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vs 324 and 39

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DECLARATION OF UNIT OWNERSHIP FOR
RUSTY HILLS CONDOMINIUMS

This declaration is made this 4th day of June, 1980, by Bend Riverside Townhouse Partnership, an Oregon partnership ("Declarant"), pursuant to the provisions of the Oregon Unit Ownership Law.

RECITALS:

A. Declarant is owner of certain real property located in Bend, Deschutes County, Oregon, and more particularly described as follows ("the Property"):

Lots 6, 7, 8, 9, 10 and 11, Block 7 of the replat of Blocks 6 and 7 of the Riverside Addition to City of Bend, Deschutes County, Oregon.

B. Declarant proposes to submit the described property, and improvements constructed thereon, to the condominium form of ownership and use in the manner provided by the Oregon Unit Ownership Law.

Declarant therefore provides and declares as follows:

1. Definitions

When used herein the following terms shall have the following meanings:

1.1 Rusty Hills Condominiums means the land described in Recital A above, together with all buildings, improvements

shall exist. In the event any building, unit, adjoining unit or adjoining common element shall be partially or totally destroyed as a result of fire or other casualty or as a result of condemnation or eminent domain proceedings, and then rebuilt, encroachments of parts of the common elements upon any unit or of any unit upon any other unit or upon any portion of the common elements, due to such rebuilding, shall be permitted, and valid easements for such encroachments and the maintenance thereof shall exist so long as the building shall stand.

10.2 The Association of Unit Owners shall have the authority, pursuant to ORS 91.527(5) and upon the approval of at least 75% of the unit owners, to execute, acknowledge, deliver and record on behalf of the unit owners easements, rights-of-way, licenses and other similar interests affecting the general common elements. An instrument granting any such interest shall be executed by the chairman and secretary of the Association and acknowledged in the manner provided for acknowledgment of such instruments by such officers, and shall state that such grant was approved by at least 75% of the unit owners.

11. Approval by Mortgagees

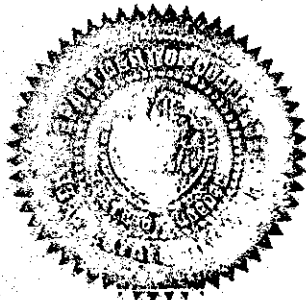
In addition to any other approvals required by the Oregon Unit Ownership Law, this declaration or the Bylaws, the prior written approval of 75% of the holders of all

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7.3 and Section 11 of this declaration may not be amended without the written consent of all mortgagees of units in the condominium.

IN WITNESS WHEREOF, Declarant has caused this declaration to be executed this 4 day of JUNE, 1980.



BEND RIVERSIDE TOWNHOUSE PARTNERSHIP

By Clifford V. Sander
Clifford V. Sander, Partner

By Bruce H. Bruinsma
Bruce H. Bruinsma, Partner

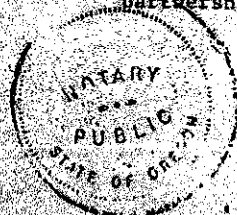
The foregoing declaration is approved pursuant to ORS 91.512 this 24th day of June, 1980.

William B. Gwinn
Real Estate Commissioner

By Donald B. Campbell
Donald B. Campbell

STATE OF OREGON }
County of Multnomah } ss.

The foregoing instrument was acknowledged before me this 4 day of JUNE, 1980 by Clifford V. Sander, partner on behalf of Bend Riverside Townhouse Partnership, a partnership.



Robert Kase
NOTARY PUBLIC FOR OREGON
My Commission Expires: 11-3-81

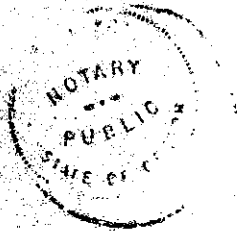
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STATE OF OREGON)
County of McHannan) ss.

The foregoing instrument was acknowledged before me
this 4 day of June, 1980 by Bruce H. Bruinsma,
partner on behalf of Bend Riverside Townhouse Partnership, a
partnership.

Roger Unger
NOTARY PUBLIC FOR OREGON
My Commission Expires: 11-3-82



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EXHIBIT "A"

APPROXIMATE SQUARE FOOTAGE OF FLOOR
AREAS FOR EACH UNIT IN RUSTY HILLS CONDOMINIUMS

<u>Unit No.</u>	<u>Square Feet</u>
1	1102
2	1083
3	1108
4	1107
5	1088
6	1107
7	1103
8	1094
9	1095
10	1106
11	1108
12	1097
13	1113
14	1103
15	1089
16	1108

BYLAWS OF THE ASSOCIATION OF UNIT
OWNERS OF RUSTY HILLS CONDOMINIUMS

ARTICLE I

PLAN OF UNIT OWNERSHIP

1. Name and Location. These are the bylaws of the ASSOCIATION OF UNIT OWNERS OF RUSTY HILLS CONDOMINIUMS (hereinafter the "Association"). Rusty Hills Condominiums (hereinafter the "condominium") is located in Bend, Deschutes County, Oregon, and has been submitted to the Oregon Unit Ownership Law by a declaration filed simultaneously herewith (hereinafter called "the declaration"). The location of the condominium is more specifically described in the declaration.

