (collectively, the "Floregon/Triage Entities"), shall be permitted to lease a total of two Primary Units owned by them for terms of less than 60 days, to owners of property at another development of the Floregon/Triage Entities. In addition, no Owner can Lease a Parking Unit or Storage Unit to anyone not occupying a Primary Unit.

7.1.1 No Partial Leases. No Owner of a Unit may Lease less than the entire Unit.

7.1.2 Written Leases. All leases, rental and occupancy agreements shall provide that its terms shall be subject in all respects to the provisions of the Declaration and these Bylaws and Rules and Regulations of the Association and that any failure by tenant to comply with the terms of such documents, Rules and Regulations shall be a default under the lease, rental or occupancy agreement. If any lease, rental or occupancy agreement under this Section does not contain the foregoing provisions, such provisions shall nevertheless be deemed to be part of the lease and binding upon the Owner and the tenant by reason of their being stated in this Section 7.1.

7.1.3 Eviction. If any tenant of a Unit violates or permits the violation by his or her guests and invitees of any provisions of the Declaration, Bylaws or of the Rules and Regulations of the Association, and the Board determines that such violations have been repeated

and that a prior notice to cease has been given, the Board may give notice to the tenant of the Unit and the Owner thereof to forthwith cease such violations; and if the violation is thereafter repeated, the Board shall have the authority, on behalf and at the expense of the Owner, to evict the tenant if the Owner fails to do so after notice from the Board and an opportunity to be heard and in compliance with all applicable statutes, rules and regulations. The Owner and tenant shall be jointly and severally liable for any such violations of the Declaration, Bylaws or Rules and Regulations. The Board shall have no liability to an Owner or tenant for any eviction made in good faith. The Association shall have a lien against the Owner's Unit for any costs incurred by it in connection with such eviction, including reasonable attorney's fees, which may be collected and foreclosed under the terms of the Declaration.

7.1.4 Payment 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, so much of the rent for such Unit as is required to pay any amounts due the Association hereunder, 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 rent is paid 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.

7.1.5 Approval of Lease. Each Owner desiring to rent his Unit shall submit for approval by the Board the lease agreement with the prospective renter or lessee. The Board shall approve such lease agreement as long as (a) any charge due the Association in connection with its review of the lease agreement has been paid by the Owner and (b) the Board determines that the lease agreement satisfies the requirements of the Declaration and these Bylaws relating thereto.

7.1.6 Intentionally Omitted.

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

7.2 Insurance Risk. No Unit or Common Elements shall be occupied or used by anyone in such a manner as to result in an increase in the cost of casualty or liability insurance on the Condominium or the risk of cancellation, or threat of cancellation, of any policy of insurance on the Condominium or any Unit or Common Elements.

7.3 Compliance. Each Owner shall comply and shall require all residents, lessees, servants, invitees, employees and visitors to his Unit to comply with the Act, the Declaration, these Bylaws and the Rules and Regulations adopted pursuant thereto. An Owner shall continue to be responsible for compliance with all of the foregoing, notwithstanding that the Unit is Leased or Rented in violation of these Bylaws.

7.4 Alterations. No Owner shall make or allow any structural alterations in or to his Units, or alter or allow the alteration of the exterior design or color of any part of the

Owner's Units normally visible from the exterior thereof (including any alteration of the window coverings for the Owner's Unit) or make or allow an installation or any change to an installation upon the Common Elements, or maintain, decorate, alter or repair any part of the Common Elements or allow others to do so, 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. An Owner may not remove any partition walls separating contiguous Units. 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 Association.

7.5 Primary Units. The Primary Units shall be used for: (i) residential purposes only, including sleeping, eating, food preparation for on-site consumption by occupants and guests, entertaining by occupants of personal guests and similar activities commonly conducted within a residential dwelling; (ii) for the common social, recreational or other reasonable uses normally incident to such purposes; and (iii) for purposes of operating the Association and managing the Condominium. An Owner or occupant residing in a Primary Unit may conduct business activities within the Primary Unit so long as: (i) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the Primary Unit; (ii) the business activity conforms to all zoning requirements for the Condominium; (iii) the business activity does not involve regular visitation of the Primary Unit by clients, customers, suppliers, or other business invitees or door-to-door solicitation of residents of the Condominium; and (iv) the business activity is consistent with the residential character of the Condominium and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of the Condominium, as may be determined in the sole discretion of the Board of Directors.

