

COPELAND, LANDYE,
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J. David Bennett, P.C.
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BYLAWS

OF

McNARY HIGHLANDS

Exhibit "B" to McNary Highlands Condominium Declaration

ARTICLE I

PLAN OF UNIT OWNERSHIP

Section 1. Unit Ownership. The Condominium, located in the City of Lake Oswego, County of Multnomah, State of Oregon, known as McNary Highlands Condominium, is submitted to the provisions of Oregon Revised Statutes, Sections 100.005 et seq., the Oregon Condominium Act.

Section 2. Bylaws Applicability. The provisions of these Bylaws are applicable to the Condominium, the owners' association and the entire management structure thereof. (The term "Condominium" as used herein shall include the land.)

Section 3. Personal Application. All present or future owners, tenants, future tenants or their employees, or any other person that might use the facilities of the Condominium in any manner, are subject to the regulations set forth in these Bylaws. The acquisition, occupancy or rental of any of the Units of the Condominium or the mere act of occupancy of any such Units will constitute acceptance and ratification of these Bylaws and agreement to comply with all the provisions hereof.

Section 4. Definitions. Except as otherwise provided below, the terms herein shall have the meaning set forth in the Oregon Condominium Act, ORS 100.005 et seq., as supplemented by the Declaration and said statute and definitions are incorporated herein by this reference.

ARTICLE II

ASSOCIATION MEMBERSHIP, VOTING,
MAJORITY OF OWNERS, QUORUM, PROXIES

Section 1. Membership in the Association. Upon recordation of a conveyance or contract to convey a Unit, the grantee or purchaser named in such conveyance or contract shall automatically be a member of the Association, and shall remain a member of the Association until such person's ownership ceases for any reason. For all purposes of the Condominium Declaration ("Declaration"),

and the administration of the property, Unit ownership shall be determined, from the records maintained by the Association. The record shall be established by the Unit owner filing with the Association a copy of the deed to or land sale contract for his Unit, to which shall be affixed the certificate of the recording officer of the County of Multnomah, Oregon, showing the date and place of recording of such deed or contract. No person shall be recognized as a Unit owner unless a copy of the deed or contract has been filed with the Association as provided above showing him to be the current owner or contract purchaser of a Unit. Notwithstanding the foregoing, the Declarant shall be the owner of all previously unsold Units, although no deed or land sale contract, with respect to such Units, has been filed with the Association.

Section 2. Voting. The owner or co-owner of each Unit shall be entitled to one vote per Unit. The calling and conducting of meetings of the Association of Unit Owners and the exercise of voting rights shall be controlled by Articles II and III of the Bylaws.

Section 3. Majority of Owners. As used in these Bylaws, the term "majority of owners" shall mean those owners holding over fifty percent (50%) of the voting rights allocated to the Unit owners in accordance with the Declaration and Section 2 above. "Majority of owners present" shall mean owners holding over fifty percent (50%) of the votes present at any legal meeting.

Section 4. Quorum. Except as otherwise provided in these Bylaws, the presence in person, by proxy or by ballot of owners holding forty percent (40%) or more of the outstanding votes in the Condominium, as defined in Section 2 of this Article, shall constitute a quorum. Provided, however, the quorum at any adjourned meeting, as described in Article III, Section 8, shall be reduced to twenty-five percent (25%) of the outstanding votes in the Condominium.

Section 5. Proxies; Ballots. Votes may be cast in person, by proxy or by ballot of a ballot meeting. Proxies must be filed with the Secretary before or during the appointed meeting. The proxies may require the holder to cast a vote for or against any special proposal set out in the notice calling the meeting. In the sole discretion of the Board of Directors, a meeting of the Association may be by ballot, rather than at a formal gathering. Ballots for such meeting must be properly executed and returned in sufficient quantity to constitute a quorum and/or to pass the proposal(s) specifically propounded on the ballot. Unless withdrawn, a proxy given to another person to vote at a specific meeting shall also be valid at an adjourned meeting called under the provisions of Article III, Section 8.

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Section 6. Authority to Vote. All owners shall be entitled to vote, including those who have leased their premises to a third party. An owner's right to vote may not be revoked. A purchaser under a land sale contract entitled to immediate possession of the Unit shall be deemed the owner thereof, unless otherwise provided in such contract.

Section 7. Fiduciaries and Joint Owners. An executor, administrator, guardian or trustee may vote, in person, by proxy or ballot, 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.

Section 8. Actions by Association; Legal Meeting. Except as otherwise provided in the Declaration, these Bylaws, the Oregon Condominium Act or the Oregon Nonprofit Corporation Act, decisions and resolutions of the Association shall require approval by a majority of owners present at any legal meeting. A legal meeting is one duly called pursuant to these Bylaws where a quorum is present in person, by proxy, or by ballot at a ballot meeting.

ARTICLE III

ADMINISTRATION

Section 1. Association Responsibilities. The owners of the Units constitute the members of the McNary Highlands Condominium Association ("Association") who has the responsibility of administering the project, approving the annual budget, establishing and collecting monthly assessments and arranging for the operation, management and maintenance of the Condominium, including negotiating and contracting with and supervising any person, persons or business entity with respect to such matters. The Association of Unit Owners shall be an Oregon non-profit corporation.

Section 2. Place of Meetings. Formal meetings of the Association shall be held at the principal office of the Condominium or such other suitable place convenient to the owners as may be designated by the Board of Directors. The vote of a ballot meeting shall be determined by the Board of Directors within forty-eight

(48) hours of the deadline for return of ballots, or in the event the ballot return date is postponed, within 48 hours of the postponed date. Each Unit owner shall be notified by mail or other delivery of written notice of the results of the ballot meeting or that a quorum of ballots was not returned, within ten (10) days after the ballots have been counted.

Section 3. Turnover Meeting. The turnover meeting (which shall constitute the initial organizational meeting) shall be held not later than ninety (90) days following the conveyance to persons other than the Declarant of fifty percent (50%) of the Units in the Condominium or three (3) years from the date of conveyance of the first Unit in the Condominium, whichever is earlier. The turnover meeting shall be called by notice to all Unit owners of the time, place and purpose thereof not less than seven (7) nor more than fifty (50) days before the meeting. If such meeting is not called by the Declarant within the time specified, the meeting may be called and notice given by a Unit owner.

At the turnover meeting the Declarant shall relinquish control of the administration of the Association and the Unit owners shall assume such control and the Unit owners shall elect a board of directors in accordance with the provisions of Article IV of these Bylaws. Additionally, the Declarant shall deliver to the Association those items specified in the Oregon Condominium Act to be turned over by the Declarant at the turnover meeting. In order to facilitate an orderly transition, during the three (3) month period following the turnover meeting, the Declarant or an informed representative shall be available to meet with the Board of Directors on at least three mutually acceptable dates to review the documents delivered to the Association as required by the Oregon Condominium Act and referred to above.