2. Principal Office. The principal office of the Association shall be located at Bend, Oregon or at such other place as the Board of Directors of the Association may designate.

3. Purposes. This Association is formed under the provisions of the Oregon Unit Ownership Law to serve as the means through which the unit owners may take action with regard to the administration, management and operation of the condominium.

4. Applicability of Bylaws. The Association, all unit owners, and all persons using the condominium property shall be subject to these bylaws and to all rules and regulations which may be promulgated hereunder.

5. Composition of Association. The Association shall be composed of all the unit owners of the condominium, including Bend Riverside Townhouse Partnership, its successors and assigns (hereinafter, "the developer"), and the Association, itself, to the extent any of them own any unit or units of the condominium.

ARTICLE II

MEETINGS OF ASSOCIATION

1. Place of Meetings. The Association shall hold meetings at such suitable place convenient to the unit

owners as may be designated by the board of directors from time to time.

2. First Organizational Meeting. Within 180 days after the developer has submitted the condominium to unit ownership and adopted these bylaws as owner of all the units, the developer shall call the first meeting of the unit owners to organize the Association. In the event of lack of a quorum at such first organizational meeting, it may be adjourned to the time of the next annual meeting.

3. Annual Meetings. The annual meetings of the Association shall be held in the months of April or May at such hour and on such date as the chairman may designate, or if the chairman should fail to designate such date by the first day of April, then on the last Tuesday in April. The annual meetings shall be for the purpose of electing directors and for the transaction of such other business as may properly come before the meeting.

4. Special Meetings. Special meetings of the Association may be called by the chairman or secretary or by a majority of the board of directors, and must be called by such officers upon receipt of a written request from at least thirty percent (30%) of the unit owners stating the purpose of the meeting. Business transactions at a special meeting shall be confined to the purposes stated in the notice.

5. Notice of Meetings. Notice of all meetings of the Association stating the time and place and the objects for which the meeting is being called shall be given by the chairman or secretary. Such notice shall be in writing and mailed to each unit owner at his address as it appears on the books of the Association not less than ten (10) days nor more than sixty (60) days prior to the date of the meeting. Proof of such mailing shall be given by the affidavit of the person giving the notice. Notice of meeting may be waived by any unit owner before or after meetings. When a meeting is adjourned for less than thirty (30) days, no notice of the adjourned meeting need be given other than by announcement at the meeting at which such adjournment takes place.

6. Voting. Each unit owner shall have one vote for each unit of the condominium owned by him. The developer shall be entitled to vote as the unit owner of any then existing units retained by the developer, and the board of directors shall be entitled to vote on behalf of any unit which has been acquired by or on behalf of the Association; provided, however, that the board of directors shall not be entitled to vote such units in any election of directors.

7. Proxies. A vote may be cast in person or by proxy. A proxy given by a unit owner to any person who represents such owner at meetings of the Association shall be in writing and signed by such owner, and shall be filed with the secretary. No proxy shall be valid after the meeting for which it was solicited, unless otherwise expressly stated in the proxy, and every proxy shall automatically cease upon sale of the unit by its owner. A unit owner may pledge or assign his voting rights to a mortgagee. In such a case, the mortgagee or its designated representative shall be entitled to receive all notices to which the unit owner is entitled hereunder and to exercise the unit owner's voting rights from and after the time that the mortgagee shall give written notice of such pledge or assignment to the board of directors.

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

9. Quorum of Unit Owners. At any meeting of the Association, fifty percent (50%) of the unit owners (computed as provided in Article I., Section 4(b), present in person or by proxy, shall constitute a quorum. The subsequent joinder of a unit owner in the action taken at a meeting by 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 a unit owner or owners. If any meeting of members cannot be organized because of a lack of quorum, the members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present.

10. Majority Vote. The vote of more than fifty percent (50%) of the unit owners, computed as provided in Article IV, Section 4(b) of these bylaws, present in person or by proxy,

at a meeting at which a quorum is constituted shall be binding upon all unit owners for all purposes except where a higher percentage vote is required by law, by the declaration or by these bylaws.

11. Order of Business. The order of business at annual meetings of the Association shall be:

- (a) Calling of the roll and certifying of proxies;
- (b) Proof of notice of meeting or waiver of notice;
- (c) Reading of minutes of preceding meeting;
- (d) Reports of officers;
- (e) Reports of committees, if any;
- (f) Election of directors;
- (g) Unfinished business;
- (h) New business; and
- (i) Adjournment.

ARTICLE III

BOARD OF DIRECTORS

1. Number and Qualification. The affairs of the Association shall be governed by a board of directors composed of three (3) persons, as specified below. All directors, other than interim directors appointed by developer, shall be owners or co-owners of units of the condominium. For purposes of this section, the officers of any corporate owner and the partners of any partnership, shall be considered co-owners of any units owned by such corporation or partnership.