7.6 Non-Interference. Each Primary Unit shall be used only for such purpose and to such extent as will not overload or interfere with any Common Elements or the enjoyment of adjacent Common Elements by the other Owners.

7.7 Nuisances. No nuisances or noxious or offensive activities shall be allowed in the Condominium nor shall any use or practice be allowed which is improper or offensive in the opinion of the Board of Directors or which 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. Without limitation of the foregoing, no woodpiles shall be permitted outside of any Primary Unit. Residential Unit 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 Primary 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.

7.8 Offensive or Unlawful Activities. No noxious or offensive activities shall be carried on upon the Condominium, Unit, Common Area, or any part thereof, nor shall anything be done or placed in, on or under any part of the Condominium or any Unit which unreasonably interferes with or jeopardizes the enjoyment of the Condominium, or which is a source of unreasonable annoyance to residents. No unlawful use shall be made of the Condominium or any part thereof, and all laws, zoning ordinances, regulations or any other Legal Requirement (as defined in the Declaration) of all governmental authorities having jurisdiction thereof shall be strictly complied with. Construction of buildings and improvements that are part of or are scheduled to become a part of the Condominium shall not violate this Section. 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 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 his 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*:

7.8.1 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;

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

7.8.3 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 5.8.

7.9 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 7.8, *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 7.8 as to contest and may also defer compliance with any Legal Requirement, subject to the conditions contained in this Section 7.9 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.

7.10 Parking. All use of the Parking Units shall be subject to the provisions of this Section 7, as well as the rules and regulations thereon adopted by the Board of Directors pursuant to Section 7.31. Parking Units are restricted to use for parking of operative primary and secondary motor vehicles. Parking of boats, truck campers, recreational vehicles, or similar vehicles or equipment shall not be permitted. Owners, tenants and occupants cannot park more motor vehicles in the Parking Units than the number of Parking Units owned or rented by such Owner, tenant or occupant. Parking Units shall not be used for storage of personal property. The Board shall require removal of any inoperative or improperly licensed vehicle, or any unsightly vehicle, or any other equipment or item improperly stored in the Parking Units or elsewhere within the Common Elements. If the same is not removed, the Board shall cause removal at the risk and expense of the Owner thereof.

7.11 Vehicles in Disrepair. No Owner shall permit any vehicle that is in an extreme state of disrepair to be abandoned or to remain parked upon any part of the Condominium for a period in excess of 48 hours. A vehicle shall be deemed in an "extreme state of disrepair" when the Board reasonably determines that its presence offends the residents of the Condominium. Should any Owner fail to remove such vehicle within two days following the date on which notice is mailed to such Owner by the Board, the Board may have the vehicles removed from the Condominium and charge the expense of such removal to the Owner.

7.12 Vehicles in Repair. No vehicle maintenance or repair involving motor oils, fuels, or other lubricants or solvents shall be permitted anywhere on the Condominium.

7.13 On-Site Vehicle Washing. On-site vehicle washing shall be permitted only in paved areas that discharge all waste to a water quality treatment facility.

7.14 Common Streets and Sidewalks. Common streets and sidewalks and other Common Elements shall be used exclusively for normal transit and no obstructions and/or decorations or other items shall be placed thereon or therein except by express written consent of the Board.

7.15 Signs. No signs shall be erected or maintained on any part of the Condominium by anyone other than Declarant or its affiliates or their respective agents, employees, or contractors except signs that have been approved in writing by the Board.