Section 4. Transitional Committee. Within sixty (60) days of conveyance to persons other than the Declarant of fifty percent (50%) of Units in the Condominium (unless the turnover meeting has been held), the Declarant shall call a meeting of the Unit owners for the purpose of forming a transitional committee in accordance with the Oregon Condominium Act and these Bylaws. The transitional committee shall be advisory only and shall consist of two (2) or more members selected by Unit owners other than the Declarant and may include not more than one representative of the Declarant. The members shall serve until the Turnover Meeting.

The function of the transitional committee shall be that of enabling ease of transition from control of the administration of the Association by the Declarant to control by the Unit owners. The committee shall have access to the information, documents and records which the Declarant must turn over to the Unit owners under the Oregon Condominium Act and Section 3 of this Article.

The Declarant shall give notice of the meeting required under this Section 4 to each Unit owner at least seven (7), but not more than fifty (50) days prior to the meeting. The notice shall state the purpose of the meeting and the time and place where it is to be held. If such meeting is not called by the Declarant within the time specified, the meeting may be called and notice given by a Unit owner. If the owners, other than the Declarant, do not select members for the committee under this Section 4, the Declarant shall have no further responsibility to form the committee.

Section 5. Annual Meetings. The first annual meeting of the Association shall be held in the calendar year following the calendar year in which the turnover meeting is held and shall be set by action of the Board of Directors. This meeting, at the discretion of the Board of Directors, may be changed from time to time, but must be held annually under the rules and regulations as set out in the Bylaws. At such meetings, new members of the Board of Directors shall be elected by the owners in accordance with the requirements of Section 6 of Article IV of these Bylaws, to replace those directors whose terms have expired. The owners may also transact such other business of the Association as may properly come before them.

Section 6. Special Meetings. It shall be the duty of the Chairman to call a special meeting of the owners as directed by resolution of the Board of Directors or upon a petition signed by ten percent (10%) or more of the owners having been presented to the Secretary. All meetings called because of petition of Unit owners shall be held at a formal gathering and not by ballot, and shall be held within sixty (60) days after receipt of the petition. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice unless by consent of all the owners of the Units or as otherwise set out in these Bylaws.

Section 7. Notice of Meetings. It shall be the duty of the Secretary to mail by first-class or certified mail or to be hand delivered a notice of each annual or special meeting stating the purpose thereof and the time and place where it is to be held, to each owner of record at least seven (7) but not more than sixty (60) days prior to such meeting or the date when ballots for a ballot meeting are required to be returned. It shall be the duty of the Secretary to hand deliver or mail by first-class or certified mail written ballots for ballot meetings to each owner of record not less than twenty (20) days prior to the date such ballots must be received by the Association in order to be counted. The mailing shall be to the owner's address last given the Secretary in writing by the Unit owner or his vendee. If Unit ownership is split or the Unit has been sold on a contract, notice shall be sent to a single address, of which the Secretary has been notified in writing by such parties. If no address has been given

the Secretary in writing, then mailing to the Condominium Unit shall be sufficient. The mailing of a notice in the manner provided in this Section shall be considered notice served.

Section 8. Adjourned Meetings. If any gathering of owners is not a legal meeting because a quorum has not attended, the owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours nor more than twenty (20) days from the time the original meeting was called. The Board of Directors may postpone the date for counting the ballots of a ballot meeting, in one or more postponements, for up to 90 days after the originally scheduled ballot return date if a quorum of ballots has not been returned and/or for matters on which a certain percentage approval is required and that vote has not been received nor have sufficient votes in opposition been received to negate such approval.

Section 9. Order of Business. The order of business at all meetings of the owners of Units shall be as follows unless the Board of Directors sets a different agenda:

- (a) Roll call.
- (b) Proof of Notice of meeting or waiver of notice.
- (c) Reading of minutes of the preceding meeting.
- (d) Reports of officers.
- (e) Reports of committees.
- (f) Election of inspectors of election.
- (g) Election of directors.
- (h) Unfinished business.
- (i) New business.

ARTICLE IV

BOARD OF DIRECTORS

Section 1. Number and Qualification. The affairs of the Association shall be governed by a Board of Directors composed of five (5) persons, each of whom must be a Unit owner or the co-owner of a Unit. An officer or employee of a corporation, or the trustee of a trust, or personal representative of an estate, or an employee of the trust or estate may serve on the Board of Directors, if the corporation, trust or estate owns a Unit.

Section 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 such acts and things as are not by law or by these Bylaws directed to be exercised and done by the owners.

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

(a) Care, upkeep and supervision of the Condominium and the general common elements and the limited common elements, if any, and assigning, supervising assignments or approving any assignment of the use of any common element, general or limited, as may be required by the Declaration.

(b) Establishing and maintaining replacement reserve accounts and other reserves which are required to be maintained by the Oregon Condominium Act or these Bylaws and such other reserve accounts as are permitted by these Bylaws.

(c) Designation and collection of monthly assessments from the owners, in accordance with these Bylaws, the Declaration and the Oregon Condominium Act.

(d) Establishing a budget for payment of all common expenses of the Association and institution and maintenance of a system for such payment as may be reasonably necessary to prevent any misuse of Association funds.

(e) Obtaining and maintaining insurance policies and payment of premiums therefor out of the common expense funds in respect to both the common elements and individual Units as more specifically provided in Article VIII of these Bylaws.

(f) Designation and dismissal of the personnel necessary for the maintenance and operation of the Condominium, the general common elements and the limited common elements, if any.

(g) Causing the preparation and distribution of annual financial statements of the Condominium to each of the Unit owners as more specifically provided in Article XII of these Bylaws.

(h) Adoption and amendment of administrative rules and regulations governing the details of operation and use of the common elements. Provided, however, any such rules or regulations shall always be subject to rescission or amendment by the Association upon majority vote of owners present at any properly called meeting at which a quorum is present.

(i) Causing the Association to comply with ORS 100.480 relating to maintenance of documents delivered to the Association by the Declarant and maintenance and distribution of financial statements. Also to maintain copies suitable for duplication of the following: Declaration, Bylaws, Association rules and regulations and any amendments thereto, the most recent annual financial statement and the current operating budget of the Association.

Section 4. Management Agent. The Board of Directors may employ a management agent, to be compensated in an amount established by the Board, to perform such duties and services as the Board shall authorize, including, but not limited to, the duties listed in Section 3 of this Article.

