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12/02/2005 11:28:33 AM

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**DECLARATION OF CONDOMINIUM OWNERSHIP FOR
FIREHALL CONDOMINIUMS**

Dated: September 29, 2005

Declarant: Firehall Partners, L.L.C.

117
After Recording Return To:
David Erans and Associates, Inc.
709 NW Wall St. St. 102.
Bend, OR 97701
Jerry Powell.

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Exhibits to Declaration

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Exhibit C-1	-	Listing of Commercial, Flex, Parking, Storage, Office and Residential Expenses
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**DECLARATION OF CONDOMINIUM OWNERSHIP FOR
FIREHALL CONDOMINIUMS
MADE PURSUANT TO THE OREGON CONDOMINIUM ACT**

This Declaration, to be effective upon its recording in Deschutes County, Oregon, pursuant to the provisions of the Oregon Condominium Act, is made and executed this 29th day of September, 2005, by Firehall Partners L.L.C., an Oregon limited liability company ("Declarant").

Declarant proposes to create a condominium located in the City of Bend, Deschutes County, Oregon, to be known as Firehall Condominiums, composed of nine Primary Units, 16 Parking Units, one Flex Unit and four Storage Units located in one building, to be comprised of portions of a restored existing construction and newly constructed improvements, and associated landscaping. The building consists of four (4) floors above grade and a basement. The purpose of this Declaration is to submit Firehall Condominiums to the condominium form of ownership and use in the manner provided by the Oregon Condominium Act.

1. Definitions and Interpretation.

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

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

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

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

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

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

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

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

1.1.8 Declaration shall mean this Declaration of Condominium Ownership for Firehall Condominiums and any amendments thereto.

1.1.9 Eligible Mortgage Insurer or Guarantor shall mean an insurer or governmental guarantor of a first mortgage on a Unit who has requested notice of certain matters from the Association in accordance with Section 17 below.

1.1.10 Eligible Mortgagee shall mean a holder of a first Mortgage on a Unit who has required notice of certain matters from the Association in accordance with Section 17 below, but shall not include a contract vendor.

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

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

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

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

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

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

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

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

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

1.1.20 Primary Unit shall mean the part of the Condominium designated as either a Residential Unit, Office Unit or Commercial Unit. The Office Units, Commercial Units and Residential Units are referred to collectively herein as the "Primary Units."

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Units.

4.1 General Description of Buildings. The Condominium shall consist of portions of a restored existing building of masonry construction, and newly constructed improvements of masonry and wood frame construction. The building has four floors above grade and a basement.

4.2 General Description, Location, and Designation of Units. The Condominium consists of a total of nine Primary Units, 16 Parking Units, one Flex Unit and four Storage Units located on a generally level site as shown on the Plans. The Primary Units will be designated for residential, office, or commercial use in accordance with Section 9 below. The Primary Units to be designated in Section 9 for commercial use will be located on the ground floor of the building (the "Commercial Units"). The Commercial Units are designated as Units 100 and 104, as shown on the Plans. The Primary Unit to be designated in Section 9 for office use will be located on the second floor of the building (the "Office Unit"). The Office Unit is designated as Unit 210, as shown on the Plans. The Primary Units to be designated for residential use will be located on the second through fourth floors of the building (the "Residential Units"). The Residential Units are designated as Units 201 and 202, located on the second floor of the building, Units 301 and 302, located on the third floor of the building and Units 401 and 402 located on the fourth floor of the building. The Parking Units are located on the ground level and are designated as Units P1 through P16. The Storage Units are located in the basement and are designated as Units 001 through 004. The Flex Unit is located on the fourth floor of the building and is designed as Unit 400. The square footage of the Units is set forth on the attached Exhibit B and as shown on the Plans.

4.3 Boundaries of Units.

4.3.1 Primary Units. The Primary Units shall be bounded as follows:

(a) Each Residential Unit shall be bounded by the interior surfaces of its perimeter and demising walls, floors, ceilings, skylights (if any), windows and window frames, doors and door frames, and trim, and shall include both the interior surfaces so described (including the unexposed face of the sheetrock or similar material and the underside of the finished floor) and the air space so encompassed. Residential Units with a fireplace shall include the fireplace box within such Residential Unit's boundaries as described above, but shall exclude the vertical chase for serving such fireplace.

(b) The Commercial Units shall be bounded by the interior surfaces of the exterior perimeter walls of the building, the interior bearing or demising walls that bound Common Element areas, as shown on the Plans, floors, ceilings, windows and window frames and doors and door frames located in the exterior perimeter walls or interior bearing walls that bound Common Element areas, and perimeter trim, and shall include both the interior surfaces so described (including the unexposed face of the sheetrock of such walls or similar material and the underside of the finished floor) and the air space so encompassed, without regard to intervening demising walls, and shall include all areas so described on the ground level as shown on the Plans.

(c) The Office Unit shall be bounded by the interior surfaces of the exterior perimeter walls of the building, the interior bearing walls or demising that bound Common Element areas, as shown on the Plans, floors, ceilings, windows and window frames and doors and door frames located in the exterior perimeter walls or interior bearing walls that bound Common Element areas, and perimeter trim, and shall include both the interior surfaces so described (including the unexposed face of the sheetrock of such walls or similar material and the underside of the finished floor) and the air space so encompassed, without regard to intervening demising walls, and shall include all areas so described on the second level as shown on the Plans.

In addition, each Primary Unit shall include the outlet of any utility service lines, including water, sewer, electricity, or cable television, and of ventilating or air conditioning ducts, but shall not include any part of such lines or ducts themselves.

4.3.2 Parking Units. Each Unit identified on the Plans as a parking unit (a "Parking Unit") shall consist of the paved surface of the Parking Unit, a vertical plane extending upwards at a 90° angle from the boundaries of the paved surface of the Parking Unit and a horizontal plane coextensive with the boundaries of the paved surface of the Parking Unit as shown on the Plans. Regardless of the actual location of the painted striping for Parking Units, the boundaries of the Parking Units shall be as set forth herein and on the Plans.

4.3.3 Storage Units. Each Storage Unit shall be bounded by the interior surfaces of its perimeter and demising walls, surface of floors and ceilings, inside surface of doors and door frames, and trim, and shall include both the surfaces so described (including the unexposed face of the sheetrock or similar material and the underside of the finished floor) and the air space so encompassed.

4.3.4 Flex Unit. The Flex Unit shall be bounded by the interior surfaces of its perimeter and demising stud walls, floors, ceilings, skylights (if any), windows and window frames, doors and door frames, and trim, and shall include both the interior surfaces so described (including the unexposed face of the sheetrock or similar material and the underside of the finished floor) and the air space so encompassed. The Flex Unit shall also include the outlet of any utility service lines, including electricity or cable television, but shall not include any part of such lines themselves.

5. Owner's Interest in Common Elements; General Common Elements. Each Owner shall be entitled to an undivided percentage ownership interest in the Common Elements, as

shown on the Plans and the table attached as Exhibit B. The method used to establish this allocation consists of (i) an allocation of an 0.01 percent undivided interest to each of the Parking Units, Flex Unit and Storage Units, and (ii) an allocation of the remaining undivided interests to the Primary Units determined by the ratio which the area of each Primary Unit bears to the total area of all Primary Units combined, as shown on the Plans. The general location of the Common Elements is shown on the Plans. The General Common Elements shall consist of all parts of the Condominium other than the Units and the Limited Common Elements and include, without limitation, the following:

5.1 All floor slabs; common corridors (except as specified in Section 6); stairwells (except as specified in Sections 4 and 6); mail room; foundations; exterior windows; crawl spaces; roofs; columns; beams; girders; supports; and bearing walls.

5.2 Pipes, ducts, conduits, wires, and other utility installations, in each case to their respective outlets.

5.3 The recycling/trash area in the parking lot, as shown on the Plans.

5.4 Landscaping, stairs to the basement, and exterior walkways.

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

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

6. Limited Common Elements. The Limited Common Elements shall consist of (i) elevator, the use of which is reserved for the Owners or occupants of the Residential Units and Office Unit, as shown on the Plans; (ii) lobby located on the second level of the building, the use of which is reserved on an equal and exclusive basis for the Owners of the Office Unit, Flex Unit and the Residential Units, as shown on the Plans; (iii) hallways located in the second through fourth floors of the building, the use of which is reserved on an equal and exclusive basis for the Owners of Residential Units, as shown on the Plans; (iv) one stairwell located on all floors of the building above grade, the use of which is reserved on an equal and exclusive basis for the Owners of the Office Unit and Residential Units, identified as LCE Stair #1 on the Plans; (v) balconies or decks adjacent to certain Residential Units, as shown on the Plans, the use of which is reserved on an exclusive basis for the Owner of the adjacent Residential Unit; (vi) the lobby area located on the first floor, the use of which is reserved on an equal and exclusive basis for the Owners of Residential Units and the Office Unit, as shown on the Plans; (vii) the parking space in the parking lot designated for use by persons with a disabled parking permit, the use of which is reserved for Owners, tenants and invitees of the Residential Units, Flex Unit and Office Unit, as shown on the Plans; (viii) the walkway area behind Parking Units P1 through P6, the use of which is reserved on an equal and exclusive basis for the Owners of those Parking Units, as shown on the Plans; (ix) one stairwell located on all floors of the building above grade, the use of which is reserved in an equal and exclusive basis for the Owners of the residential and Flex Unit, identified as LCE Stair #2 on the Plans ;and (x) a stairwell located on the outside of the building, the use of which is reserved for the use of the Office Unit, identified as LCE Stair #3 on the

Plans. The dimensions, designation, and location of the Limited Common Elements are shown on the Plans.