7.16 Pets. Domestic household pets, such as cats and dogs, may be kept by Owners, *provided that* the keeping of pets shall be subject to such reasonable rules and regulations as the Board may adopt from time to time. All pets must be registered with the Board of Directors and shall be registered and inoculated as required by law. The Board may require the removal of any animal which 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. 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 Primary Unit to a street or sidewalk. At all times the Common Elements shall be free from pet debris, including food and fecal matter. Except for the foregoing pets, no livestock, poultry, rabbits or other animals whatsoever shall be allowed or kept in any part of the Condominium, nor may any animal be bred or used therein for any commercial purposes or in any unreasonable numbers. Any outside facility for pets must be kept clean on a daily basis and no waste products or food may be left in either the facility or on the Property. Any damage caused by pets shall be the responsibility of the respective Owners thereof.

7.17 Protection of Wildlife. Feeding or harassing of wildlife anywhere on the Condominium shall be prohibited. Bird feeders may be used, subject to the rules and restrictions of the Association, but only sterile bird seed may be used.

7.18 Rubbish and Trash. No Unit nor any part of the Common Elements (including the balconies and patios included in the Limited Common Elements) shall be used as a dump for trash or rubbish of any kind. All garbage and other debris and waste shall be kept in appropriate sanitary containers for proper disposal and out of public view. In the event an Owner or occupant fails to remove any trash, rubbish, garbage, or other debris or waste materials from such Owner's or occupant's Unit or Units (or from the street or other Common Elements if deposited thereon by such Owner or occupant) within five 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 or Units as provided in Section 5.4.12. Customary construction activities that relate to development and construction of the Condominium or buildings and improvements which are scheduled to be part of the Condominium shall not violate this Section.

7.19 Restriction on Vegetation. Only vegetation approved by the Association may be planted on any portion of the Condominium.

7.20 Temporary Structures. No structure of a temporary character, trailer, tent, shack, garage, barn, or other outbuilding shall be permitted or used in the Condominium at any time as a residence either temporarily or permanently.

7.21 Maintenance of Unit. Each Owner shall maintain such Owner's Storage Unit, Primary Unit and adjacent balcony and patio in a clean and attractive condition, in good repair, and in such fashion as not to create a fire hazard and in conformance with the standards set forth in any warranty provided to such Owner by the Declarant.

7.22 Utilities and Antennae. No sewer, drainage, or utility lines, wires, satellite dishes, or other devices for the communication or transmission of electric current, power, or signals (including telephone, television, microwave, or radio signals) shall be constructed, placed, or maintained anywhere in or upon the Condominium other than within the Building or other structures unless contained in conduits or placed or maintained underground or concealed in or under the Building or other structures, without the prior written approval of the Board. No device for the transmission or reception of telephone, television, microwave, or radio signals will be allowed within the Condominium unless the antenna is located and screened so as not to be visible from neighboring buildings and streets. Nothing contained in this Section 7.22 shall be construed to prohibit the erection or use of temporary power or telephone facilities during construction or repair of Improvements nor shall it apply to construction activities of Declarant. The restrictions contained in this Section 7.22 shall be effective only to the extent permissible under applicable laws and regulations.

7.23 Leaf Blowers. No leaf blowers that generate either noise or air pollution shall be used on any part of the Condominium other than by a landscape maintenance company hired by the Board.

7.24 Wood Burning Stoves and Turkey Fryers. Wood burning stoves and turkey fryers shall not be used on any portion of the Condominium.

7.25 Exterior Lighting. No exterior lighting of any kind may be installed on any portion of the Condominium or a Unit without the prior review and approval of the Association.

7.26 Common Driveways and Garages. Parking in any part of the Condominium other than the Parking Units or other areas within the Common Elements specifically designated by the Board for parking is prohibited. The Board shall require removal of any vehicle parked in violation of this subsection. If the vehicle is not promptly removed, the Board shall cause such removal at the risk and expense of the Owner thereof (or the Owner to whose guest such vehicle belongs). Owners, tenants and occupants of the Units are prohibited from parking vehicles on the streets adjacent to the Condominium overnight. Guests of Owners, tenants and occupants of the Condominium may park vehicles on the streets adjacent to the Condominium overnight for a single night visit; however, if a guest stays longer than one night the guest must park his or her vehicle in the Parking Unit of the Owner, tenant or occupant with whom such guest is staying or at a remote location, but not on the streets in the vicinity of the Condominium Property. Any amendment to this Section 7.26 or Rules and Regulations affecting

parking on the Property is subject to the review and approval of the board of directors of the Master Association.