2. Interim Directors. Upon the filing of the declaration submitting the condominium to the Oregon Unit Ownership Law, the developer, as owner of all units, shall appoint an interim board of three (3) directors who shall serve until replaced by developer or their successors have been elected by the unit owners as hereinafter provided.

3. Election and Term of Office. At the first annual meeting after at least 12 units in the Rusty Hills Condominiums development have been sold and conveyed to purchasers, but in any event not later than the annual meeting to be held in 1983, the interim directors shall resign and three (3)

successors shall be elected, one for a term of one year, one for a term of two years and one for a term of three years. Thereafter, at the expiration of the initial term of office of each director, his successor shall be elected to serve for a term of three years. Directors shall hold office until their respective successors have been elected by the Unit Owners. Election shall be plurality.

4. Vacancies. Vacancies in the board of directors caused by any reason other than the removal of a director by a vote of the Association shall be filled by vote of the majority of the remaining directors even though they constitute less than a quorum, or by a sole remaining director. Each person so elected shall be a director until a successor is elected to fill the unexpired term at the next annual meeting of the Association or the next special meeting of the Association called for that purpose. Vacancies in the interim board of directors shall be filled by developer.

5. Removal of Directors. At any regular or special meeting of the Association duly called any one or more of the directors, other than interim directors, may be removed with or without cause by a majority vote of the unit owners present in person or by proxy, and a successor shall be elected at that meeting to fill the vacancy thus created. The notice of 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.

6. Powers and Duties. The board of directors shall have all of the powers and duties necessary for the administration of the affairs of the Association, except such powers and duties as by law or by the declaration or by these bylaws may not be delegated to the board of directors by the unit owners. The powers and duties to be exercised by the board of directors shall include, but shall not be limited to the following:

(a) Operation, care, upkeep, maintenance and repair of the general and limited common elements.

(b) Determination of the amounts required for operation, maintenance and other affairs of the Association, and the making of such expenditures.

(c) Collection of the common expenses from the unit owners.

(d) Employment and dismissal of such personnel as necessary for the efficient operation, maintenance, upkeep and repair of the common elements.

(e) Employment of legal, accounting or other personnel for reasonable compensation to perform such services as may be required for the proper administration of the Association.

(f) Opening of bank accounts on behalf of the Association and designating the signatories required therefor.

(g) Purchasing units of the condominium at foreclosure or other judicial sales in the name of the Association, or its designee, on behalf of all the unit owners as provided in these bylaws.

(h) Selling, leasing, mortgaging, voting the votes appurtenant to (other than for the election of directors), and otherwise dealing with units of the condominium acquired by the Association or its designee on behalf of all the unit owners.

(i) Obtaining insurance or bonds pursuant to the provisions of these bylaws.

(j) Making additions and improvements to, or alterations of, the common elements; provided, however, that no such project may be undertaken by the board of directors if the total cost will exceed the amount of \$2,500.00 unless the unit owners have enacted a resolution authorizing the project by a vote of seventy-five percent (75%) of the unit owners present in person or by proxy at a meeting at which a quorum is constituted. This limitation shall not be applicable to repairs or maintenance undertaken pursuant to paragraph (a) above.

(k) Enforcement by legal means of the provisions of the Oregon Unit Ownership Law, the declarations filed thereunder, these bylaws and any rules and regulations adopted hereunder.

7. **Managing Agent or Manager.** On behalf of the Association, the board of directors shall, so long as the Federal National Mortgage Association is a mortgagee or owner of a unit within the condominium, unless such requirement is waived in writing by the Federal National Mortgage Association, employ or contract for a managing agent or a manager at a compensation to be established by the board of directors. The board of directors may delegate to the managing agent or manager such duties and powers as the board of directors may authorize. In the absence of such appointment, the board of directors shall act as manager. Any management agreement shall be terminable by the board of directors for cause upon thirty (30) days prior written notice thereof. Any such agreement

shall provide for termination by either party without cause and without payment of a termination fee on not more than 90 days written notice.

8. Organizational Meeting. Within fourteen (14) 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.

9. 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 chairman 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 telegraph at least seven (7) days prior to the day named for such meeting, and shall state the time, place and purpose of such meeting. For other than emergency meetings, notice of board of directors' meetings shall be posted at a place or places on the property at least three (3) days prior to the meeting, or notice shall be provided by a method otherwise reasonably calculated to inform unit owners of such meetings. All meetings of the board of directors shall be open to unit owners. Except as prohibited by statute, board of directors' meetings may be conducted by telephone communication.

10. Waiver of Notice. Any director 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 director at any meeting of the board shall constitute a waiver by him of notice of the time and place thereof, except where a director attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. If all of the directors are present at any meeting of the board, no notice shall be required and any business may be transacted at such meeting. However, notice must be given to unit owners as in Section 9 above.

11. Quorum of Board of Directors. At all meetings of the board of directors, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the board of directors. If at any meeting of the board of directors less than a quorum should be present, a majority of those present may adjourn the meeting from time to time. 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.