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

7.1 Method of Allocation. The common profits of the Property shall be distributed among the Owners according to the percentage of each Owner's respective undivided interest in the Common Elements pertaining to their Units, as set forth in Exhibit B. The common expenses of the Property shall be divided into commercial expenses, including any reserve assessments allocated to the Owners of the Commercial Units pursuant to Section 5.2 of the Bylaws (the "Commercial Expenses"); office expenses, including any reserve assessments allocated to the Owner of the Office Unit pursuant to Section 5.2 of the Bylaws (the "Office Expenses"); Flex Unit Expenses ("Flex Expenses"); Parking Unit Expenses related solely to Parking Units P1 through P-6, located inside the building (the "Parking Expenses"); Storage Unit Expenses ("Storage Expenses"); and residential expenses, including any reserve assessments allocated to Owners of Residential Units pursuant to Section 5.2 of the Bylaws (the "Residential Expenses"), as shown on the attached Exhibit C-1. The Commercial Expenses shall be charged to the Owners of the Commercial Units according to the percentage determined by the ratio which the area of each Commercial Unit bears to the total area of all Commercial Units, as shown on the attached Exhibit C-2. The Office Expenses shall be charged to the Owner of the Office Unit. The Flex Expenses will be charged to the Owner of the Flex Unit. The Parking Expenses will be charged equally among the Owners of Parking Units P1 through P6. The Storage Expenses will be charged to the Owners of the Storage Units according to the percentage determined by the ratio which the area of each Storage Unit bears to the total area of all Storage Units, as shown on the attached Exhibit C-3. The Residential Expenses shall be charged to the Owners of the Residential Units according to the percentage determined by the ratio which the area of each Residential Unit bears to the total area of all Residential Units, as shown on the attached Exhibit C-4. In the event an Owner of a Primary Unit or the Flex Unit shall use an unreasonably disproportionate amount of a service included in the common expenses, as determined by the Board in its reasonable discretion, then such Owner shall be required to bear the expense of such service individually (as, for example, by separate metering of utilities) and the common expenses incurred by the other Owners shall thereupon be adjusted accordingly. Any costs or expenses incurred by the Association (including, without limitation, capital improvements and maintenance, upkeep, and repair of Association Property) that are not assessable to an Owner pursuant to Section 5.8 of the Bylaws and not shown on Exhibit C shall be allocated among Office Expenses, Commercial Expenses, Flex Expenses, Parking Expenses, Storage Expenses and Residential Expenses in a proportion that reasonably and equitably reflects the benefit realized as a result of such cost or expense by the Owners of the Office Unit, Commercial Units, Flex Unit, Parking Units P1 through P6, Storage Units and Residential Units, respectively. The allocation described in the preceding sentence shall be determined by the agreement of the director elected by the Owner of the Office Unit, at least one of the directors elected by an Owner of a Commercial Unit and by at least one of the directors elected by the Owners of Residential Units. In the event such directors are unable to reach agreement on an allocation within 30 days following written notice given to all directors of the cost or expense requiring allocation, the cost or expense shall be allocated 32.7 percent as a Residential Expense, 11.8 percent as a Office Expense, 2.9 percent as a Flex Expense, 15.4 percent as a Parking Expense, 2.9 percent as a Storage Expense and 36.3 percent as a Commercial Expense. Assessments of common expenses shall commence upon closing of the first

sale of a Unit, provided that Declarant may elect to defer the commencement of assessment of common expenses (other than assessments for reserves pursuant to Section 5.2 of the Bylaws) for a period of 60 days following such initial closing. Assessments for reserves pursuant to Section 14.3 of this Declaration and Section 5.2 of the Bylaws shall commence upon closing of the first sale of a Unit, subject to the right of Declarant to defer the payment of assessments for reserves pursuant to Section 14.3. Declarant shall give not less than 10 days' written notice to all Owners of the commencement of assessments of all common expenses. Until the commencement of assessments for all common expenses, Declarant shall be responsible for payment of all common expenses of the Association (other than assessment for reserves pursuant to Section 5.2 of the Bylaws). Except to the extent provided in the Bylaws, the common expenses of the Property shall be assessed on a monthly basis.

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

7.3 Default in Payment of Common Expenses. In the event of default by any Owner in paying to the Association the assessed common expenses (including, but not limited to, reserve assessments or any other special assessments), or any other charge imposed or levied by the Association pursuant to the provisions of this Declaration, the Bylaws or the Oregon Condominium Act, such Owner shall be obligated to pay interest on such common expenses from the due date thereof, together with all expenses, including attorneys' fees, incurred by the Association in any proceeding brought to collect such unpaid expenses, or any appeal therefrom. No interest or late charges will be assessed on common expenses paid within 30 days after the due date therefor. Otherwise, delinquent payments of common expense assessments shall bear interest from the date thereof at a rate of 18 percent per annum, but in no event higher than the maximum rate permitted by law. The Board of Directors may also establish and impose charges for late payments of assessments, if the charge imposed is based upon a resolution adopted by the Board of Directors that is delivered to each Unit, mailed to the mailing address of each Unit, or mailed to the mailing addresses designated by the Owners in writing. If the assessment is not paid within thirty (30) days of its due date, the Board of Directors may declare any remaining installments of assessments for the balance of the fiscal year immediately due and payable and may terminate the right to receive utility services paid for out of assessments or the right of access to and use of recreational and service facilities of the Condominium until assessments have been brought current. The Board of Directors shall have the right and duty to recover for the Association such common expenses, together with interest thereon, late charges, if any, and expenses of the proceeding, including attorneys' fees, by an action brought against such Owner or by foreclosure of the lien which the Board of Directors shall have upon such Owner's Units (including, without limitation, that Owner's Parking, Flex or Storage Unit, if any) with respect to all such obligations.

7.4 Foreclosure of Liens for Unpaid Common Expenses. In any action brought by the Association to foreclose a lien on a Unit or Units because of unpaid assessments or charges, the Owner shall be required to pay a reasonable rental for the use of the Unit or Units during the pendency of the suit, and the plaintiff in such foreclosure suit shall be entitled to the appointment of a receiver to collect such rental. The Board of Directors, acting on behalf of the

Association, shall have the power to purchase such Unit or Units at the foreclosure sale and to acquire, hold, lease, mortgage, vote the votes appurtenant to, convey, or otherwise deal with the Unit or Units. An action to recover a money judgment for unpaid common expenses shall be maintainable without foreclosing any lien securing the same.

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

8. Voting Rights. Subject to the provisions of Section 21 of the Declaration and Section 2.8 of the Bylaws, one (1) vote shall be allocated to each Residential Unit, two (2) votes to the Office Unit three (3) votes to each Commercial Unit. No voting rights shall be allocated to Parking, Flex or Storage Units.

9. Use. The Commercial Units may be used for commercial purposes only in accordance with the Bylaws. The Office Unit may be used for office purposes only in accordance with Section 7.3 of the Bylaws. The Flex Unit may be used for storage or home office purposes, as described in Section 7.4 of the Bylaws. The Residential Units are intended for residential use, as described in Section 7.2 of the Bylaws. The use of Parking Units P1 through P6 shall be limited to the parking of vehicles owned or operated by the Owner, tenant or resident of a Residential Unit and the storage area at the front of such Parking Units may be used only by the same persons. The use of Parking Units P7 through P16 shall be limited to the parking of vehicles owned or operated by the Owner, tenant or resident of a Primary Unit, or the employees of such Owner (but in no event shall the general public be allowed to use such Parking Units). The Storage Units shall be limited to storing items associated with a Primary Unit.

10. Service of Process. The designated agent to receive service of process in cases described in Section 100.550(1) of the Act is named in the Condominium Information Report

which will be filed with the Real Estate Agency in accordance with Section 100.250(1)(a) of the Act.

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

12. No Restrictions on Alienation. This Declaration and the Bylaws impose no restrictions on the alienation of any Primary Unit. No person or entity may own or shall be entitled to acquire a Parking or Storage Unit unless such person or entity owns or shall simultaneously acquire a Primary Unit, and with respect to Parking Units P1 through P6, a Residential Unit, provided that Declarant or its successors and assigns may own unsold Parking and Storage Units even if it has conveyed all Primary Units). Any conveyance, transfer, or other disposition ("Transfer") of a Parking or Storage Unit to a person or entity who does not own or who will not acquire a Primary Unit or Residential Unit, as applicable, is prohibited. In the case of a Transfer or attempted Transfer of a Parking or Storage Unit in violation of this Section 12, in addition to the Association's other rights under this Section 12, the person or entity making or attempting such Transfer shall indemnify and hold harmless the Association and its members from all cost, liability, and damage that the Association or its members may incur (including, without limitation, attorneys' fees and expenses) as a result of such Transfer or attempted Transfer. In the event a person or entity engages or attempts to engage in a Transfer of a Parking or Storage Unit in violation of this Section 12, the Association acting through the Board may, in its sole discretion, fine the offending person or entity in such amounts as it may determine to be appropriate, in addition to any other rights or remedies available to the Association under this Declaration, the Bylaws or applicable law or in equity including, without limitation, the remedies of specific performance and injunction.