7.27 Replacement or Installation of Finished Surfaces. Subject to Section 7.4, each Owner shall have the right to substitute new finished surfaces for the finished surfaces then existing in such Owner's Primary Unit's ceilings, floors and walls; *provided that*, except for hard surface flooring installed by Declarant or installed as part of the original construction of the Primary Unit, no Owner shall install hard surface flooring within a Primary Unit except with the prior written consent of the Board of Directors.

7.28 Sporting or Exercise Equipment. No sporting or exercise equipment shall be used in any upstairs Primary Unit or on the adjacent patio or balcony thereof, including, without limitation, bikes (stationary or otherwise), treadmills, trampolines, free weights, weight machines, elliptical fitness machines, stair machines, and the like.

7.29 Limitation on Storage Areas, Patios and Balconies. Other than objects placed by the Declarant and the Association, no furniture or objects of any kind shall be placed in the lobby areas, vestibules, public halls, stairways, courtyard, or any other part of the Common Elements other than those designated as storage areas, patios and balconies. 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 or above the Primary Units, except for the following specific items: outdoor propane or gas 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. No spas or any type of hot tub are allowed to be placed on a balcony or in a Unit. 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 Primary Units for dwelling purposes.

7.30 Activities of the Declarant. Nothing in this Section 7 or in the other provisions of these Bylaws shall be construed to limit, modify, or otherwise restrict the rights of the Declarant pursuant to the Declaration with respect to the development, construction, and sale of the Condominium.

7.31 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 such Rules and Regulations may be amended, modified or revoked by the Owners in the same manner as these Bylaws. 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.

8. MAINTENANCE AND REPAIRS.

8.1 Maintenance by Association. The necessary work to maintain, repair, or replace the Common Elements, including the exterior surfaces of Storage Units (except the door thereto) and the Parking Units (notwithstanding that such Parking Units are not Common Elements) shall be the responsibility of the Board and shall be carried out as provided in these Bylaws, the Declaration, and the Maintenance Plan described in Section 3.2.22. The Board shall be solely responsible for determining the appropriate Maintenance Plan for the Common Elements and all other items for which the Board is responsible for maintaining pursuant to these Bylaws, the Declaration or the Act. Without limitation of the foregoing, the Association shall be responsible for the painting, staining, repair and replacement of the exterior surfaces of all Primary Units (including the repair and replacement of roofs, gutters, siding, exterior doors and door frames windows and window frames); cleaning of the exterior surfaces of all window and door glass; the repair and resurfacing of all driveways, parking areas and walkways; and the cutting, pruning, trimming, and watering of all landscaping. If the Mortgagee of any Primary Unit determines that the Board is not providing an adequate maintenance, repair, and replacement program for the Common Elements, such Mortgagee, at its option, may deliver a notice to the registered agent of the Association, as required pursuant to Section 100.550 of the Act, 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.

8.2 Maintenance by Owners. All maintenance of and repairs to any Primary Unit or Storage 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 the Bylaws. Without limitation of the foregoing, 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, or other appliances and accessories that may be in his 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 the Storage Unit and any fixtures thereon, such as knobs, handles, and hinges, the interior surfaces of the Storage Unit, and any lighting fixtures located within, or attached to the interior of, the Storage Unit. Each Owner shall maintain the interior doors which provide the means of ingress and egress to and from his Primary Unit (including the repair of any damage thereto), and the windows opening on to his Primary Unit (including the repair or replacement of cracked or broken windows, notwithstanding that such surfaces may be part of the Common Elements.) Each Owner of a Primary Unit shall keep the patios or balconies adjacent to such Owner's Primary Unit clean and free of debris, notwithstanding that such patios and balconies are Common Elements. If an

Owner fails properly to perform his maintenance and repair responsibility, the Association may enter on to the Owner's Unit and perform such maintenance and/or repair and assess all costs incurred by the Association against the Unit and the Owner as a special assessment pursuant to Section 5.4.12 of these Bylaws.