Section 5. Interim Directors. Upon the filing of the Declaration submitting the Condominium to the Oregon Condominium Act, the Declarant shall appoint an interim board of three (3) directors (who need not be owners of Units), who shall serve until replaced by Declarant or their successors have been elected by the Unit owners at the turnover meeting as hereinafter provided. After the appointment of the transitional committee, the interim board shall work closely with it to acquaint the members of the transitional committee with the procedures and operations of the Condominium.

Section 6. Election and Term of Office. At the turnover meeting of the Association, the term of office of two (2) Directors shall be fixed for two (2) years. The term of office of three (3) Directors shall be fixed at one (1) year. Should more Directors be added, the same sequential election terms shall apply as nearly as is practicable. At the expiration of the initial term of office of each respective Director, his successor shall be elected to serve a term of two (2) years. The Directors shall hold office until their successors have been elected and hold their first meeting. At the turnover meeting, upon agreement by vote of the owners, the Board of Directors may be elected by a single ballot with each owner permitted to vote for five (5) nominees. In such event, the two (2) nominees receiving the highest number of votes shall be the two (2) year Directors and the three (3) nominees receiving the next highest number of votes shall be the one (1) year Directors. The Association may increase or decrease the number of Directors and length of terms for which each is elected upon amendment of this Section 6.

Section 7. Vacancies. Vacancies on the Board of Directors caused by any reason other than the removal of a Director by a vote of the Association shall be filled for the balance of the term of each directorship by vote of a majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected upon

expiration of the term for which such person was elected by the other Directors to serve.

Section 8. Removal of Directors. At any legal annual or special meeting, other than a meeting by ballot, any one or more of the Directors may be removed with or without cause, by a majority vote and a successor may be then and there elected to fill the vacancy thus created. Any Director whose removal has been proposed by the owners shall be given an opportunity to be heard at the meeting. Any Director or Directors who fail(s) to attend three (3) successive meetings of the Board of Directors which have been properly called, or who has failed to attend more than one-third (1/3) of the Board of Directors meetings during a twelve (12) month period which have been properly called, may be removed by a majority of the remaining Directors.

Section 9. Organizational Meeting. The first meeting of a newly-elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly-elected Directors in order to legally hold such meeting, providing a majority of the newly-elected Directors are present.

Section 10. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors. Notice of regular meetings of the Board of Directors may be called by the Chairman on three (3) days' notice to each Director, given personally or by mail, telephone, telegraph or other similarly reliable method, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

Section 11. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman or Secretary or on the written request of at least three (3) Directors. Special meetings of the Board of Directors may be called on three (3) days' notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

Section 12. Waiver of Notice to Directors. Before, at or after any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice to Directors shall be required and any business may be transacted at such meeting.

Section 13. Board of Directors' Quorum. At all meetings of the Board of Directors, a majority of the existing Directors shall

constitute a quorum for the transaction of business, and the acts of the majority of the Directors shall be the acts of the Board of Directors. If at any meeting of the Board of Directors there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 14. Board of Directors Meetings Open to All Association Members. All meetings of the Board of Directors shall be open to all members of the Association. No Association member shall have a right to participate in the Board of Directors meetings unless such member is also a member of the Board of Directors. The Chairman shall have authority to exclude any Association member who disrupts the proceedings at a meeting of the Board of Directors.

Section 15. Notice to Association Members of Board of Directors Meetings. For other than emergency meetings, notice of Board of Directors meetings shall be posted at a place on the Condominium property at least three (3) days prior to the meeting or notice shall otherwise be provided to each member of the Association reasonably calculated to inform each member of such meetings. The posting of such notices shall be at a reasonable location which has been generally publicized to the Unit Owners.

Section 16. Telephonic Meetings. In the event of an emergency, telephonic meetings may be held by the Board of Directors. Such telephonic meetings shall be carried on by means of a "conference call" in which each Director may speak with any of the other Directors. The Directors shall keep telephone numbers on file with the Chairman to be used for telephonic meetings. No notice to either Directors or Association members shall be required for a telephonic meeting of the Board of Directors to be held for any emergency action. Provided, however, no such telephonic meeting shall occur unless at least seventy-five percent (75%) of the Board of Directors participate in the same and after an attempt has been made to call each Director at the telephone number maintained on file with the Board of Directors for such purpose.

Section 17. Compensation of Directors. No Director shall be compensated in any manner, except for out-of-pocket expenses, unless such compensation is approved by vote of the Unit owners.

ARTICLE V

OFFICERS

Section 1. Designation. The principal officers of the Association shall be a Chairman, a Secretary and a Treasurer, all

of whom shall be elected by the Directors. The Directors may appoint an assistant treasurer and an assistant secretary, and any such other officers as in their judgment may be necessary.

Section 2. Election of Officers. The officers of the Association may be elected by the Board of Directors at the organizational meeting of each new board or any board meeting thereafter, and shall hold office at the pleasure of the board.

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

Section 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 office of president of an association, including, but not limited to, the power to appoint committees from among the 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.

Section 5. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Association; he shall have charge of such books and papers as the Board of Directors may direct; and he shall, in general, perform all the duties incident to the office of Secretary.

Section 6. Treasurer. The Treasurer shall have responsibility for Association funds and securities not otherwise held by the managing agent, and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board of Directors.

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

ARTICLE VI

OBLIGATIONS OF THE OWNERS

Section 1. Assessments. All owners are obligated to pay annual assessments imposed by the Association to meet all the Condominium's common expenses, which shall include premiums for insurance required or permitted under Article VIII of these Bylaws.

In the discretion of the Board of Directors, the annual assessment may be made payable, semi-annually, quarterly or monthly. The annual assessment shall commence at the time of the first conveyance by the Declarant to a Unit owner. Prior to such time, the Declarant shall pay all operating expenses of the Condominium. All of the reserve accounts set up pursuant to these Bylaws shall be funded by allocation and payment from the monthly assessment of Unit owners. The assessment of all Unit owners who may be benefited by expenditure of reserve funds may be increased as necessary, so the reserve fund in question can be maintained in an amount sufficient to meet the needs for which such fund was established.

Except as otherwise provided in the Declaration or these Bylaws, each Unit will be liable for the common expense in the percentage ownership in the common elements allocated to their Units.

The annual assessment of Units shall include the following items, which shall be common expenses:

Expense Items:

- (a) Expenses of administration.
- (b) Expenses of maintenance, repair or replacement of the common elements.
- (c) Any deficit in common expenses for any prior period.
- (d) Utilities for the common elements and other utilities with a common meter or commonly billed, such as water and sewer.
- (e) At the discretion of the Board of Directors, the expense of basic cable television service to all units, together with maintenance and repair expenses for such system and service.
- (f) Cost of insurance or bonds obtained in accordance with these Bylaws.
- (g) The cost of any professional management if required by mortgagees or desired by the Board of Directors.
- (h) Legal, accounting and other professional fees.
- (i) Any other items properly chargeable as an expense of the Association.