13. Maintenance and Repairs; Reserve Fund.

13.1 Maintenance of Common Elements and Parking Units. Except as otherwise provided in this Declaration or the Bylaws, the necessary work to inspect, maintain, repair, or replace the Common Elements, the Parking Units, Association Property and the chases serving the fireplaces in Residential Units (notwithstanding that such chases are part of the Residential Units) in good condition and in accordance with the Maintenance Plan (as defined in the Bylaws) (notwithstanding that such Parking Units are not Common Elements) shall be the responsibility of the Association and shall be carried out as provided in the Bylaws. Trash removal from the dumpster designated by the Board for use by Unit 100 shall be arranged and paid for separately by the Owners and tenants of Unit 100. The Association is responsible for maintaining warranties in effect for all portions of the Common Elements, Association Property, and Parking Units, to the fullest extent possible. If the Mortgagee of any Primary Unit determines that the Board is not providing an adequate inspection, maintenance, repair, and replacement program for the Common

Elements and Parking Units, such Mortgagee, at its option, may deliver a notice to the registered agent of the Association, as required pursuant to Section 100.550 of the Act, setting forth the particular defect(s) which it believes exists in the maintenance, repair, and replacement program. If the specified defect(s) are not corrected within 60 days after receipt of such notice, then the Mortgagee, upon written notice to the registered agent that it is exercising its proxy rights thereunder, shall have the right to attend succeeding annual or special meetings of the Association and to cast a vote for each Primary Unit on which it holds a Mortgage on all business coming before such meeting, which proxy rights shall continue until the defect(s) described in the notice are corrected.

13.2 Maintenance of Units. All maintenance of and repairs to any Primary, Flex and Storage Unit (other than the chases of a fireplace, if any, located in a Residential Unit) shall be made by the Owner of such Unit, who shall keep the same in good order, condition, and repair and shall do all redecorating, painting, and staining which at any time may be necessary to maintain the good appearance and condition of his or her Unit or Units. In addition, each Owner of a Primary Unit shall be responsible for the maintenance, repair, or replacement of interior doors and any plumbing, heating or air conditioning fixtures, telephones, water heaters, fans, lighting fixtures and lamps, refrigerators, dishwashers, ranges, or other appliances and accessories that may be in his or her Primary Unit. Each Owner shall maintain the doors which provide the means of ingress and egress to and from his or her Primary Unit, Flex Unit or Storage Unit (including the repair of any damage thereto), and the windows opening on to his or her Unit (including the repair or replacement of cracked or broken windows, but excluding exterior window washing, which shall be the responsibility of the Association), notwithstanding that such surfaces may be part of the Common Elements. Each Owner of Parking Unit P1 through P6 Unit shall be responsible for the maintenance, repair, and replacement of the interior surfaces of the storage area of his or her Parking Unit, and any lighting fixtures or other fixtures located within, or attached to the interior of, the storage area of his or her Parking Unit. Each Owner of a Residential Unit shall keep the balconies adjacent to such Owner's Unit, if any, clean and free of debris, notwithstanding that such balconies are Common Elements.

13.3 Reserve Fund for Replacing Common Elements. Declarant shall conduct a reserve study as required by the Act and shall establish in the name of the Association a reserve fund for replacement of Common Elements which will normally require replacement in more than three and fewer than 30 years and for the painting of exterior painted surfaces of Common Elements, if any, as provided in Section 5.2 of the Bylaws. The reserve study assumes that the Association conducts normal, routine maintenance for the elements reserved for and that the Association is required to perform pursuant to this Declaration, the Bylaws of the Act. If the Association fails to perform required maintenance, the reserve fund may be inadequate at the time of the required replacement for one or more elements included in the reserve study. The reserve fund shall also be governed by Section 5.2 of the Bylaws. Declarant may elect to defer payment of assessments for the reserve fund with respect to a Unit until the time of conveyance of the Unit; provided, however, that Declarant may not defer payment of accrued assessments for the reserve fund beyond the date of the Turnover Meeting, or if the Turnover Meeting is not held, the date the Owners assume administrative control of the Association. The books and records of the Association shall reflect the amount owed by Declarant for all reserve fund assessments.

14. Rights of Access and Use.

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

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

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

14.4 Right of Entry. In addition to the rights granted to the Association elsewhere in this Declaration, the Bylaws, or by the Act, the Board, acting on behalf of the Association, or a managing agent, manager, or any other person authorized by the Board, shall have the right to enter any Owner's Unit or Units in the case of any emergency originating in or threatening such Unit or Units or other Units or Condominium property or requiring repairs in such Unit or Units to protect public safety, whether or not the Owner is present at the time. Each Owner shall also permit such persons to enter the Owner's Unit or Units for the purpose of performing installations, alterations, maintenance, cleaning, or repairs to any Common Element, preventing damage to the Common Elements or another Unit, performing the Association's inspection and maintenance obligations, or inspecting the Unit or Units to verify that the Owner is complying with the restrictions and requirements described in this Declaration, the Bylaws, and/or the Rules and Regulations, provided that requests for entry are made in advance and that such entry is at a time reasonably convenient to the Owner. For a period of ten (10) years following recording of this Declaration, Declarant shall have a right to inspect the Common

Elements of the Condominium and the Association's records regarding inspections and maintenance of the Condominium.

14.5 Right of Access and Use for Declarant. Declarant and Declarant's agents, successors, and assigns shall have a right of access and use to, through, over, and of the Common Elements and Parking Units for the purpose of (i) planning, designing, developing, constructing, inspecting, maintaining, repairing or selling structures or improvements on the Property, to the extent Declarant is required or authorized to conduct such activities (a) pursuant to this Declaration, the Bylaws, or the Plans, (b) under contracts of sale with purchasers of Units, (c) satisfying any warranty obligation of Declaration, (d) inspecting the Property for defects or to verify appropriate maintenance is being performed, or (e) under applicable law or regulations, and (ii) carrying out sales activities reasonably necessary for the sale of Units, including, without limitation, the right to use the Units owned by Declarant as model Units and the right to use a Primary Unit or Flex Unit owned by Declarant as a sales office, until all Units have been conveyed to persons other than Declarant; provided, however, that Declarant shall restore the portions of the Property which it accesses or uses pursuant to this Section 14.5 to substantially the same condition that existed prior to such access or use (except to the extent Declarant has constructed, repaired or replaced improvements contemplated by this Section 14.4). The right of entry and inspection provided in this Section 14.5 shall not in any way obligate the Declarant or Declarant's agents, successors and assigns to make such an inspection, and the decision on whether to inspect Units and the frequency of such inspections, if any, shall be solely within the discretion of the Declarant or its successors and assigns.

15. Partition; Division.

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

15.2 Creating Additional Units from the Commercial Units or the Office Unit. Pursuant to, and in accordance with the processes set forth in, ORS 100.625, each Owner of each Commercial Unit or the Office Unit may divide and create each Commercial Unit or the Office Unit as two or more Units. The maximum number of Units into which each Commercial Unit may be divided is three (3) and the maximum number of Units into which the Office Unit may be divided is two (2). Any Units so created shall be used for commercial purposes, as required by the Bylaws prior to such creation. In the event of such division and creation, the interest in the Common Elements reserved for the divided Commercial or Office Unit as of the date of this Declaration shall be reallocated by taking the total interest in the Common Elements reserved for the divided Unit and allocating it among the newly created Units on the basis of the ratio of the square footage of each newly created Unit bears to the square footage of all newly created Units, such that there shall be no reallocation of the original Unit's interest in the Common Elements. The Limited Common Elements serving the divided Commercial or Office Unit, as applicable, shall continue to serve the Units created from such Unit and be used for the same purposes. Commercial Expenses assigned to the divided Commercial Unit as of the date of this Declaration

shall be allocated among all of the newly created Units of the former Commercial Unit on the basis of the ratio by which the square footage of each newly created Unit bears to the square footage of all newly created Units, such that there shall be no reallocation of Residential Expenses. The Limited Common Elements serving the divided Office Unit, as applicable, shall continue to serve the Units created from such Unit and be used for the same purposes. Office Expenses assigned to the divided Office Unit as of the date of this Declaration shall be allocated among all of the newly created Units of the former Office Unit on the basis of the ratio by which the square footage of each newly created Unit bears to the square footage of all newly created Units, such that there shall be no reallocation of Residential Expenses. Common profits assigned to the Commercial Unit then being divided as of the date of recordation of this Declaration shall be reallocated among all of the newly created Commercial Units on the basis of the ratio by which the square footage of each newly created Commercial Unit bears to the square footage of all newly created Commercial Units, such that there shall be no reallocation of common profits assigned to Residential Units. Common profits assigned to the Office Unit then being divided as of the date of recordation of this Declaration shall be reallocated among all of the newly created Office Units on the basis of the ratio by which the square footage of each newly created Office Unit bears to the square footage of all newly created Office Units, such that there shall be no reallocation of common profits assigned to Residential Units. Voting rights shall be allocated by dividing the number of votes allocated to Commercial or Office Unit, as applicable, by the number of resulting Units and then assigning votes to the newly created Units equally. For purposes of this Section 15.2, the square footage of the newly created Commercial Units shall be measured to the centerpoint of the newly established boundary walls between newly created Commercial Units, such that the total square footage of all newly created Commercial Units equals the total square footage of the former Commercial Unit.

16. Encroachments.

16.1 Each Unit and all Common Elements shall have an easement over all adjoining Units and Common Elements for the purpose of accommodating any present or future encroachment as a result of engineering errors, construction, reconstruction, repairs, settlement, shifting, or other movement of any portion of the Property, or any other similar cause, and any encroachment due to building overhang or projection as long as the physical boundaries of the Units are in substantial accord with the description of those boundaries that appears in the Declaration. There shall be a valid easement for the maintenance of the encroaching Units and Common Elements so long as the encroachment shall exist and, except as otherwise provided in Section 16.2, the rights and obligations of Owners shall not be altered in any way by the encroachment.