12. Compensation. No director shall receive any compensation from the Association for acting as such.

13. Liability and Indemnification of Directors, Manager or Managing Agent. The directors shall not be liable to the Association of the unit owners for any mistake of judgment, negligence, or otherwise except for their own willful misconduct or bad faith. The Association shall indemnify and hold harmless each director and the manager or managing agent, if any, against all contractual liability to others arising out of contracts made by the board of directors, manager or managing agent on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the declaration or of these bylaws. Each director and the manager or managing agent, if any, shall be indemnified by the Association against all expenses and liabilities, including attorney's fees, reasonably incurred or imposed upon them in connection with any proceeding to which they may be a party, or in which they may become involved, by reason of being or having been a director, manager or managing agent and shall be indemnified upon any reasonable settlement thereof; provided, however, there shall be no indemnity if the director, manager or managing agent is adjudged guilty of willful nontesance, misfeasance or malfeasance in the performance of his duties.

14. Fidelity Bonds. The board of directors 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 shall furnish such fidelity bond as the board deems adequate. The premiums on such bonds shall be paid by the Association.

15. Insurance. The board of directors shall obtain and maintain at all times insurance of the type and kind and in the amounts hereinafter provided, and including insurance for such other risks as are customarily covered with respect to other condominium projects similar in construction, design and use, which insurance shall be governed by the provisions in this section.

(a) For the units 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, insurance deemed necessary by the board, including at least the following:

(1) A policy or policies of fire insurance with the extended coverage endorsement, for the full insurance replacement value of all units and common elements, and such other fire and casualty insurance as the board of directors shall determine to give substantially equal or greater protection to the owners, and their mortgagees, as their

respective interests appear, which policy or policies shall provide for a separate loss payable endorsement in favor of the mortgagee, or mortgagees, of each unit, if any:

(2) A policy, or policies, insuring the Association, its board of directors, the unit owners, and the manager against any liability to the public or the owners of units and of the common areas, and their invitees or tenants, incident to the ownership or use of the project, and including the personal liability exposure of the owners, arising out of their ownership. Limits of liability under such insurance shall not be less than ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) per person and THREE HUNDRED THOUSAND DOLLARS (\$300,000.00) for all persons injured in any one accident, and shall not be less than ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) for property damage in each occurrence (such limits and coverage to be increased in its discretion). Such policy or policies shall be issued on a comprehensive liability basis and shall provide cross liability endorsements wherein the rights of the named insured under the policy or policies shall not be prejudiced as respects his, her or their action against another named insured;

(3) A fidelity bond naming the manager, and such other persons as may be designated by the board of directors as principals and the Association and the owners as obligees, for the first year in the amount of at least equal to fifty percent (50%) of the estimated cash requirement for that year as determined by the board of directors, and for each year thereafter in an amount at least equal to fifty percent (50%) of total sum collected through the common expense funds during the preceding year;

(4) Workers' compensation insurance to the extent necessary to comply with any applicable laws.

(b) All policies shall be written by a company licensed to do business in Oregon and holding a rating of "AAA", or better, by Best's Insurance Reports.

(c) Exclusive authority to adjust losses under policies hereafter in force on the project shall be vested in the board of directors, or its authorized representative;

(d) In no event shall the insurance coverage obtained and maintained by the board of directors hereunder be brought into contribution with insurance purchased by individual owners or their mortgagees;

(e) Each owner may obtain additional insurance at his own expense; provided, however, that no owner shall be entitled to exercise his right to maintain insurance coverage in such way as to decrease the amount which the board of directors, in behalf of all the owners, may realize under any insurance policy which the board of directors may have in force on the project at any particular time.

(f) Each owner must notify the board of directors when he makes any improvements to his unit, the value of which improvements is in excess of ONE THOUSAND DOLLARS (\$1,000.00).

(g) Any owner who obtains individual insurance policies covering any portion of the project, other than personal property belonging to such owner, shall file a copy of such individual policy, or policies, with the board of directors within thirty (30) days after purchase of such insurance.

(h) Each of the following hereby waives the right of subrogation against all others hereafter named as to any claims: The board of directors, the manager, the unit owners and their respective servants, agents and guests.

(i) The board of directors must make every effort to secure insurance policies which provide the following:

(1) A provision that the master policy on the project cannot be cancelled, invalidated, or suspended on account of the conduct of any one or more individual owners.

(2) A provision that the master policy on the project cannot be cancelled, invalidated or suspended on account of the conduct of any officer or employee of the board of directors or the manager without prior demand in writing that the board of directors or manager cure the defect.

(3) A provision that any "no other insurance" clause in the master policy exclude individual owners' policies from consideration.

(4) A provision that the insurer issue subpolicies specifying that portion of the master policy earmarked for each owner's interest.

(5) A provision that until the insurer furnishes written notice and a grace period to the mortgagee, coverage may neither be jeopardized by the conduct of the unit mortgagor-owner, the Association or other unit owners, nor cancelled for non-payment of premiums.