8.3 Failure to Follow Maintenance Plan. If the Association fails to follow the maintenance and inspection requirements contained in the Maintenance Plan described in Section 3.2.21 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 own expense, insurance covering his property not insured under Section 9.1.1 below and against his 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, 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, and such other coverages such as flooding, 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 Common Elements and Association property, including any fixtures, building service equipment, and common personal 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, inspection, maintenance, 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 One Million Dollars (\$1,000,000.00) on a combined single limit basis. In addition to the indexing provided under Section 12.7, the foregoing policy limits of liability shall be increased, in the sole discretion of the Board of Directors, as indicated by the course of plaintiff's verdicts in personal injury claims in the Circuit Court of Deschutes County, State of Oregon, from time to time. 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 Workman'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 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 Unit.

9.2.3 Each Owner shall be required to notify the Board of Directors of all improvements made by the Owner to his Unit, the value of which is in excess of Five Thousand Dollars (\$5,000.00). Nothing in this Section shall permit an Owner to make improvements other than in accordance with the Declaration and the other provisions of these Bylaws.

9.2.4 Any Owner who obtains individual insurance policies covering any portion of the Condominium other than his personal property and fixtures shall file a copy of such individual policy or policies with the Association within 30 days after the purchase of such insurance.

9.2.5 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.

9.2.6 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.

9.2.7 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.

9.2.8 All policies required by this Section 9 shall provide that they may not be canceled or substantially modified without at least 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.

9.2.9 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.

9.2.10 Insurance policies shall require that a certificate of insurance be provided with each change and upon renewal to the River Bend Master Owners' Association.

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, 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; *provided, however*, that the full replacement cost of the Common Elements 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 a Primary Unit shall be purchased and maintained by the Owner of such Primary Unit for the full insurable value thereof. Insurance also shall be purchased for furnishings, fixtures, equipment, decorating and personal property and chattels of the Owner contained within his Primary Unit and Storage Unit, and his personal property and chattels stored elsewhere on the Property, including his automobile or automobiles, and for loss of use and occupancy of his Primary Unit 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 with respect to an Owner's Unit or Units, 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.

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 the Owners holding at least 33 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 Owners holding at least a majority of the Primary Units, 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 Primary Units shall be approved by

Owners holding at least 75 percent of the voting power of the Association, and 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. 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, which addresses maintenance and repair; (ii) Section 9, which addresses insurance requirements; and (iii) any other provision of these Bylaws which expressly benefits Mortgagees of Primary 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 so long as the Declarant remains the owner of one or more Units or retains the power to annex additional property to the Condominium, the Bylaws and Rules and Regulations 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, 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 the Declarant. Nothing in this Article 10 shall limit the right of the Declarant to approve amendments to the Rules and Regulations pursuant to Section 20 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.

12. DISPUTE RESOLUTION.

12.1 Required Procedure. Except as provided in this Section 12 below, to the fullest extent allowed by law, if a dispute arises, 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 herein. 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 5.7 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 5.10 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.

12.2 Negotiated Resolution. The Parties will seek a fair and prompt negotiated resolution of Claims and shall meet at least once to discuss and 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 12.3, 12.4 and 12.5 below, as applicable. Alternatively, if Declarant or its successor or assigns is a Party to a dispute, Declarant reserves for itself and its successors and assigns the right to purchase the Primary Unit (and associated Parking Unit(s)) owned by the other Party to the dispute, at a fair market value as set forth below. Fair market value shall be determined as follows: Declarant and the other Party to the dispute shall each select broker with at least 10 years experience in condominium sales. These two brokers shall select a third broker with at least 10 years experience in condominium sales. The foregoing three brokers shall each give their opinion of the fair market value of the Unit(s) at issue. The controlling fair market value ("FMV") under this Section 12.2 shall be the average of the three values fixed by the foregoing brokers. Such purchase by Declarant at FMV shall be

considered by the Parties as a complete, final and binding resolution of all claims, and Sections 12.3 to 12.5 shall not apply.