16.2 The easement described in Section 16.1 does not relieve an Owner of liability in case of willful misconduct of an Owner or relieve the Declarant or any contractor, subcontractor, or materialman of liability for failure to adhere to the Plans.

16.3 The encroachments described in Section 16.1 shall not be construed to be encumbrances affecting the marketability of title to any Unit.

17. Notices to Mortgagees. The Association shall provide timely written notice of the following matters to any Eligible Mortgagee, or any Eligible Mortgage Insurer or Guarantor, who makes a written request therefor to the Association:

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

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

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

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

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

19. Managing Agent. Subject to the rights of the Association to terminate any such agreement entered into prior to the Turnover Meeting without penalty or cause upon not less than 30 days' written notice given at any time, the Board shall have the authority, on behalf of the Association, to enter into a management agreement with respect to the Condominium prior to the Turnover Meeting for a term not to exceed three (3) years. On behalf of the Association, the Board may, after the Turnover Meeting, employ or contract for a managing agent or manager in accordance with the Bylaws at a compensation to be established by the Board. Any such

management agreement shall be terminable by the Association upon not more than 90 days' nor less than 30 days' written notice thereof. The Board may delegate to the managing agent or manager such duties and powers as the Board may authorize. In the absence of such appointment, the Board shall act as manager of the Condominium.

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

21. Administrative Control. Except as otherwise provided in this Declaration or in the Bylaws, Declarant reserves control until the earlier to occur of the date that is three years after the date on which the first Primary Unit is conveyed or the date at which 75 percent of all 30 Units have been conveyed to persons other than the Declarant, during which time:

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

21.2 Declarant shall have five (5) votes with respect to each Primary Unit owned by it, notwithstanding the provisions of Section 8;

21.3 Declarant shall have the right to exercise all powers of the Association, the Board, or the Condominium officers under this Declaration, the Bylaws, and the Act, except that Declarant may not bind the Association to any management agreement, service contract, employment contract, lease of recreational areas or facilities, or contract or lease (other than a ground lease) to which Declarant is a party, which is made prior to the Turnover Meeting unless the Association or the Board is granted therein a right of termination thereof which is exercisable without cause or penalty upon not less than 30 days' written notice given to the other party thereto not later than 60 days after the Turnover Meeting, except as otherwise provided in Section 19.

22. Casualty.

22.1 Responsibility of Association. The Association shall be responsible for repairing, reconstructing, or rebuilding all damage or destruction of the Common Elements and Parking Units by casualty and, to the extent of the Association's insurance coverage, all such damage or destruction to the other Units. Each Owner shall be responsible for the repairing, reconstructing, or rebuilding of his or her Primary Units, Flex Unit and Storage Units to the extent not covered by the Association's insurance and to the extent of any deductible under the Association's insurance. The Association shall rebuild and restore the damaged or destroyed portions of the Common Elements, Parking Units, and, to the extent of the Association's insurance coverage, of the other Units, so that the Property is rebuilt and restored to substantially the same condition in which it existed prior to such damage or destruction, unless Owners of at least 75 percent of the Primary Units and 75 percent of all first Mortgagees of Primary Units agree that the Property shall not be rebuilt or restored. The Association shall represent the Owners in any proceeding, negotiation, settlement, or agreement relating to the payment of proceeds under any insurance policies held by the Association. Any such proceeds shall be

payable to the Association to the extent of its interest therein. If the Property is to be rebuilt and restored and the proceeds of the insurance policies held by the Association are insufficient to fund the full cost of rebuilding and restoration, the difference between the amount of such proceeds and such cost may be charged to all Owners as a common expense. If the required number of Owners of Primary Units and first Mortgagees agree that the Property shall not be rebuilt and restored, the Property shall be considered removed from the provisions of the Act in accordance with Section 100.605 thereof, and any proceeds resulting from such removal shall be distributed in accordance with Section 100.615 of the Act.

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

23. Condemnation.

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

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

24. Fidelity Bond. 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, whether or not such person or entity receives compensation for services, shall furnish a fidelity bond as the Board of Directors deems adequate under this Section 24. In no event, however, may the aggregate amount of such insurance be less than the sum equal to three (3) months' aggregate assessments on all Units plus reserve funds. Such bonds shall name the Association as the obligee and shall cover the maximum funds that may be in the custody of the Association or any manager at any time while such bonds are in force but, in any event, not less than the sum of three months of common expense assessments on all Units. Any such bond shall include a provision requiring not less than ten (10) days' written notice to the Association and any Mortgagee of a Unit requesting a copy thereof and each servicer on behalf of the Federal National Mortgage Association ("FannieMae") before cancellation or substantial modification of the bond for any reason. The premiums on such bonds shall be paid by the Association.

25. Amendment.

25.1 Approval by Owners. Amendments to the Declaration shall be proposed by either a majority of the Board of Directors or by Owners holding thirty percent (30%) or more of the voting rights. The proposed amendment must be reduced to writing and shall be included in the notice of any meeting at which action is to be taken thereon or attached to any request for consent to the amendment. Except as may otherwise be provided in this Declaration or by the Act, this Declaration may be amended if such amendment is approved by Owners holding at least 75 percent of the voting power of the Association and the consent of Declarant, for a period of ten (10) years after the date of the Turnover Meeting or for so long as Declarant owns a Unit, whichever is longer; provided that any amendment to the provisions of this Declaration that relates solely to, or that imposes additional burdens upon or takes away rights particular only to, the Residential Units, Office Unit or Commercial Units shall, in addition to the voting requirements stated previously in this sentence, require seventy-five percent (75%) of the voting power of the Residential Units, if the Residential Units are so affected, and the vote of the Office Unit, if the Office Unit is so affected, and seventy-five percent (75%) of the votes of the Commercial Units, if the Commercial Units are so affected. The unanimous consent of all Owners of Primary Units shall be required for amendments of Sections 14.2 and 17 of this Declaration. Section 9 of this Declaration may not be amended in a manner that limits or restricts the use for retail or office purposes of the Commercial or Office Units, shown on the Plan, without the written consent of the Owners of such Commercial or Office Units. Except as otherwise provided in the Act, no amendment may change the size, location, allocation of undivided interest in the Common Elements, method for determining liability for common expenses, the method of determining the right to common profits, or the method of determining the voting rights of or with respect to any Unit unless such amendment has been approved by the Owners of the affected Units. Voting on any amendment to this Declaration shall be without regard to Declarant's enhanced voting power under Section 20.2, except for an amendment to approve a plat amendment, or to correct any provision of or exhibit to this Declaration, whether such correction is required due to a surveyor's error, factual error, miscalculation, omission or to comply with the requirements of any applicable statute, ordinance, regulation or guideline of the Federal Housing Administration, the Veterans Administration, the Farmers Home Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, any department, bureau, board, commission or agency of the United States or the State of Oregon, or any corporation

wholly owned, directly or indirectly, by the United States or the State of Oregon that insures, guarantees or provides financing for condominiums or to comply with the Act. For a period of ten (10) years after the date of the turnover Meeting, the Bylaws, the Rules and Regulations, and this Declaration may not be modified, added to, amended, or repealed so as to eliminate, change, or impair any rights, privileges, easements, licenses, or exemptions granted therein or herein to Declarant or its designee, or otherwise so as adversely to affect Declarant or such designee, without Declarant's or such designee's prior written consent in each instance.

25.2 Approval by Mortgagees. Except when a greater percent is required by the Declaration or Bylaws, or a greater or lesser percent is required by the Oregon Condominium Act, the consent of the Owners of Primary Units holding at least 67 percent of the voting rights and the approval of Eligible Mortgagees holding mortgages on Units that have at least 51 percent of the voting rights of the Primary Units subject to Eligible Mortgagee Mortgages shall be required for any amendments of a material nature to the Declaration or Bylaws. Any amendment to the Declaration or Bylaws that changes any of the provisions of such documents governing the following shall constitute a material changes:

25.2.1 Increases in assessments that raise the previously assessed amount by more than twenty-five percent (25%), assessment liens or the priority of such liens;

25.2.2 Reduction in reserves for maintenance, repair and replacement of the Common Elements;

25.2.3 Responsibility for maintenance and repairs;

25.2.4 Reallocation of interests in the General or Limited Common Elements, or rights to their use, except as otherwise provided in Section 15;

25.2.5 The boundaries of any Unit, except as otherwise provided in Section 28;

25.2.6 Convertibility of Units into Common Elements or of Common Elements into Units;

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

25.2.8 Hazard or fidelity insurance requirements;

25.2.9 Imposition of any restrictions on the leasing of Units;

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

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

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

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

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

In addition, except as otherwise provided in the Act, no amendment to this Declaration may change the size, location, allocation of undivided interest in the Common Elements, method for determining liability for common expenses, right to common profits, or voting rights of or with respect to any Unit unless such amendment has been approved by the holders of any Mortgages on the affected Units. Any approval of a Mortgagee required under this Section 25 may be presumed by the Association if such Mortgagee fails to submit a response to a written proposal for an amendment to this Declaration within 30 days after it receives notice of such proposal by certified or registered mail, return receipt requested.

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

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

26. Termination. Termination of the Condominium shall be effected in accordance with Section 100.600 and any other applicable provision of the Act, but in no event shall be consummated, other than in connection with the substantial destruction or condemnation of the Property, without the prior written consent of at least 67 percent of those holders of first Mortgages on Primary Units (based upon one vote for each first Mortgage held) who have given written notice to the Association requesting notification of any proposed action that requires the consent of a specified percentage of eligible Mortgagees. The common profits and expenses of the Property following termination of the Condominium shall be allocated in accordance with the Act.