(6) A rider on the master policy patterned after "rental value" insurance which will provide relief from monthly assessments while a unit is uninhabitable by the payment of the condominium expenses thereof and any other fixed costs, including, but without being limited to, taxes, rent, insurance and mortgage payments.

(7) Such policy shall bear a mortgagee's clause or a loss-payable clause in favor of any mortgagee or lender requesting the same, but such clause shall not give the mortgagee or lender the right to preempt payment of the insurance proceeds to the Association or to control whether or not the damage is repaired. The insurer shall likewise waive its right to determine whether the damage should be repaired, and loss adjustment and control of the proceeds of the policy should rest in the Association as trustee for the unit owners.

(j) At least annually, the board of directors shall review all insurance carried by the Association of Unit Owners and such review shall include an appraisal of all improvements to the project by a representative of the insurance carrier writing the master policy.

(k) Notwithstanding any other provisions herein, the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the insurance and fidelity bond requirements for condominium projects established by Federal National Mortgage Association and Government National Mortgage Association, so long as either is a mortgagee or owner of a unit within the project, except to the extent such coverage is not available or has been waived in writing by Federal National Mortgage Association or Government National Mortgage Association.

ARTICLE IV

OFFICERS

1. Designation. The principal officers of the Association shall be the chairman, the secretary and the treasurer, all of whom shall be elected by the board of directors. The directors may appoint a vice chairman, an assistant treasurer, an assistant secretary, and such other officers as in their judgment may be necessary. The chairman shall be a member of the board of directors, but the other officers need not be directors or unit owners.

2. Election of Officers. Acting officers shall be appointed by developer upon execution of these bylaws. Thereafter, the officers of the Association shall be elected annually by the board of directors at the organizational meeting of each new board and shall hold office at the pleasure of the board. If any office shall become vacant, the board of directors shall elect a successor to fill the unexpired term at any regular meeting of the board of directors, or at any special meeting of the board of directors called for such purpose.

3. Removal of Officers. Upon the affirmative vote of a majority of the 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. Chairman. The chairman shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the board of directors. He shall have all of the general powers and duties which are usually vested in the chief executive officer of an association, including but not limited to the power of appointing committees from among the unit owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

5. Secretary. The secretary shall keep the minutes of all proceedings of the board of directors and the minutes of all meetings of the Association. He shall attend to the giving and serving of all notices to the unit owners and directors and other notices required by law. He shall keep the records of the Association, except for those of the treasurer, and shall perform all other duties incident to the office of secretary of an association and as may be required by the directors or the chairman. In addition, the secretary shall act as vice chairman, taking the place of the chairman and performing his duties whenever the chairman is absent or unable to act, unless the directors have appointed another vice chairman.

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

7. Execution of Instruments. All agreements, contracts, deeds, leases and other instruments of the Association, except checks, shall be executed by such person or persons as may be designated by general or special resolution of the board of directors and, in the absence of any general or special resolution applicable to any such instrument, then such instrument shall be signed by the chairman. All checks shall be signed by the treasurer, or in his absence or disability, by the chairman or any duly elected assistant treasurer.

8. Compensation of Officers. No officer who is a member of the board of directors shall receive any compensation from the Association for acting as an officer, unless such compensation is authorized by a resolution duly adopted by the unit owners. The board of directors may fix any compensation to be paid to other officers.

ARTICLE V

BUDGET, EXPENSES AND ASSESSMENTS

1. Budget. The board of directors shall from time to time, and at least annually, prepare a budget for the Association, estimate the common expenses expected to be incurred, less any previous overassessment, and assess the common expenses to each unit owner in the same proportion as his percentage interest in the common elements. The board of directors shall advise each unit owner in writing of the amount of common expenses payable by him, and furnish copies of each budget on which such common expenses are based to all unit owners and, if requested, to their mortgagees.

2. Determination of Common Expenses. Common expenses shall include:

(a) Expenses of administration.

(b) Expenses of operation, maintenance, repair or replacement of common elements, and any centrally metered or billed utilities or services, including but not limited to water, electricity, gas, sewer service and garbage disposal.

(c) Cost of insurance or bonds obtained in accordance with these bylaws.

(d) A general operating reserve.

(e) Reserve for replacements and deferred maintenance.

(f) Any deficit in common expenses for any prior period.

(g) Any other items properly chargeable as an expense of the Association.

3. Assessment of Common Expenses. All unit owners shall be obligated to pay common expenses assessed to them by the board of directors on behalf of the Association pursuant to these bylaws and the declaration. Assessments may not be waived or reduced due to limited use or nonuse of common elements. The developer shall be assessed as the unit owner of any unsold unit, but such assessment shall be prorated to the date of sale of the unit and assessments for reserves need not be paid until closing of such sale. The board of directors, on behalf of the Association, shall assess the common expenses against the unit owners from time to time, and at least annually, and shall take prompt action to collect from a unit owner any common expense due which remains unpaid by him for more than thirty (30) days from the due date for its payment.