Reserve Items:

(a) A reserve account for the purpose of effecting replacements of structural elements, mechanical equipment and other common elements of the Condominium which will normally require replacement in more than three (3) years and less than thirty (30) years. Payment into this account shall be deemed a contribution to capital improvement as and when made. Pursuant to provisions of the Oregon Condominium Act, the Declarant has established a reserve account for replacement of such common elements. The reserve accounts for replacement shall be funded by assessment against the same Units that are assessed for the maintenance of the items for which the reserve account is established. Accordingly, the reserve account for replacement of both general common elements and limited common elements shall be created by assessment against all owners.

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

(b) In the discretion of the Board of Directors, a general operating reserve account by allocation and payment thereto monthly of an amount determined by the Board of Directors.

(c) Such other special reserve funds as may be set up by the Directors by special assessments of the Unit owners who benefit thereby as may be required by the Declaration or otherwise determined by the Association of Unit Owners to be appropriate, including a reserve fund for any lease payments.

Each reserve account shall be kept in an account with a safe and responsible depository, shall be accounted for separately and, if invested, the obligation or security shall be fully guaranteed as

to principal by the United States of America or one of its agencies. Assessments paid into the reserve accounts are the property of the Association and are not refundable to sellers of Units. Provided, however, nothing herein shall prevent sellers of Units from treating their outstanding allocable share of reserve accounts as a separate or reimbursable item in a sales agreement. No Unit owner shall have any individual rights in any of these reserves, although it is understood that the value of their respective Units may increase in proportion to each Unit's right to receive repair, maintenance and replacement therefrom.

Section 2. Initial Assessment. The initial assessment to Unit owners other than the Declarant shall be determined by the Declarant. The assessment shall thereafter be subject to review by the Board of Directors. Except as otherwise provided below, the assessment for all Units shall be payable from the date the Declaration is recorded.

(a) At the time of closing, each purchaser shall contribute a sum equal to one-sixth (1/6th) of the annual assessment, in respect to the Unit being purchased, as a one-time contribution to the working capital of the Association. Within sixty (60) days after conveyance by the Declarant of the first Unit in the Condominium, the Declarant shall make such contribution in respect to all Units in the Condominium which have not yet been conveyed to a purchaser. If the Declarant has made such contribution, no further contribution shall be required to the Association, but each purchaser shall reimburse the Declarant at the time of closing for the amount of the contribution made by the Declarant in respect to the Unit conveyed to the purchaser. In the further event that the assessments are reduced pursuant to the authority granted to the Declarant herein, the initial deposit to the Association budget equal to one-sixth (1/6th) the annual assessment shall be based on the projected amount of such assessment after substantial or full occupancy of the Units rather than on the reduced assessment.

(b) If the Declarant or any other person pays all of the operating expenses of the Condominium or subsidizes such expenses, the assessment shall be reduced by such amount, but shall not be reduced to a sum less than the total amount of the replacement reserve items. In respect to Units not yet conveyed by the Declarant, the Declarant may accrue the replacement reserve items. At the time of conveyance of the Unit for which the replacement reserve has been accrued, the accrued reserves must be paid to the Association.

The Declarant, or such other person paying all operating expenses or subsidizing such expenses, shall give ten (10) days written notice to individual Unit owners prior to the commencement of their obligation to pay the full assessment. Thereafter, each owner, including the Declarant or such other person, shall pay the assessments to the Association. In the event the Declarant has collected initial assessments from Unit purchasers at closing and thereafter elects to pay or subsidize the operating expenses thereby causing the assessment to be reduced, the one time initial contribution collected from Unit purchasers shall be held by the Declarant in a separate Association account. On the date Unit owners are required to pay full assessments, the aggregate sums held in such separate account shall be deposited to the Association's general account to be used as working capital.

(c) If the Association expenses are temporarily less than projected by the Declarant because some or most of the Units are not yet sold or occupied, the Declarant shall have the authority to reduce temporarily the assessment to reflect the lower expenses of the project.

Section 3. Special Assessments. The Board of Directors shall have the power to levy special assessments against an owner or all owners in the following manner for the following purposes:

(a) To correct a deficit in the operating budget by vote of a majority of the Board;

(b) To collect amounts due to the Association from an owner for breach of the owner's obligations under the Declaration, these Bylaws, or the Association's rules and regulations, by vote of a majority of the Board;

(c) Upon a vote of a majority of the Board of Directors, to make repairs or renovations to the common elements if sufficient funds are not available from the operating budget or replacement reserve accounts; or

(d) To make capital acquisitions, additions or improvements, by vote of at least seventy-five percent (75%) of all votes allocated to Units in the Condominium.

Section 4. Payment of Assessments. Subject to the provisions of Sections 2 and 3 of this Article VI, from the date the Declaration is recorded, the Declarant shall:

(a) Pay assessments due for operating expenses on all unsold Units; and

(b) Pay assessments due for reserves on all unsold Units, or, at the Declarant's option, pay or require the Unit owner to pay all accrued reserve assessments against the Unit at the time of the initial sale to the Unit owner.

Section 5. Budget; Income Tax Returns; Determination of Fiscal Year.

(a) The fiscal year of the Association shall be the calendar year unless otherwise determined by the Board of Directors.

(b) The Board of Directors, in its sole discretion, shall determine the manner in which all necessary income tax returns are filed and of selecting any and all persons to prepare such tax returns.

(c) At least sixty (60) days before the beginning of each fiscal year, the Board of Directors shall adopt a budget for the Association containing an estimate of the total amount considered necessary to pay the cost of maintenance, management, operation, repair and replacement of the common elements and those parts of the Units as to which it is the responsibility of the Association to maintain, repair and replace, and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be common expenses by the Oregon Condominium Act, the Condominium instruments or a resolution of the Association and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Condominium and the rendering to the Unit owners of all related services.

Such budget shall also include such reasonable amounts as the Board of Directors considers necessary to provide working capital and such general operating reserve accounts, contingency and other reserve accounts as the Board shall determine. The amount designated for replacement reserves shall be adjusted annually to reflect current replacement cost and remaining useful life. At least thirty (30) days before the beginning of each fiscal year, the Board of Directors shall send to each Unit owner a copy of the budget in a reasonably itemized form which sets forth the amount of the common expenses and any special assessment payable by each Unit owner. Such budget shall constitute the basis for determining each Unit owner's assessment for the common expenses of the Condominium.