27. Dispute Resolution.

27.1 Required Procedure. Except as provided in Section 27 below, to the fullest extent allowed by law, if a dispute arises, all claims, controversies, or disputes, whether they are statutory, contractual, tort claims, and/or counterclaims between or among Declarant, Declarant's successors and assigns, the Association, and/or Owner(s) (collectively, the "Parties" and individually, a "Party") which arise out of or are related to the Condominium, the Act, this Declaration, the Bylaws, the Articles of Incorporation of the Association, or the Rules and Regulations, or which relate to the interpretation or breach of the Act, this Declaration or the

Bylaws, the Articles of Incorporation of the Association, or the Rules and Regulations (collectively referred to as "Claims") shall be resolved in accordance with the procedures specified herein. Except as otherwise required by the Act, the following matters are excluded from this dispute resolution clause and do not constitute Claims: (i) judicial or non-judicial foreclosure or any other action or proceeding to enforce assessments, fines, interest or a trust deed, mortgage, Association lien, or land sale contract; (ii) a forcible entry and detainer action; or (iii) actions by the Association pursuant to Section 5.6 of the Bylaws prior to summary abatement and removal of a structure or other condition that violates this Declaration, the Bylaws or any Rules and Regulations; (iv) actions for the appointment of a receiver pursuant to Section 5.9 of the Bylaws; (v) provisional remedies such as injunctions or the filing of a lis pendens, or (vi) the filing or enforcement of a mechanic's lien. The filing of a notice of pending action (lis pendens) or the application to any court having jurisdiction thereof for the issuance of any provisional process remedy described in Rules 79 through 85 of the Oregon Rules of Civil Procedure (or corresponding federal statutory remedies), including a restraining order, attachment, or appointment of receiver, shall not constitute a waiver of the right to mediate or arbitrate under this Section, nor shall it constitute a breach of the duty to mediate or arbitrate. The proceeds resulting from the exercise of any such remedy shall be held by the Party obtaining such proceeds for disposition as may be determined by an agreement of the Parties pursuant to a mediation or by the arbitration award.

27.2 Negotiated Resolution. The Parties will seek a fair and prompt negotiated resolution of Claims and shall meet at least once to discuss and to seek to resolve such claims, but if this is not successful, all disputes shall be resolved in small claims court, by mediation or by binding arbitration as set forth in Sections 27.3, 27.4 and 27.5 below, as applicable.

27.3 Mediation. Prior to mediation of any Claim, the Parties shall have endeavored to resolve disputes through the process set forth in Section 27.2 above. All Claims that are not resolved by such process shall be subject to mediation as a condition precedent to arbitration. The request for mediation may be made concurrently with the filing of a demand for arbitration as set forth in Section 27.5 below, but, in such event, mediation shall proceed in advance of arbitration, which shall be stayed pending mediation for a period of 60 days from the date of filing, unless stayed for a longer period by agreement of the Parties. All mediation shall be in accordance with the rules of procedure of any dispute resolution program available in Deschutes County, Oregon that is in substantial compliance with the standards and guidelines adopted under ORS 36.175, as it may be amended.

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

27.5 Arbitration. Prior to arbitration of any Claim, the Parties shall have endeavored to resolve disputes through the processes set forth in Section 27.2, 27.3 and 27.4 above, as applicable. All Claims that have not been resolved by such processes shall be resolved by binding arbitration. Such arbitration shall be conducted by and pursuant to the then effective arbitration rules of the American Arbitration Association, or another reputable arbitration service selected by Declarant. If Declarant is not a Party to such dispute, the arbitration service shall be

selected by the Association. Any judgment upon the award rendered pursuant to such arbitration may be entered in any court having jurisdiction thereof.

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

27.7 No Attorneys' Fees. Except as specifically provided for in this Declaration or the Bylaws, no Party in the arbitration, mediation or other proceeding shall be entitled to recover costs or attorneys' fees in connection therewith. Notwithstanding any other provision of this Declaration or the Bylaws, the Association shall not expend or commit to expend in excess of \$5,000 for attorney fees and costs for any specific litigation or claim matter or enter into any contingent fee contract on any claim in excess of \$100,000 unless first approved by at least 75 percent of the outstanding votes of the Owners. The foregoing limitation shall not apply to actions for delinquent assessments or other charges under the Declaration or these Bylaws; for actions initiated by the Association during Declarant's period of administrative control pursuant to Section 20 of this Declaration; for actions challenging ad valorem taxation or condemnation proceedings; initiated against any contractor or vendor hired by the Association or supplier of goods and services to the Association; to defend claims filed against the Association or to assert counterclaims in proceedings instituted against it; actions to appoint a receiver pursuant to Section 5.9 of the Bylaws; actions to summarily abate and remove a structure or condition that violates this Declaration or the Bylaws; or for the defense of the Association or Board of Directors of an action or proceeding brought against the Association or the Board of Directors (except for non-mandatory counterclaims).

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

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

MEET THOSE DEADLINES OR FOLLOW THOSE PROCEDURES WILL AFFECT YOUR ABILITY TO COMMENCE ARBITRATION OR A COURT ACTION.

27.9 Covenants Running with the Land. The provisions of this Section 27 and Section 28 are intended to touch and concern the Condominium and shall be deemed covenants running with the land. Each and every term of this Section 27 and 28 shall, to the fullest extent allowed by law, bind each Owner, the Association and each subsequent owner or transferee of a Unit.

28. Waiver; Time Limitation.

28.1 **RELEASE AND WAIVER OF ALL OTHER PAST, PRESENT, AND FUTURE CLAIMS REGARDING CONDITION OF PROPERTY.** EXCEPT FOR ANY EXPRESS WARRANTY CLAIMS PURSUANT TO SECTION 8 OF THE UNIT SALES AGREEMENT BETWEEN DECLARANT AND A PURCHASER OF A UNIT, TO THE FULLEST EXTENT ALLOWED BY LAW, EACH PURCHASER OF A UNIT, THE ASSOCIATION AND ALL SUCCESSOR OWNERS AND OCCUPANTS, RELEASE AND WAIVE ANY CLAIM WHENEVER ARISING AGAINST DECLARANT OR ITS AGENTS, BROKERS, SUCCESSORS, EMPLOYEES, AFFILIATES, CONTRACTORS, REPRESENTATIVES, OFFICERS, DIRECTORS AND MEMBERS OR AGAINST THE ASSOCIATION OR ANY BOARD MEMBER THEREOF (COLLECTIVELY, THE "DECLARANT PARTIES"), RELATING TO OR ARISING FROM THE CONDITION OF THE CONDOMINIUM PROPERTY AT ANY TIME. THE WAIVER IS ABSOLUTE AND UNCONDITIONAL, AND THIS RELEASE AND WAIVER APPLIES WHETHER OR NOT THE PURCHASER HAD KNOWLEDGE OF ANY POTENTIAL CAUSE OF ACTION FOR SUCH CLAIMS. THE WAIVER APPLIES TO CLAIMS UNDER ANY LEGAL THEORY OTHER THAN THE WARRANTY GIVEN BY DECLARANT IN A UNIT SALES AGREEMENT, INCLUDING BUT NOT LIMITED TO NEGLIGENCE, NEGLIGENCE PER SE, NEGLIGENT OR INTENTIONAL MISREPRESENTATION, DEFECTIVE CONSTRUCTION, BREACH OF CONTRACT, UNLAWFUL TRADE PRACTICE, BREACH OF FIDUCIARY DUTY, STRICT LIABILITY, NUISANCE, TRESPASS OR ANY OTHER THEORY, WHETHER ARISING FROM STATUTE, CONTRACT, TORT OR OTHERWISE. THIS WAIVER INCLUDES, WITHOUT LIMITATION, CLAIMS RELATING TO CONSTRUCTION DEFECTS, WATER INTRUSION, MOLD, MILDEW, FUNGUS AND/OR ODORS IN THE UNIT OR COMMON ELEMENTS; PRODUCTS OR CONDITIONS IN THE UNIT OR COMMON ELEMENTS, INCLUDING FOR EXAMPLE CARBON MONOXIDE, RADON OR CARPET GLUE; NOISE OR SOUND TRANSMISSION; LOSS OF USE; EMOTIONAL DISTRESS; INCIDENTAL OR CONSEQUENTIAL DAMAGES; ATTORNEY FEES AND COSTS; OR RELOCATION EXPENSES (TEMPORARY OR OTHERWISE). IT IS ACKNOWLEDGED THAT DECLARANT WOULD HAVE REQUIRED A SIGNIFICANTLY HIGHER PURCHASE PRICE FOR THE UNITS IF THE PURCHASER REFUSED TO PROVIDE THIS RELEASE AND WAIVER. THIS SECTION 28.1 SERVES AS NOTICE OF RECORD THAT THE RELEASE AND WAIVER SHALL BE BINDING UPON SUCH PURCHASERS, ALL SUCCESSOR OWNERS OR OCCUPANTS OF THE UNIT, THE ASSOCIATION, AND THEIR RESPECTIVE EMPLOYEES, CONTRACTORS, PROPERTY MANAGERS, BROKERS, HEIRS, SUCCESSORS, ASSIGNS, GUESTS AND INVITEES. CLAIMS OF THE ASSOCIATION ARE

DERIVATIVE OF CLAIMS OF UNIT OWNERS AND THE ASSOCIATION SHALL BE BOUND BY THE WAIVER. THE WAIVER ACTS AS A COMPLETE BAR AND DEFENSE AGAINST ANY RELEASED OR WAIVED CLAIM.