4. Special Assessments.

(a) Capital Improvements. In the case of any duly authorized capital improvement to the common elements, the board of directors may by resolution establish separate assessments for the same, which may be treated as capital contributions by the unit owners, and the proceeds of which shall be used only for the specific capital improvements described in the resolution.

(b) Reserve Trust Funds. In establishing reserves provided by the bylaws, the board of directors may elect by resolution to establish one or more trust funds for the

maintenance, repair or replacement of specific items, in which case the board shall either designate part of the regular assessment or establish separate assessments for such purposes. The proceeds therefrom shall be held in such trust funds and used only for the designated maintenance, repairs or replacements.

(c) Electric Service Charge. All charges for electric service based upon building meters shall be paid by the Association as a common expense. All charges for electric service based upon individual unit meters will be billed to and must be paid by the individual unit owner.

5. Default in Payment of Common Expenses. In the event of default by any unit owner in paying to the Association the assessed common expenses, such unit owner shall be obligated to pay interest at the rate of nine percent (9%) per annum on such common expenses from the due date thereof, together with all expenses, including attorney's fees, incurred by the Association in any proceeding brought to collect such unpaid expenses, or any appeal therefrom. The board of directors shall have the right and duty to recover for the Association such common expenses, together with interest thereon, and expenses of the proceeding, including attorney's fees, by an action brought against such unit owner or by foreclosure of the lien upon the unit granted by the Oregon Unit Ownership Law. The board of directors shall notify the holder of any first mortgage upon a unit of any default not cured within sixty (60) days of the date of default.

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

7. Statement of Common Expenses. The board of directors shall promptly provide any unit owner who makes a request in writing with a written statement of his unpaid common expenses.

8. First Mortgages. If a 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, his successors and assigns, shall not be liable for any of the common expenses chargeable to such unit which became due prior to the acquisition of title to such unit by such purchaser or mortgagee. Such unpaid share of common expenses shall be a common expense of all the unit owners including such purchaser or mortgagee, his successors and assigns.

ARTICLE VI

RECORDS AND AUDITS

1. General Records. The board of directors and the managing agent or manager, if any, shall keep detailed records of the actions of the board of directors and the managing agent or manager, minutes of the meetings of the board of directors and minutes of the meetings of the Association. The board of directors shall maintain a list of owners entitled to vote at meetings of the Association and a list of all mortgagees of units.

2. Records of Receipts and Expenditures. The board of directors or its designee shall keep detailed, accurate records in chronological order of the receipts and expenditures affecting the common elements, itemizing the maintenance and repair expenses of the common elements and any other expenses incurred. Such records and the vouchers authorizing the payments shall be available for examination by the unit owners and mortgagee at convenient hours of weekdays.

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

4. Payment of Vouchers. The treasurer shall pay all vouchers up to \$1,000 signed by the chairman, managing agent, manager or other person authorized by the board of directors. Any voucher in excess of \$1,000 shall require the signature of the chairman.

5. Reports and Audits. An annual report of the receipts and expenditures of the Association shall be rendered

by the board of directors to all unit owners and to all mortgagees of units who have requested the same within ninety (90) days after the end of each fiscal year. From time to time the board of directors, at the expense of the Association, may obtain an audit of the books and records pertaining to the Association and furnish copies thereof to the owners and such mortgagees. At any time any owner or mortgagee may, at his own expense, cause an audit or inspection to be made of the books and records of the Association.

6. Notice of Sale, Mortgage, Rental or Lease. Immediately upon the sale, mortgage, rental or lease of any unit, the unit owner shall promptly inform the secretary or manager of the name and address of said vendee, mortgagee, lessee, or tenant.

ARTICLE VII

MAINTENANCE AND USE OF CONDOMINIUM PROPERTY

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

(a) Units. All maintenance of and repairs to any unit shall be made by the owner of such unit, who shall keep the same in good order, condition and repair and shall do all redecorating, painting and staining which at any time may be necessary to maintain the good appearance and condition of his unit. In addition, each unit owner shall be responsible for the maintenance, repair, or replacement of windows and doors and any plumbing fixtures, telephones, water heaters, fans, lighting fixtures and lamps, fireplaces, air conditioners, automatic garage door openers, refrigerators, dishwashers, ranges, or other appliances and accessories that may be in or connected with his unit.

(b) Common elements. All maintenance, repairs and replacements to the general and limited common elements shall be made by the Association and shall be charged to all unit owners as a common expense. Each unit owner, however, shall keep the limited common elements which pertain to his unit in a neat, clean and sanitary condition. Without limiting the generality of the foregoing, the Association shall maintain and repair all concrete and asphalt in the limited common elements, the exteriors of all buildings, including painting, all structural parts of the buildings, and any damage caused to the interior of a unit due to faulty exterior or structural parts of the building.

2. Additions, Alterations or Improvements. A unit owner shall not, without first obtaining written consent of the board of directors, make or permit to be made any structural alteration, improvement, or addition in or to his unit, or in or to the exterior of the buildings or any other common elements. A unit owner shall make no repair or alteration or perform any other work on his unit which would jeopardize the soundness or safety of the property, or reduce the value thereof or impair any easement unless the written consent of all unit owners affected is obtained. A unit owner shall not paint or decorate any portion of the exterior of the buildings or other common elements without first obtaining written consent of the board of directors.