(d) The failure of the Board of Directors to timely prepare and/or to present a budget to the Unit owners shall not be cause for any owner to fail or refuse to pay assessments. Assessments shall continue, based upon the last adopted or accepted budget, until a new budget is created and announced. Retroactive increases and/or special assessments may be made by the Board of Directors to make up for any deficiency.

(e) In the event the Board of Directors fails to timely adopt a budget for a new fiscal year, Unit owners holding a majority of the votes of the entire Association, at any general or specially called meeting, may adopt such a budget, announce it to the Unit owners and immediately commence assessments based on the newly-adopted budget. Additionally, at any general or specially called meeting, Unit owners holding a majority of the votes of the entire Association may amend any budget adopted by the Board of Directors. Thereafter, assessments to Unit owners shall be based on the budget as so amended until a new budget is adopted in accordance with this Section 5.

Section 6. Default. Failure by an owner to pay any assessment of the Association shall be a default by such owner of his obligations pursuant to these Bylaws and the Oregon Condominium Act and, in addition to the Association's other remedies provided in the Declaration, these Bylaws or bylaws shall entitle the Association to declare the balance of such owner's annual assessment otherwise being paid in installments to be immediately due and payable in full. Interest shall be charged on delinquent assessments at such rate as may be set by the board of directors, from time to time, not to exceed the lower of eighteen percent (18%) per annum or the highest rate permitted by applicable law. Prior to the imposition of or charge in the interest rate charged on delinquent assessments, the board of directors shall give thirty (30) days' written notice to all owners.

In addition to the interest which may be charged on delinquent assessments, the Board of Directors, at its option, may impose a late charge penalty in respect to any assessment not paid within ten (10) days from the due date. Such penalty may not exceed the sum of twenty-five percent (25%) of the delinquent assessment, but shall be imposed only once on each regular or special assessment or installment of such assessments.

The Association shall be entitled to a lien which may be enforced upon compliance with the provisions of ORS 100.450. In any foreclosure suit by the Association with respect to such lien, the Association shall be entitled to collect reasonable rent from the defaulting owner for the use of his Unit or shall be entitled to the appointment of a receiver pursuant to ORS 100.460.

Liability for all assessments, charges, interest, fees (including attorneys fees) and other sums owing by the Unit owner pursuant to the Declaration, these Bylaws, the Oregon Condominium Act and rules and regulations of the Association shall be the personal obligation of the Unit owner and may be enforced by suit for a money judgment, in addition to all other remedies of the Association. Any default by the owner in any provisions of these Bylaws or of the Oregon Condominium Act shall be deemed to be a default by the owner of any mortgage to which the owner is a party or to which the Unit is subject.

Section 7. Maintenance and Repair.

(a) Every owner must perform promptly all maintenance and repair work within his own Unit, which if omitted would affect the common elements of the Condominium or a part thereof belonging to other owners, and shall be responsible for the damages and liabilities that his failure to do so may cause, including, but not limited to, plugged toilets and bath drains and clothes washer and dishwasher overflow.

(b) All repairs of internal installations of each Unit, such as water, lights, gas, power, sewage, telephones, air conditioners and sanitary installations, doors, windows, lamps and all other accessories belonging to the Unit area shall be at the sole expense of the owner of such Unit.

(c) An owner shall reimburse the Association for any expenditures incurred in repairing or replacing any common elements and/or facility damaged through his fault, not otherwise covered by insurance policies carried by the owner or the Association for the owner's and Association's benefit. In such circumstances, the insurance obtained by the owner shall be deemed the primary coverage.

Section 8. Right of Entry; Encroachments; Easements for Maintenance.

(a) In case of an emergency originating in or threatening his Unit, an owner shall grant the right of entry to the management agent or to any other person authorized by the Board of Directors or the Association, whether the owner is present at the time or not.

(b) An easement is reserved to the Association in and through any Unit and the common elements providing access at reasonable times and with reasonable notice for purposes of maintenance, repair and replacement of the common elements. If, in the process of such repair and

maintenance by the Association, it is necessary to alter or damage any Unit or common elements, such alterations or damages will be permitted without compensation, provided the Unit and/or common elements are promptly restored to substantially their prior condition by the Association.

(c) If any portion of the common elements encroaches upon a Unit, or a Unit encroaches upon any portion of the common elements, a valid easement for the encroachment and for the maintenance of the same, so long as it stands, shall be and does exist. In the event the structures are partially or totally destroyed, and then rebuilt, the owners of the Units agree that minor encroachment of parts of the common elements due to such rebuilding shall be allowed and an easement shall exist for such purpose.

ARTICLE VII

USE AND OCCUPANCY RESTRICTIONS; RULES OF CONDUCT

Failure by an owner (his family, invitees or lessees) to comply with the rules of conduct and restrictions set forth hereinafter or others promulgated by the Board of Directors shall be cause for which the Board of Directors may deny or restrict such owner's right to use any common element facility with respect to which such owner otherwise had a right of use.

Section 1. Use as Private Dwelling Only. Each of the Units will be occupied as a single family private dwelling by its owner or his tenants, visitors and guests and for no other purpose. All common elements shall be used in a manner conducive to such purpose. No Unit owner shall be permitted to lease his Unit for a period of less than thirty (30) days. No Unit owner may lease less than the entire Unit. Any lease agreement shall be required to provide that the terms of the lease shall be subject in all respects to the provisions of the Declaration and the Bylaws and that any failure by the lessee to comply with the terms of such documents shall be a default under the lease.

Section 2. Restriction on Alteration to Unit. No owner shall make structural modifications or alterations in his Unit or installations located therein without previously notifying the Association in writing by certified mail, sent to the Management Agent, if any, or to the Chairman of the Board of Directors, if no management agent is employed. The Association shall have the obligation to answer within thirty (30) days, and failure to do so within the stipulated time shall mean that there is no objection to the proposed modification or alteration. Provided, however,

nothing herein contained shall waive or limit an owner's obligation to comply with the provisions of ORS 100.535.

Section 3. Use of the Common Elements. No owner shall place or cause to be placed in the lobbies, patios, decks, ramps, vestibules, stairways and other common elements of the Condominium of a similar nature, any furniture, packages or objects of any kind, except that suitable furniture may be placed on the decks and patios without the prior written consent of the Board of Directors. Such areas shall be used for no purpose other than what is normal.