28.2 TIME LIMITATION ON ACTIONS. THE FOREGOING RELEASES AND WAIVERS OF CLAIMS ARE INTENDED TO BE COMPREHENSIVE AND FINAL. TO THE EXTENT IT IS DETERMINED THAT ANY CLAIMS AGAINST ANY DECLARANT PARTY, UNDER ANY LEGAL THEORY, SURVIVE THE FOREGOING RELEASE AND WAIVER FOR ANY REASON, SUCH CLAIM MUST BE BROUGHT ON OR BEFORE THE EARLIER OF (A) THE EXPIRATION OF THE APPLICABLE STATUTE OF LIMITATIONS, OR (B) WITHIN 60 DAYS AFTER THE DATE PURCHASER, PURCHASER'S SUCCESSORS OR THE ASSOCIATION KNEW OR REASONABLY SHOULD HAVE KNOWN OF FACTS SUFFICIENT TO PUT IT ON NOTICE OF THE CLAIM, OR (C) WITH RESPECT TO THE UNIT AND RELATED LIMITED COMMON ELEMENTS, BY NO LATER THAN THE FIRST ANNIVERSARY OF THE CLOSING DATE OF THE SALE OF THE APPLICABLE UNIT FROM DECLARANT TO THE INITIAL PURCHASER OR, (D) WITH RESPECT TO THE GENERAL COMMON ELEMENTS, ON THE LATER TO OCCUR OF (I) THE FIRST ANNIVERSARY OF THE DATE OF THE FIRST CONVEYANCE OF A UNIT IN THE CONDOMINIUM TO A UNIT OWNER OTHER THAN DECLARANT OR (II) THE FIRST ANNIVERSARY OF THE DATE OF COMPLETION OF CONSTRUCTION OR RENOVATION OF THE GENERAL COMMON ELEMENT IN QUESTION. ANY AND ALL SUCH CLAIMS NOT BROUGHT WITHIN THIS TIME PERIOD WILL BE DEEMED TIME BARRED, REGARDLESS OF WHEN PURCHASER, PURCHASER'S SUCCESSORS OR THE ASSOCIATION ACTUALLY DISCOVERED THE ALLEGED BASIS FOR THE CLAIM. FOR PURPOSES OF THIS SECTION 28.2, A CLAIM IS "BROUGHT" WHEN ARBITRATION IS FORMALLY INITIATED OR A COMPLAINT IS FILED IN THE APPROPRIATE COURT AND SERVED PROMPTLY ON DECLARANT.

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

29.1 Completion of Improvements. Declarant and its agents, employees, and contractors shall have the right to complete improvements and otherwise perform work that is: (i) authorized by this Declaration, including, without limitation, Section 11; (ii) indicated on the Plans; (iii) authorized by building permits; (iv) provided for under any unit sales agreement between Declarant and a Unit purchaser; (v) necessary to satisfy any express or implied warranty obligation of Declarant; or (vi) otherwise authorized or required by law.

29.2 Sales Facilities of Declarant. Declarant and its agents, employees, and contractors shall be permitted to maintain during the period of sale of the Condominium upon such portion of the Property as Declarant may choose, such facilities as in the sole opinion of Declarant may be required, convenient, or incidental to the construction or sale of Units and appurtenant interests, including but not limited to, a business office, storage area, signs, model units, sales office, construction office, and parking areas for all prospective purchasers of Declarant. The provisions of this Section are subject to the provisions of other state law and to

local ordinances. The number, size, location, and relocation of such facilities shall be determined from time to time by Declarant in the exercise of its sole discretion; *provided*, that the maintenance and use of such facilities shall not unreasonably interfere with an Owner's use and enjoyment of the Unit and those portions of the Common Elements reasonably necessary to use and enjoy such Unit.

29.3 Termination of Declarant Rights. Except as otherwise provided in this Declaration, the special Declarant rights set forth in this Section 30.3 shall continue for so long as (i) Declarant is completing improvements which are within or may be added to this Condominium or (ii) Declarant owns any Units *provided*, that Declarant may voluntarily terminate any or all of such rights at any time by recording an amendment to this Declaration, which amendment specifies which right is thereby terminated.

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

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

29.6 Right of Review. Upon reasonable advance notice to the Board, Declarant shall have the perpetual right to review all inspection and maintenance records of the Association, including, without limitation, changes to the suggested maintenance schedule prepared by Declarant, if any. In addition, upon request from Declarant, the Board shall provide Declarant at Declarant's cost copies of all inspection reports, proposed plans for alterations and copies of all warranty claims. As provided in Section 7.7 of the Bylaws, the Board shall provide Declarant with copies of submissions for alteration requests, advance notice of the Board's inspections of such alterations, and an opportunity for Declarant, its contractors or agents to accompany the Board's professional advisors on any such inspection.

30. Miscellaneous.

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

30.2 No Impairment. The creation of this Condominium shall not be impaired and title to the Unit and Common Elements shall not be rendered unmarketable or otherwise

affected by reason of any insignificant failure of this Declaration or the Plans or any amendment thereto to comply with the Act.

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

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

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

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

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

30.8 Sound Transmission Disclosure. The Condominium was designed and built in accordance with local, state and federal building codes regarding insulation and sound transmission. Where condominium units are built either above or below each other, or side by side, it is normal to experience some transmissions of sound between those units from music, heels on noncarpeted floors, water traveling in drains, cupboard doors, elevators, and similar causes. On occasion these sounds are heard in normal conditions with typical noise levels. Owners should expect some transmission of sound between units, common elements or from outside of the Condominium. Declarant makes no warranty regarding soundproofing of units and transmission of sounds between units, common elements or from outside of the Condominium shall not be considered a construction defect.

30.9 Drywell Disclosure. Declarant installed a new drywell in the parking lot of the Condominium during the course of development. However, the Oregon Department of Environmental quality ("DEQ") has not issued a permit for the drywell as of the date of this Declaration. As of the date of this Declaration, DEQ is in the process of adopting a process for such drywells in the City of Bend to be allowed pursuant to a Memorandum of Agreement "MOA") with DEQ. Pursuant to DEQ's recommendations, Declarant will apply for a MOA. If the MOA is issued, at some point, the Association will be required to apply for a DEQ permit for the drywell. The Condominium may potentially be subject to private citizen lawsuit for violation of the Federal Safe Drinking Water Act by operating the drywell without a permit. The Association will be required to maintain, monitor and test the drywell and report the periodic

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monitoring and testing results to DEQ. If the test results are unsatisfactory and the drywell is not brought into compliance, it is possible that DEQ may require other measures by taken for treating surface water runoff.

29th IN WITNESS WHEREOF, Declarant has caused this Declaration to be executed this day of SEPTEMBER, 2005.

FIREHALL PARTNERS L.L.C., an Oregon limited liability company

By:

Print Name:

Its:

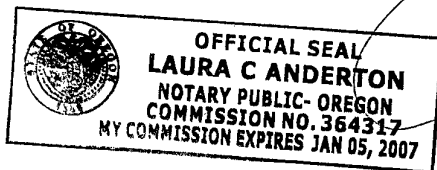
J.N. Gilbert III
JOHN N. GILBERT, III
MEMBER OF ACADIA PROPERTIES, LLC,
OPERATING MANAGER OF FIREHALL
PARTNERS, LLC.

STATE OF OREGON)

) ss.

County of Deschutes)

This instrument was acknowledged before me on Sept. 29 2005 by John N. Gilbert III, the member of the operating mgr of Firehall Partners L.L.C., an Oregon limited liability company, on behalf of and as the act and deed of said limited liability company.



[Signature]
Notary Public for Oregon

My Commission Expires: Jan 5 2007

The foregoing Declaration is approved pursuant to ORS 100.110 this 29th day of November, 2005, and in accordance with ORS 100.110(7), this approval shall automatically expire if this Declaration is not recorded within two (2) years from this date.

Real Estate Commissioner

By _____

Sat Luyfan, by [Signature]
County Assessor

Marty Wayne by [Signature]
County Tax Collector

EXHIBIT A

Property Description

THE FIREHALL CONDOMINIUMS, located in the Northwest quarter of the Southeast quarter (NW1/4 SE1/4) of Section Thirty-two (32) in Township Seventeen (17) South and Range Twelve (12) East of the Willamette Meridian, City of Bend, Deschutes County, Oregon, more particularly described as follows:

Beginning at a 5/8" iron rod with a "D.E.A. INC." yellow plastic cap, at the Southeast corner of Lot Thirteen (13) of Block Sixteen (16) in the Plat of Bend, the Initial Point for this subdivision; thence North 67°04'00" West 86.62 feet, along the northerly right of way of the alley, to a 5/8" iron rod; thence North 51°26'00" West 89.01 feet to the westerly-most corner of Lot Fourteen (14) in said Block; thence leaving said northerly right of way, North 38°34'00" East 140.00 feet to the northerly-most corner of said Lot 14, on the southerly right of Minnesota Avenue; thence South 51°26'00" East 119.22 feet, along said southerly right of way, to a 1" brass cap on the westerly right of way of Lava Road; thence leaving said southerly right of way, 133.18 feet along the arc of a 140.00 foot radius non-tangent curve left (the long chord of which bears South 14°03'09" West 128.22 feet) to the point of beginning.