3. Damage or Destruction by Casualty of Condominium Property.

(a) In the event of damage or destruction by casualty of condominium property, the damage or destruction shall be repaired, reconstructed or rebuilt unless, within fourteen (14) days of such damage or destruction, the board of directors or more than ten percent (10%) of the unit owners shall have requested a special meeting of the Association. Such special meeting must be held within sixty (60) days of the date of damage or destruction. At the time of such meeting, unless ninety percent (90%) of the unit owners, whether in person, by writing or by proxy, vote not to repair, reconstruct or rebuild the damaged property, the damage or destruction shall be repaired, reconstructed or rebuilt. If ninety percent (90%) of the unit owners vote not to repair, reconstruct or rebuild the damaged property, the condominium shall be considered removed from unit ownership as provided in the Oregon Unit Ownership Law. In the case of substantial damage or destruction, timely written notice thereof shall be given to the unit owners and their mortgagees.

(b) The Association shall be responsible for repairing, reconstructing or rebuilding all such damage or destruction to the common elements and, to the extent of the Association's insurance coverage, all such damage or destruction to the units. Each unit owner shall be responsible for all repairing, reconstructing or rebuilding of his unit as is not covered by the Association's insurance.

(c) If, due to the act of neglect of a unit owner, or of a member of his family or his household pet or of a guest or other authorized occupant or visitor of such unit owner, damage shall be caused to the common elements or to a unit owned by others, or

maintenance, repairs or replacements shall be required which would otherwise be a common expense, then such unit owner shall pay for such damage and such maintenance, repairs and replacements as may be determined by the Association, to the extent not covered by the Association's insurance.

(d) In the event the insurance proceeds paid to the Association are not used to repair, reconstruct or rebuild the damaged or destroyed property, the Association shall distribute the proceeds among the unit owners and their mortgagees (as their interests may appear) in the same proportion as their respective undivided interests in the general common elements.

4. Condemnation. In the event of a taking in condemnation by eminent domain of part or all of the common elements, the award made for such taking shall be payable to the Association. If such proceedings are instituted or such acquisition is sought by a condemning authority as to any portion of the property, prompt notice thereof shall be given to the unit owners and their mortgagees. If seventy-five percent (75%) or more of the unit owners duly and promptly approve the repair or restoration of such common elements, the board of directors shall arrange for the same, which shall be paid out of the proceeds of the award. In the event seventy-five percent (75%) or more of the unit owners do not duly and promptly approve the repair and restoration of such common elements, the board of directors shall disburse the net proceeds of such award to the unit owners and their mortgagees (as their interests may appear) in the same proportions as the respective undivided interests of the unit owners in the general common elements. Nothing herein shall be deemed to affect the priority of the mortgagees of any units with respect to a condemnation award.

5. Restrictions and Requirements Respecting Use of Condominium Property. The following restrictions and requirements are in addition to all other restrictions and requirements contained in the declaration and these bylaws:

(a) Use of common elements. The common elements shall be used for the furnishing of services and facilities for which the same are reasonably intended, for the enjoyment of the units. The use, operation and maintenance of the common elements shall not be obstructed, damaged or unreasonably interfered with by any unit owner.

(b) Unlawful activities. No unlawful use shall be made of the condominium nor any part thereof, and all valid laws, zoning ordinances, and regulations of

all governmental bodies having jurisdiction thereof shall be observed.

(c) Windows, balconies and outside walls. In order to preserve the attractive appearance of the condominium, the board of directors of the Association or the manager may regulate the nature of items which may be placed in or on windows, balconies, and the outside walls so as to be visible from other units, the common elements, or outside the condominium.

(d) Association rules and regulations. In addition, 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 common elements as it may deem necessary or appropriate in order to assure the peaceful and orderly use and enjoyment of the condominium property. Such action may be modified by vote of not less than seventy percent (70%) of the unit owners present, in person or by proxy, at any meeting, the notice of which shall have stated that such modification or revocation or rules and regulations will be under consideration. A copy of the rules and regulations, upon adoption, and a copy of each amendment, modification or revocation thereof, shall be delivered by the secretary promptly to each unit owner and shall be binding upon all unit owners and occupants of all units from the date of delivery.

(e) Leasing of units. No unit owner shall be permitted to lease his unit for transient or hotel purposes. No unit owner may lease less than his entire unit. Any lease of a unit from a unit owner to a third party shall be in writing and shall be subject to the terms of the Declaration and Bylaws, and a failure to comply with the terms thereof shall be a default under the lease.

6. Right of Entry. A unit owner shall grant the right of entry to the board of directors, managing agent, manager or any other person authorized by the board of directors in the case of any emergency originating in or threatening his unit or other condominium property, whether or not the owner is present at the time. A unit owner shall also permit such persons to enter his unit for the purpose of performing installations, alterations or repairs to any common element and for the purpose of inspection to verify that the unit owner is complying with the restrictions and requirements described in Section 5 of this Article, provided that requests for entry are made in advance and that such entry is at a time convenient to the owner.