Section 4. Pets. No owner may keep a pet in his Unit without the prior written consent of the Board of Directors. Any Unit owner given such authorization and who maintains any pet upon any portion of the Condominium shall be deemed to have indemnified and agreed to hold the Association, each of its members and the Declarant free and harmless from any loss, claim or liability of any kind or character whatever arising by reason of keeping or maintaining such pet within the Condominium. All pets shall be registered with the Board of Directors and shall otherwise be registered and inoculated as required by law. Such owner shall further abide by the Municipal Sanitary Regulations, leash laws and rules or regulations of the Association created by the Board of Directors. The Board of Directors shall have the power to require any person whose pet is a nuisance, to remove such pet from the premises.

Section 5. Appearance of Condominium Building(s). No Unit owner will cause anything to be hung, displayed, or placed on the walls, doors, windows, walkways, ceilings of walkways or roof of the Condominium building(s) or any other common element nor otherwise change the appearance of any portion of the common elements without the prior written consent of the Board of Directors. Each Unit owner shall provide draperies, mini-blinds or other window coverings at all windows which shall be white or lined with white materials, sufficiently opaque so as to not disclose the color of the interior portion of such window coverings. No clothes lines or similar devices, and no "For Sale" or "For Rent" signs, will be allowed on any part of the Condominium property without the prior written consent of the Board of Directors, except that the Declarant may post reasonable signs in reasonable places on the Condominium property advertising any Unit for sale or for rent.

Section 6. Nuisances. No nuisances will be allowed upon the Condominium property, nor any use or practice that is the source of annoyance to residents or which interferes with the peaceful possession and proper use of the property by its residents. Residents shall exercise extreme care about creating disturbances, making noises or using musical instruments, radios, televisions and amplifiers that may disturb other residents. All parts of the Condominium will be kept in a clean and sanitary condition, and no rubbish, refuse or garbage allowed to accumulate, nor any fire

hazard allowed to exist. All such garbage and trash shall be placed inside disposal containers. No Unit owner will permit any use of his Unit or make any use of the common elements that will increase the cost of insurance upon the Condominium property.

No owner shall hang garments, rugs and similar items from the windows or from any of the facades, decks or terraces of the Condominium, nor shall any owner hang or shake dust rags, mops and similar items from the windows or porches or terraces, or clean such items by beating on an exterior part of the Condominium.

Section 7. Improper, Offensive or Unlawful Use. No improper, offensive or unlawful use will be made of the Condominium property nor any part of it; all valid laws, zoning ordinances and regulations of governmental bodies having jurisdiction will be observed. The responsibility of meeting the requirements of governmental bodies for maintenance, modification or repair of the Condominium property will be carried out and paid for in the same manner as the responsibility for the maintenance and repair of the property concerned.

Section 8. Restriction on Exterior Installations. No owner, resident or lessee shall install wiring for electrical or telephone installation, exterior antennae, machines or air conditioning Units or similar devices on the exterior of the Condominium building(s) or cause them to protrude through the walls or the roof of the Condominium except as authorized by the Board of Directors. No window guards, awnings or shades shall be installed without the prior consent of the Board of Directors.

Section 9. Parking. The parking spaces designated as general common elements in the Declaration are intended for use of automobiles of owners and guests. The Directors may make such rules as may be necessary to govern the use of any general or any limited common element parking areas by which all owners and other users shall be bound. Provided, however, no such rule shall prohibit, restrict, or change a parking assignment without the written consent of the owner of the Unit to which such assignment or right pertains.

Section 10. Vehicle Restrictions. Vehicular traffic on the parking areas and driveways on Condominium property shall be limited to five (5) miles per hour as a safety precaution. This speed limit shall apply to bicycles, motor scooters, motorcycles, automobiles and trucks. No recreational vehicles, campers, trailers, boats, boat trailers, vehicles in disrepair or similar things may be parked or kept on Condominium property without the prior written consent of the Board of Directors.

Section 11. Use of Facilities. All general common elements, including any common garden and common patio or storage areas are provided for the use of the owners and their guests. Rules and

regulations will be posted, setting out the hours the various facilities will be available for use, and the conditions attendant thereto. Compliance with such rules as determined by the Board of Directors is essential to the harmonious operation of the facilities.

Section 12. Additional Rules/Mountain Park Rules. Rules and regulations concerning other use of the Condominium property may be made and amended from time to time by the Association or the Board of Directors. Copies of such rules and regulations will be furnished to all Unit owners and residents of the Condominium, upon request. Owners shall also comply with all rules of the Mountain Park Homeowners' Association.

Section 13. Covenants, Conditions, Restrictions and Easements in Other Documents. Each owner of a Unit in the Condominium is subject to covenants, conditions, restrictions, easements and assessments as set forth in the Declaration of Restrictions of Mountain Park Corporation recorded August 5, 1968 in Book 633, Page 882, records of Multnomah County, as amended by the Ninth Supplemental Declaration of Covenants and Restrictions of Pfedco Inc. recorded October 4, 1977 in Book 1211, Page 2065, in the records of Multnomah County, Oregon, and re-recorded October 7, 1977 in Book 1212, Page 1917, records of Multnomah County, Oregon, together with an easement recorded September 11, 1978 in Book 1293, Page 843, records of Multnomah County, Oregon, for utility and scenic purposes, and easements recorded October 21, 1983 in Book 1700, Page 1936, and October 21, 1983 in Book 1700, Page 1940, records of Multnomah County, Oregon for water lines, and an easement recorded April 29, 1986, in Book 1902, Page 204, in the records of Multnomah County, Oregon for sewers, drainage and utilities. The Mountain Park Homeowners' Association imposes an assessment against all of the living Units within Mountain Park. Each owner of a Unit in the Condominium must pay an assessment directly to Mountain Park Homeowners' Association. The Condominium Association will not be involved in collecting or imposing those assessments. However, Mountain Park Homeowners' Association, pursuant to the provisions listed above, has certain enforcement rights, including the right to file a lien against the individual condominium Units for nonpayment of the Mountain Park Homeowners' Association assessments.

ARTICLE VIII

INSURANCE

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

design and which insurance shall be governed by the provisions in this numbered section.

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

(a) A policy or policies of property insurance including, but not limited to, fire, extended coverage, vandalism and malicious mischief, for the full insurable replacement value, if available, 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 said policy or policies shall provide for a separate loss payable endorsement in favor of the mortgagee or mortgagees, of each Unit, if any. For the purposes of any policy or policies of fire insurance, the term "building" shall include fixtures, installations or additions comprising a part of the building within the unfinished interior surfaces of the perimeter walls, floors and ceilings of the individual Condominium Units initially installed or replacement thereof, in accordance with the original Condominium plans and specifications, or installed by or at the expense of any Unit owner or owners.

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

(c) Workmen's compensation insurance to the extent necessary to comply with any applicable laws.