EXHIBIT B
Allocation of Interest in Common Elements

<u>Unit No.</u>	<u>Area (Square Feet)</u>	<u>Allocation of Interest in Common Elements</u>
<i>Primary:</i>		
100	4,202	25.84%
104	3,091	19.01%
201	1,062	6.53%
202	1,305	8.02%
210	2,363	14.53%
301	1,062	6.53%
302	1,305	8.02%
401	837	5.15%
402	1,002	6.16%
<i>Flex:</i>		
400	155	0.01%
<i>Parking:</i>		
P1	250	0.01%
P2	250	0.01%
P3	250	0.01%
P4	250	0.01%
P5	250	0.01%
P6	250	0.01%
P7	162	0.01%
P8	162	0.01%
P9	162	0.01%
P10	162	0.01%
P11	162	0.01%
P12	162	0.01%
P13	162	0.01%
P14	162	0.01%
P15	162	0.01%
P16	142	0.01%
<i>Storage:</i>		
S1	171	0.01%
S2	238	0.01%
S3	96	0.01%
S4	<u>83</u>	<u>0.01%</u>
Totals:	20,072	100.00%

EXHIBIT C-1

Listing of Commercial, Flex, Parking, Storage, Office and Residential Expenses

**Operating Budget
Reserve Study & Maintenance Plan**

**The Firehall Condominium
Bend Oregon**

PREPARED BY

Regenesis

PO Box 19605
Portland OR 97280

Ph 503.977.7974

www.Regenesis.net

Regenesis

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Portland OR 97280

Regenesis.net

Phone 503.977.7974
Fax 503.977.2816

October 17, 2005

John Gilbert
Firehall Partners LLC
1293 NW Wall St #107
Bend OR 97701

RE: The Firehall Condominium
Operating Budget, Reserve Study & Maintenance Plan-REVISED

Dear John:

Enclosed is the REVISED budget work you requested based on information you provided in your email of October 17, 2005.

Monthly Fees My REVISED analysis indicates the following monthly fees:

Residential Units:	\$ 236.08 to \$ 368.08
Commercial Restaurant:	\$ 448.21
Commercial Retail:	\$ 371.95
Office	\$ 734.17
Storage	\$ 62.72
Garage Fee:	\$ 23.50

See the Operating Budget and Reserve Studies for details.

Reserve Study Highlights:

Percent Funded The Annual Contribution recommendations included in the Funding Plan Summary are designed to maintain reserves at or near the 100% Funded ideal.

Investment Yield on Reserves. One of the benefits of the Reserve Study is that it allows long range investment planning. A **3.5% Yield** is projected based on average CD rates available. A knowledgeable financial consultant could do better with strategic investment planning and reduce contributions by the owners. See **www.BankRate.com** for local investment options.

Tax Rate of 15% shown on the Reserve Study Funding Plan Summary assumes that taxes will be filed using IRS Form 1120 versus Form 1120H which has a 30% Tax Rate. Filing Form 1120 is more costly but when the taxable interest earned on reserve funds warrants the additional expense (tax savings exceed additional CPA charges), filing Form 1120 should be considered.

Inflation Rate of 2.50% is imputed over the 30 year projection period based on average area inflation.

Other Resources to Consider:

Here are a number of valuable resources you can offer to your homeowner association:

The Regenesi Report is my monthly newsletter that provides insightful HOA management strategies and advice. It is considered by many to be the best HOA newsletter available anywhere. It's available free to Regenesi reserve study clients.

Regenesis.net is the world's largest HOA information resource. Subscribers have access to hundreds of topical articles, sample policies, links to thousands of relevant internet websites and much more. The annual subscription is currently \$99 which includes an unlimited consulting feature called "Ask the HOA Expert".

Regenesis Video Series This five video series addresses key issues every HOA board should understand. The series includes **The Board** (explains their duties), **Meetings** (how to run one), **Insurance** (the kinds no HOA should do without) and **Reserves** (explains why they are so necessary). The set sells for \$99.75 in either DVD or VHS format.

Annual Reserve Study Update. The State of Oregon requires an annual review and update of the Reserve Study. My charge for a non-site visit **Annual Reserve Study Review & Update** is \$695 based on the current component list and assuming that annual updates with Regenesi are performed. (A site visit would add \$800.) The Regenesi review and update provides a new 30 year projection with current inflation factor, investment rates and any known cost changes.

It's been my pleasure to provide this valuable financial and maintenance planning information for your homeowner association.

Regards,

Richard L. Thompson
HOMEOWNER ASSOCIATION MANAGEMENT CONSULTANT



Operating Budget
The Firehall Condominium
Bend Oregon

PREPARED BY

Regenesis

PO Box 19605
Portland OR 97280

Ph 503.977.7974

www.Regenesis.net

The Firehall Condominium
5 NW Minnesota, Bend Oregon

Annual Operating & Reserves Budget	All Units	Residential & Office Units	Retail	Garages	Total
Administrative					
Annual Corporation Report Filing	50				50
Board Education	250				250
Insurance	7020			780	7800
Office Supplies/Postage/Printing	450				450
Professional Management	2160				2160
Tax Return Preparation	200				200
Reserve Study Update	395				395
Total Administrative	\$ 10,525			\$ 780	\$ 11,305
Utilities					
Electricity-Common	360	1260		180	1800
Gas-Common		600			600
Telephone-Elevator Monitoring		360			360
Telephone-Fire Alarm System	360				360
Trash Service		1443	507		1950
Water Service-Fire Sprinklers	250				250
Water & Sewer		3240			3240
Total Utilities	\$ 970	\$ 6,903	\$ 507	\$ 180	\$ 8,560
Maintenance & Repairs					
Carpet Cleaning		1350			1350
Elevator Maintenance		2200			2200
Elevator Monitoring Service		120			120
General Repairs	2250				2250
HVAC Maintenance	1000				1000
Janitorial & Supplies		5200			5200
Landscape-Maintenance	600				600
Roof Maintenance	500				500
Total Maintenance & Repairs	\$ 4,350	\$ 8,870			\$ 13,220
Total Expenses	\$ 15,845	\$ 15,773	\$ 507	\$ 960	\$ 33,085
Reserve Contribution	\$ 5,879	\$ 3,360	\$ -	\$ 732	\$ 9,971
Total Expenses & Reserves	\$ 21,724	\$ 19,133	\$ 507	\$ 1,692	\$ 43,056

The Firehall Condominium
5 NW Minnesota, Bend Oregon

Budget Notes

Annual Corporation Report	File Annual Report with Oregon Secretary of State Corporation Division
Carpet Cleaning	Professionally clean twice per year; 4500 sf @ \$.15/sf x 2
Electricity-Common	Lighting, Elevator, Fire Alarm
Elevator Maintenance	Maintain elevator and related equipment Estimate by ThyssenKrupp, Phone 503.255.0079
Elevator Monitoring Service	For emergency purposes; information from ThyssenKrupp Elevator
General Repairs	Patch roof, electrical, plumbing, patch parking lot, etc. based on \$350 per unit
HVAC Maintenance	Annual inspection and tune up
Insurance	\$5,000 Deductible Hazard & Fire with Guaranteed Replacement Cost; \$4,100,000 (10% allocated to garages) \$1,000,000 Directors & Officers \$1,000,000 General Liability \$10,000 Fidelity Earthquake with 10% deductible
Janitorial & Supplies	Information from Vern Newcomb of American Benefits, Phone 503.292.1580 Sweep, mop and vacuum hallways, basement. Wipe down entry doors. Based on 4 hours, once per week at \$25/hour including supplies
Landscape- Maintenance	Fertilize and prune exterior planters
Professional Management	Includes quarterly board plus annual meetings, maintenance coordination, accounting and financial reporting, newsletters, rules enforcement, minutes, agendas, insurance renewal, operating and reserve budgeting, emergency response Estimate by Northwest Association Management, Phone 541.617.3863
Office Supplies	Includes mailings for meetings, newsletters, notices, correspondence, billings, postage \$50 per unit per year
Reserve Contribution	See Reserve Study Funding Plan for details
Reserve Study Update	Review and revise Reserve Study; Information from Regenesys, Phone 503.977.7974
Roof Maintenance	Inspect roof once per year; clear of debris and make repairs as needed.
Tax Return Preparation	See accountant to discuss IRS Form 1120 versus 1120H filing options
Trash Service	One 3 yard dumpster once per week plus recycling Retail unit pays 26% of trash bill based on square footage allocation Estimate by Bend Garbage & Recycling, Phone 541.382.2263
Water Service - Fire Sprinklers	Based on 4" line; estimate by City of Bend Water/Sewer, Phone 541.388.5515
Water & Sewer	Based on \$30/unit/month average