7. Abatement and Enjoining of Violations. The violation of any rule or regulation adopted hereunder or the breach of any bylaw contained herein or of any provision of the declaration shall give the Association the rights set forth in (a), (b) and (c) below, and shall give any aggrieved unit owner the rights set forth in (b) and (c) below, all of which rights shall be in addition to any other rights set forth in such documents or available by law:

(a) to enter the unit in which or as to which such violation exists and to summarily abate and remove, at the expense of the defaulting unit owner, any structure, thing, or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the board of directors shall not thereby be deemed guilty of any manner of trespass; and

(b) to enjoin, abate, or remedy such thing or condition by appropriate legal proceedings; and/or

(c) to sue for damages.

8. Notification to Mortgagees. The first Mortgagee of any unit, upon request, shall receive written notification from the board of directors of any default in the performance by an individual unit owner under the Declaration or Bylaws if such default is not cured within 60 days.

ARTICLE VIII

AMENDMENTS TO BYLAWS

1. How Proposed. Amendments to the bylaws shall be proposed by either a majority of the board of directors or by at least thirty percent (30%) of the unit owners. 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.

2. Adoption. A resolution adopting a proposed amendment may be proposed by either the board of directors or by the unit owners and may be approved by the unit owners at a meeting called for this purpose. Unit owners not present at the meeting considering such amendment may express their approval in writing or by proxy. Any resolution must be approved by seventy-five percent (75%) of the unit owners and, until all of the units in the development have been sold and conveyed to ultimate purchasers, must also be approved by developer.

3. Execution and Recording. An amendment shall not be effective until certified by the chairman and secretary

of the Association, approved by the Oregon Real Estate Commissioner, and recorded as required by law.

ARTICLE IX

MISCELLANEOUS

1. Notices. All notices to the Association or to the board of directors shall be sent in care of the managing agent, or if there is not a managing agent, to the principal office of the Association or to such other address as the board of directors may hereafter designate from time to time. All notices to any unit owner shall be sent to such address as may have been designated by him from time to time, in writing, to the board of directors, or if no address has been designated, then to the owner's unit.

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.

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 balance of these bylaws. As used herein the singular shall include the plural, and the plural the singular. The masculine and neuter shall each include the masculine, feminine and neuter, as the context requires. All captions used herein are intended solely for convenience of reference and shall in no way limit any of the provisions of these bylaws.

4. Definitions.

(a) Adoption by reference. The definitions contained in or adopted by the declaration shall be applicable to these bylaws.

(b) Percentage of unit owners. Whenever a percentage of unit owners is specified herein, such percentage means the owners of that percentage of the total number of units then existing in the condominium.

(c) Mortgage and Mortgages. As used herein, the terms "mortgage" and "mortgages" shall include, respectively, a trust deed and the beneficiary of a trust deed.

5. Action Without a Meeting. Any action which the Oregon Unit Ownership Law, the declaration or the bylaws

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

6. Conflicts. These bylaws are intended to comply with the Oregon Unit Ownership Law and the declaration. In case of any irreconcilable conflict, such statute and document shall control over these bylaws or any rules and regulations adopted hereunder.

DATED, at Bend, Oregon, this

4 day of June

1980.

BEND RIVERSIDE TOWNHOUSE PARTNERSHIP

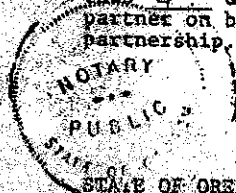
By: Clifford V. Sander, Partner

By: Bruce H. Bruinsma, Partner

STATE OF OREGON

County of McMinnville ss.

The foregoing instrument was acknowledged before me this 4 day of June, 1980 by Clifford V. Sander, partner on behalf of Bend Riverside Townhouse Partnership, a partnership.

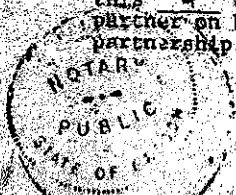


NOTARY PUBLIC FOR OREGON
My Commission Expires: 11-3-82

STATE OF OREGON

County of McMinnville ss.

The foregoing instrument was acknowledged before me this 4 day of June, 1980 by Bruce H. Bruinsma, partner on behalf of Bend Riverside Townhouse Partnership, a partnership.



NOTARY PUBLIC FOR OREGON
My Commission Expires: 11-3-82

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State of Oregon

County of Deschutes

I certify that the foregoing has been compared with the original, and that it is a correct transcript therefrom, and of the whole of such original, as the same appears of record at the Clerk's office in Deschutes County, Oregon.

ROSEMARY PATTERSON, Clerk

1752

STATE OF OREGON

County of Deschutes

I hereby certify that the within instrument of writing was received for Record the 23 day of July A.D. 1981 at 9:50 o'clock A.M. and recorded in Book 344 on Page 845 Records of Deschutes

ROSEMARY PATTERSON
County Clerk

By: R. P. Patterson