12.3 Mediation. Prior to mediation of any Claim, the Parties shall have endeavored to resolve disputes through the process set forth in Section 12.2 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 12.5 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 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.

12.4 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 shall be deemed to have waived their right to a jury trial with respect to such Claims. 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.

12.5 Arbitration. Prior to arbitration of any Claim, the Parties shall have endeavored to resolve disputes through the processes set forth in Section 12.2, 12.3 and 12.4 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 one arbitrator selected by the parties, or, if the parties cannot agree on an arbitrator within 30 days after a request for arbitration, the arbitrator shall be appointed by the presiding judge of the Circuit Court for Deschutes County, Oregon. The arbitration shall be conducted by and pursuant to the then effective arbitration rules of Construction Arbitration Services, Inc., 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.

12.6 Approval of Legal Expenses. Notwithstanding any other provision of the Declaration or these Bylaws, the Association shall not expend in excess of \$5,000 for attorney fees and costs for any reason unless such expenditure is 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 5.10 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).

12.7 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.

12.8 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.

12.9 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 12.9 shall be a condition precedent to mediation, arbitration or litigation of any such claims.

13. MISCELLANEOUS.

13.1 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 and shall be sent by messenger service (or hand delivered), over night courier service or by certified or registered U.S. Mail, return receipt requested with charges or postage prepaid. Notices shall be deemed given upon the earlier of actual delivery or refusal of a party to accept delivery thereof.

13.2 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.

13.3 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.

13.4 Action Without a Meeting. Any action which the Act, the Declaration or the Bylaws require or permit the Owners 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 the number of the Owners required to approve the matter. The consent, which shall have the same effect as a vote of the Owners, shall be filed in the records of minutes of the Association. Action by written ballot may not substitute for the Turnover Meeting or the annual meeting 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 include the general subject matter of the vote by written ballot, the right of owners to request secrecy procedures as provided herein, the date after which ballots may be distributed, the date and time by which any petition requesting secrecy procedures must be received, and the address where any petition must be delivered. If, at least three 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.

13.5 Conflicts; Severability. Each term and provision of these Bylaws shall be valid and enforceable to the fullest extent permitted by law. If any term or provision of these Bylaws or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, whether under ORS Chapter 100 or otherwise, the remainder of these Bylaws 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. These Bylaws are intended to comply with the Act and the Declaration. In case of any irreconcilable conflict, the Act and the Declaration shall control over these Bylaws, any amendments hereto or any Rules and Regulations adopted hereunder.

13.6 Liability Survives Termination. The sale or other disposition of a Unit or Units shall not relieve or release any former Owner thereof 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. This Section 13.6 shall not apply to the Declarant as Owner of any or all Units.

13.7 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, 2007 as the base year.

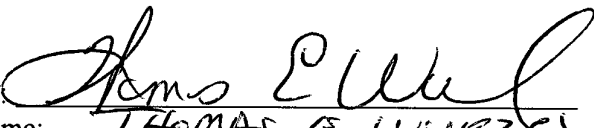
13.8 The Declarant as Owner. Except as expressly provided in these Bylaws and the Declaration, the Declarant shall, with respect to any Units owned by the Declarant, enjoy any and all rights, and assume any and all obligations, enjoyed or assumed by an Owner.

Dated this 16 day of FEBRUARY, 2007, being hereby adopted by the undersigned Declarant on behalf of the Association.

Declarant:

HARVEST, LLC, an Oregon limited liability company

By:


Name: THOMAS G. WURZEL
Title: PARTNER