(d) A fidelity bond naming such persons as may be designated by the Board of Directors as principals and

the Association and the owners as obligees, for the amount determined by the Board of Directors. Provided, however, the Board of Directors shall require that all officers and employees of the Association handling or responsible for Association funds obtain adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

The Association shall not be responsible for any loss or damage to personal property of any owner, whether stored on the common elements or in the owner's Unit, nor shall the Association maintain any insurance coverage for such loss.

Section 2. Insurance Companies Authorized. All policies shall be written by a company licensed to do business in Oregon and holding a "Commissioner's rating" of "A+" and a size rating of "AAA," or better, by Best's Insurance Reports, or as may be otherwise acceptable to all mortgagees and directors.

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

Section 4. Value of Owner Improvements. Each owner must inform the Board of Directors of the value of improvements made to his Unit in excess of One Thousand Dollars (\$1,000) so that the Board of Directors may make any desired adjustments in insurance coverage. Nothing in this paragraph shall permit an owner to make improvements without first obtaining the approval of the Board of Directors pursuant to Article VII, Section 7.

Section 5. Provisions in Insurance Policies. The Board of Directors shall make every effort to secure insurance policies that will provide for the following:

(a) A waiver of subrogation by the insurer as to any claims against the Board of Directors, the manager, the Unit owners and their respective servants, agents and guests.

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

(c) A provision that the master policy on the Condominium cannot be cancelled, invalidated or suspended on account of the conduct of any officer or employee of the Board of Directors or the manager without prior demand in writing that the Board of Directors or manager cure the defect.

(d) A provision that any "no other insurance" clause in the master policy exclude individual owners' policies and not otherwise prevent such individual policies from providing coverage for damage to Units or common elements.

Section 6. Reconstruction Costs. If the Association is required or elects to reconstruct any of the common elements or units which have been damaged or destroyed, all affected unit owners (i.e. owners whose units or limited common elements have been damaged or destroyed) shall contribute to the Association all amounts received by them from property loss insurance policies to help pay for the repairs. To the extent such insurance proceeds are unavailable or unpaid when needed, the Association shall assess any owner the amount of the Association's "deductible" under its policy to pay the cost of repairing or reconstructing such owner's unit or limited common elements. Such assessment shall be both a personal obligation of such owner and a lien against such owner's unit in the same manner as any other Association assessment.

Section 7. Insurance Deductible/Owner and Tenant Insurance. The Board of Directors shall determine the amount of the deductible for property loss insurance policies, as well as other insurance policies required to be procured by the Association under this Article VIII. In determining the deductible under the policies, the Board, among other factors, shall take into consideration the availability, cost, and loss experience of the Association. In this regard, as in other Board responsibilities, the Board members shall exercise their reasonable business judgment.

The Association shall have no responsibility to procure or assist in procuring property loss insurance for any owner or tenant for: (a) damage to a unit or limited common elements not covered by the Association's policy (because of the deductible amount or because the claim for loss or damage is one not normally covered by fire and property loss insurance policies with extended coverage endorsements); or (b) for any damage or loss to the owner's or tenant's personal property. Owners shall be responsible for purchasing insurance policies insuring their units and appurtenant limited common elements for the deductible amount under the Association's policies and for insuring their own personal property for any loss or damage. Tenants shall be responsible for insuring their own personal property for any loss or damage. The Board of Directors shall notify all owners of the amount of the deductible under the Association policies. To the extent reasonably

practicable, the Board of Directors shall give at least 30 days notice to the owners of any increase in the deductible proposed in renewal or replacement insurance policies. Owners and tenants of all units shall procure and maintain comprehensive liability policies having combined limits of not less than \$50,000 for each occurrence. Such insurance shall provide coverage for, but not limited to, the negligent acts of the owner(s) and tenant(s) and their guests or other occupants of the unit(s) for damage to the general and limited common elements and other units and the personal property of others located therein. *(if caused by utility where in Dec 3)*

Section 8. Review of Insurance Policies. At least annually, the Board of Directors shall review all insurance carried by the Association of Unit Owners, which review shall include a consultation with a representative of the insurance carrier writing the master policy.

ARTICLE IX

DAMAGE AND DESTRUCTION

Section 1. Insurance Proceeds Sufficient to Cover Loss. In case of fire, casualty or any other damage and destruction, the insurance proceeds of the master policy, if sufficient to reconstruct the buildings damaged or destroyed, shall be applied to such reconstruction.

Section 2. Insurance Proceeds Insufficient to Cover Loss. If the insurance proceeds are insufficient to reconstruct the damaged or destroyed buildings, the damage to, or destruction of, such buildings shall be promptly repaired and restored by the manager or the Board of Directors, using the proceeds of insurance, if any, on such buildings for that purpose and all the Unit owners shall be liable for assessment for any deficiency for such reconstruction, such deficiency to take into consideration as the owner's contribution any individual policy insurance proceeds provided by such owner. Provided, however, if three-fourths or more in value of all the buildings are destroyed or substantially damaged and if the owners of at least sixty percent (60%) of the Units so vote, and upon the approval of holders of at least fifty-one percent (51%) of the mortgages on Units in the Condominium, the manager or Board of Directors shall record with the County Recorder a notice setting forth such facts, and upon the recording of such notice:

(a) The Condominium property shall be deemed to be owned in common by the owners.

(b) The respective interest of each Unit owner in the property shall be determined by the provisions of ORS 100.610 which are in effect on the date the Condominium Declaration is recorded.

(c) Any liens affecting any of the Units shall be deemed to be transferred in accordance with the existing priorities to the undivided interests of the owners in the project.

(d) The Condominium shall be subject to an action for partition at the suit of any owner. If a decree of partition orders the sale of the Condominium property, the net proceeds of sale, together with the net proceeds of the policies of insurance on the Condominium, if any, shall be considered as one fund and shall be divided among all of the owners in proportion to their respective undivided interests, after first paying, out of the respective shares of the owners, to the extent such share is sufficient for the purpose, all liens on the undivided interest in the project owned by each owner.

Section 3. Architectural Changes After Damage or Destruction. Reconstruction of the damaged or destroyed building as used in this Article means restoring the buildings to substantially the same condition in which they existed prior to the fire, casualty or disaster and shall be performed substantially in accordance with the Declaration and the original plans and specifications unless other action is approved by the holders of at least fifty-one percent (51%) of the mortgages on Units in the Condominium. Such reconstruction shall be accomplished under the direction of the manager or the Board of Directors. Notwithstanding all other provisions hereof, the owners may, by an affirmative vote of sufficient owners to amend these Bylaws, cause an amendment to be made to the Condominium documents so as to facilitate architectural changes that the owners affected thereby and the Association deem desirable if, and only if, the partial or total destruction of the Condominium, or any buildings thereof, by fire, casualty or any other disaster is so great as to require the substantial reconstruction of the whole of the Condominium, or said buildings, and upon approval by the holders of at least fifty-one percent (51%) of the mortgagees in the Condominium. Provided, however, any such amendment of such Condominium documents shall be valid only upon (1) compliance with all applicable provisions of the Oregon Condominium Act; (2) approval by the Oregon Real Estate Commissioner; (3) recording thereof with the recording officer of Multnomah County; and (4) recording with that recording officer of the approval thereof of each mortgagee and each other lienholder of record having a lien against any part of the project, or building, affected by such amendment.

Section 4. Reallocation of Percentage Interest. In the event of a partial destruction of the Condominium buildings or Units therein, the Unit owners may not reallocate percentage interest in the common elements without the prior approval of the mortgagees of all the remaining Units, whether existing in whole or in part. Any

such reallocation shall also comply with the Oregon Condominium Act and other provisions of the Declaration and Bylaws.

ARTICLE X

CONDEMNATION

The Board of Directors shall have the sole authority to negotiate with any public or private body or person having the power of eminent domain and to sue or defend in any litigation involving such bodies or persons with respect to the common elements of the Condominium and shall assist any Unit owner whose Unit or a part thereof is the subject of any condemnation or eminent domain proceeding. Provided, however, nothing in this or any document or agreement relating to the Condominium shall be construed to give a Unit owner or any party priority over the rights of the first mortgagees of any Condominium Units in the case of a distribution to the Unit owner of any such condemnation awards for losses to or a taking of a Unit and/or the common elements. In the event of a taking or acquisition of part or all of the common elements by a condemning authority, the award or proceeds of settlement shall be payable to the Association, or any trustee, for the use and benefit of the Unit owners and their mortgage holders as their interest may appear. The Board of Directors shall distribute the proceeds of any such award or settlement on a reasonable and equitable basis among the Unit owners.

ARTICLE XI

AMENDMENTS TO BYLAWS

These Bylaws may be amended by the owners holding a majority of the total voting rights allocated to the Units in a duly-constituted meeting or ballot meeting called for such purpose, and no amendment shall take effect unless approved by owners holding a majority of the voting rights as otherwise set forth in the Declaration. Any amendments adopted hereby shall be reduced to writing, certified by the Chairman and Secretary of the Association to be the amendment so adopted by the Association, and such amendment so certified shall be recorded in the Deed Records of Multnomah County, Oregon. Provided, however, no amendment of these Bylaws reducing or eliminating the right of any first mortgagee shall be made without the prior written consent of such first mortgagees. Provided, further, no amendment of these Bylaws may be made without the consent of the Declarant so long as Declarant owns any Unit in the Condominium, but no such consent shall be required after conveyance to owners other than the Declarant of seventy-five percent (75%) of the Units or five (5) years after the first conveyance of a Unit in the Condominium, whichever is earlier. ANY AMENDMENTS TO THESE BYLAWS MADE WITHIN FIVE (5) YEARS OF THE

RECORDING DATE HEREOF MUST BE APPROVED BY THE OREGON REAL ESTATE COMMISSIONER PRIOR TO RECORDING.

ARTICLE XII

RECORDS AND AUDITS

Section 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.

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

Section 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.

Section 4. Payment of Expenses/Vouchers. The Board of Directors shall authorize the Treasurer, the management agent or another specified party to pay all legitimate expenses of the Association. Such payments shall be made pursuant to the payment system instituted by the Board of Directors as described in Article IV, Section 3(d) of these Bylaws.

Section 5. Reports and Audits. The Board of Directors shall prepare or cause to be prepared an annual report of the receipts and expenditures of the Association and a balance sheet and income and expense statement setting forth the financial condition of the Association as at the end of each year. The report shall be prepared according to generally accepted accounting procedures and shall be distributed to all Unit owners and to all mortgagees of Units within ninety (90) days after the end of each fiscal year. 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.

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

Section 7. Annual Report. The Board of Directors shall cause an Annual Report, including any amendments, to be filed with the Oregon Secretary of State, pursuant to the provisions of ORS 100.250.

ARTICLE XIII

COMPLIANCE

These Bylaws are intended to comply with the provisions of the Oregon Condominium Act, which are incorporated herein and to supplement the provision in the Condominium Declaration. In case any of the provisions hereof conflict with the provisions of said statutes, the statutory provisions shall apply. In case of any conflict between the provisions hereof and the Declaration, the provisions in the Declaration shall apply.

ARTICLE XIV

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS

The Association shall indemnify any Director, officer, employee or agent who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by the Association) by reason of the fact that he is or was a Director, officer, employee or agent of the Association or is or was serving at the request of the Association as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by said person in connection with such suit, action or proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or with a plea of nolo contendere or its equivalent, shall not of itself create a presumption that a person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had reasonable cause to believe his conduct was

unlawful. Payment under this clause may be made during the pendency of such claim, action, suit or proceeding as and when incurred, subject only to the right of the Association, should it be proven at a later time that said person had no right to such payments. All persons who are ultimately held liable for their actions on behalf of the Association as a Director, officer, employee or agent shall have a right of contribution over and against all other Directors, officers, employees or agents and members of the Association who participated with or benefited from the acts which created said liability.

ARTICLE XV

ASSESSMENT COLLECTION COSTS; SUITS AND ACTIONS

Unit owners shall be obliged to pay reasonable fees and costs including, but not limited to, attorney's fees incurred in connection with efforts to collect delinquent and unpaid assessments and enforcement of the Declaration, Bylaws or rules and regulations of the Association. In addition to the assessment for operating expenses and the funding of reserves, such assessments may include fees, late charges, fines and interest imposed pursuant to ORS 100.405(4) (i) (j) (k).

In the event suit or action is commenced by the Directors for the collection of any amounts due pursuant to these Bylaws or for the enforcement of any provisions of the Bylaws or of the Oregon Condominium Act, the owner or owners, jointly and severally, will in addition to all other obligations, pay the costs of such suit or action, including reasonable attorneys' fees to be fixed by the trial court and, in the event of an appeal, the cost of the appeal, together with reasonable attorneys' fees in the appellate court to be fixed by such court.

ARTICLE XVI

MISCELLANEOUS

Section 1. Notices. All notices to the Association or to the Board of Directors shall be sent care of the managing agent, or if there is no managing agent, to the principal office of the Association or to such other address as the Board of Directors may hereafter designate from time to time. All notices to 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.

Section 2. Waiver. No restriction, condition, obligation or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same,