The Firehall Condominium
Unit Assessment Allocation

Unit Type	Unit #	All Units Sq Ft	% of All Unit Sq Ft	Annual Share of All Units Budget	Monthly Share of All Units Budget	Residential & Office SF	% of Residential & Office SF	Annual Share of Residential & Office Budget	Monthly Share of Residential & Office Budget	Annual Share Retail	Monthly Share Retail	Annual Share of Total Budget	Monthly Share of Total Budget
Residential	201	1062	6.257%	\$ 1,359	\$ 113.28	1062	11.682%	\$ 2,235	\$ 186.26			\$ 3,594	\$ 299.54
Residential	202	1305	7.689%	\$ 1,670	\$ 139.20	1305	14.355%	\$ 2,747	\$ 228.88			\$ 4,417	\$ 368.08
Residential	301	1062	6.257%	\$ 1,359	\$ 113.28	1062	11.682%	\$ 2,235	\$ 186.26			\$ 3,594	\$ 299.54
Residential	302	1305	7.689%	\$ 1,670	\$ 139.20	1305	14.355%	\$ 2,747	\$ 228.88			\$ 4,417	\$ 368.08
Residential	401	837	4.932%	\$ 1,071	\$ 89.28	837	9.207%	\$ 1,762	\$ 146.80			\$ 2,833	\$ 236.08
Residential	402	1002	5.904%	\$ 1,283	\$ 106.88	1002	11.022%	\$ 2,109	\$ 175.73			\$ 3,391	\$ 282.61
Commercial - Restaurant	100-103	4202	24.758%	\$ 5,379	\$ 448.21							\$ 5,379	\$ 448.21
Commercial - Retail	104-106	3091	18.212%	\$ 3,956	\$ 329.70					\$ 507	\$ 42.25	\$ 4,463	\$ 371.95
Office	210 & 220	2363	13.923%	\$ 3,025	\$ 252.05	2363	25.993%	\$ 4,973	\$ 414.43			\$ 8,810	\$ 734.17
Storage		588	3.465%	\$ 753	\$ 62.72							\$ 753	\$ 62.72
Flex	400	155	0.913%	\$ 198	\$ 16.53	155	1.705%	\$ 326	\$ 27.18			\$ 525	\$ 43.72
		16,972	100%	\$ 21,724	\$ 1,810.33	9,091	100%	\$ 19,133	\$ 1,594.42	\$ 507.00	\$ 42.25	\$ 41,364	\$ 3,447.00
Garage	1											\$ 282	\$ 23.50
Garage	2											\$ 282	\$ 23.50
Garage	3											\$ 282	\$ 23.50
Garage	4											\$ 282	\$ 23.50
Garage	5											\$ 282	\$ 23.50
Garage	6											\$ 282	\$ 23.50
												\$ 1,692	\$ 141.00
												\$ 43,056	\$ 3,588.00

**Reserve Study
All Units**

**The Firehall Condominium
Bend Oregon**

PREPARED BY

Regenesis

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Regenesis

Reserve Study

Table of Contents

METHODOLOGY

Explains the purpose of the reserve study, how the information was gathered and the sources used.

LIMITATIONS & ASSUMPTIONS

Explains what a Reserve Study does and does not do.

STATE STATUTE

The current section of statute relating to reserve studies (if applicable).

WORKSHEET REPORT

Alphabetical listing of the reserve components by type, cost, year put in service, useful life and replacement year

FUNDING PLAN SUMMARY REPORT

- **Percent Funded:** Starting Balance divided by the Ideal Balance
- **Ideal Balance:** Each component is measured, assessed for useful and remaining useful life plus cost of repair or replacement. Based on this analysis, each component should have a certain amount of money set aside as of the year in question. The Ideal Balance is the sum of all these component amounts as adjusted by the inflation factor.
- **Starting Balance:** Reserve funds total at beginning of each year
- **Annual Contribution:** Funds needed to meet the reserve schedule
- **Interest Income:** Yield on invested reserve funds
- **Tax Liability:** Federal taxes owed on investment interest earned

ANNUAL EXPENDITURES REPORT

Chronological repair and replacement schedule

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Reserve Study Methodology

DEFINITIONS

Reserve Study Identifies the components with cyclical lives of between three and thirty years and the cost of repair or replacement of each at recommended intervals.

RESERVE STUDY CRITERIA

1. Identify current reserve funds balance
2. Identify components to be included
3. Establish reasonable life of each component
4. Establish remaining life of each component
5. Estimate replacement or repair cost of each component
6. Assemble data in Reserve Study
7. Generate Reserve Funding Plan.

FUNDING PLAN CRITERIA

The Funding Plan goal is to reach 100% Funding of the Ideal Balance during the life of the study period. If reserves are initially severely underfunded, the Funding Plan accelerates quickly to address immediate cash needs but then eases into a gradual annual increase. Due to cash inflows and outflows, the plan rarely hits 100% exactly but will hovers just below or over that mark.

The Funding Plan charts the annual beginning balance, yearly expenditures, contribution requirements and ending balance. It factors in interest earned on invested reserve funds, taxes paid on interest earned and area inflation.

SOURCES OF INFORMATION (as applicable):

Original plans and specifications
Original builder and developer
Contractors and vendors
Industry Professionals (engineers, architects, construction managers, etc.)
Property Manager
Resident Manager
Owners
Cost Estimating Services

To accurately track the impact of revenue and expenses, it is recommended that the Reserve Study and Funding Plan be updated annually.

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Reserve Study

Limitations & Assumptions

- A. This Reserve Study is intended for the sole use of the named client and is not to be construed as a guarantee, warranty or an opinion on the advisability of purchase.
- B. The estimated remaining useful life is based on normal weather conditions, normal wear and tear, and the assumption that regular maintenance will be performed. It does not factor in damage by flood, storm, earthquake or other insurable events. Adequate and appropriate insurance coverage should be maintained to protect against such events.
- C. Reasonable efforts have been made to assure accuracy. The scope is expressly limited to the components described.
- D. This Study is limited to visual inspection which does not disturb the major components. It is assumed that the components have been constructed properly and complied with all applicable building codes at the time of construction.
- E. This Study is not intended to address or uncover construction defects. Cost estimates reflect the replacement of an item with similar or "like" materials only. The estimates do not take into consideration the shortened useful life a component might experience as a result of improper construction, installation or design.
- F. Regenesis is not responsible for claims arising from the discovery of asbestos or lead paint during replacement work and the Association agrees to indemnify, defend and hold Regenesis harmless from all related claims.

Oregon Condominium Statute Reserve Study Requirements

100.175 Reserve account for replacing common elements; reserve study.

- (1) The declarant shall:
 - (a) Conduct a reserve study described in subsection (3) of this section; and
 - (b) Establish a reserve account for replacement of those common elements all or part of which will normally require replacement in more than three and less than 30 years, for exterior painting if the common elements include exterior painted surfaces, and for such other items as may be required by the declaration or bylaws. The reserve account need not include:
 - (A) Items that could reasonably be funded from operating assessments; or
 - (B) A reserve for limited common elements for which maintenance and replacement are the responsibility of one or more unit owners under the provisions of the declaration or bylaws.
- (2)(a) The reserve account must be funded by assessments against the individual units for the purposes for which the reserve account is being established.
- (b) The assessment under this subsection will accrue from the time of the conveyance of the first individual unit assessed as provided in ORS 100.530.
- (3)(a) The reserve account shall be established in the name of the association of unit owners that will be responsible for administering the account and for making periodic payments into the account.
- (b) The reserve portion of the initial assessment determined by the declarant shall be based on the following:
 - (A) The reserve study described in paragraph (c) of this subsection;
 - (B) In the case of a conversion condominium, the statement described in ORS 100.655 (1)(g); or
 - (C) Other reliable information.
- (c) The board of directors of the association annually shall conduct a reserve study or review and update an existing study to determine the reserve account requirements and may:
 - (A) Adjust the amount of payments in accordance with the study or review; and
 - (B) Provide for other reserve items that the board of directors, in its discretion, may deem appropriate.
- (d) The reserve study shall include:
 - (A) Identification of all items for which reserves are to be established;
 - (B) The estimated remaining useful life of each item as of the date of the reserve study;
 - (C) An estimated cost of maintenance, repair or replacement of each item at the end of its useful life; and
 - (D) A 30-year plan with regular and adequate contributions, adjusted by estimated inflation and interest earned on reserves, to meet the maintenance, repair and replacement schedule.
- (4)(a) If the declaration or bylaws require a reserve account, the reserve study requirements of subsection (3) of this section first apply to the association of a condominium recorded prior to October 23, 1999:
 - (A) Upon adoption of a resolution by the board of directors in accordance with the bylaws providing that the requirements of subsection (3) of this section apply to the association; or
 - (B) Upon submission to the board of directors of a petition signed by a majority of unit owners mandating that the requirements of subsection (3) of this section apply to the association.
- (b) The reserve study shall be completed within one year of the date of adoption of the resolution or submission of the petition to the board of directors.
- (5)(a) Except as provided in paragraph (b) of this subsection, the reserve account is to be used only for the purposes for which reserves have been established and is to be kept separate from other funds.
- (b) After the individual unit owners have assumed administrative responsibility for the association under ORS 100.210, if the board of directors has adopted a resolution, which may be an annual continuing resolution, authorizing the borrowing of funds:
 - (A) The board of directors may borrow funds from the reserve account to meet high seasonal demands on the regular operating funds or to meet unexpected increases in expenses.
 - (B) Not later than the adoption of the budget for the following year, the board of directors shall adopt by resolution a written payment plan providing for repayment of the borrowed funds within a reasonable period.
- (6) Restrictions on the use of the reserve account do not prohibit its prudent investment subject to any constraints on investment of association funds imposed by the declaration, bylaws or rules of the association of unit owners.
- (7) Assessments paid into the reserve account are the property of the association of unit owners and are not refundable to sellers of units.
- (8) In addition to the authority of the board of directors under subsection (3)(c) of this section, following turnover, the association may:
 - (a) On an annual basis, elect not to fund the reserve account described in subsection (1) of this section by unanimous vote of the owners; or
 - (b) Elect to reduce or increase future assessments for the reserve account described in subsection (1) of this section by an affirmative vote of at least 75 percent of the owners.

Worksheet

October 3, 2005

Sorted Alphabetically
Firehall Condominium-All Units

Item Description ~NOTE	Sub-Group	Number Of Items	Item Type	Item Cost	%	Total Year Useful Life		Year Life	One
						Cost	Life Adj		
	0	0	1 Total	0.000	100	0 2005	3 0	2008	3 YES
Comments: Cost, quantity, design and material information included in this report was supplied by the developer and is subject to course of construction changes. Reverify original plans and assumptions and adjusted as necessary.									
Brick & Mortar-Clean & Seal	0	0	1 Total	2,000.000	100	2,000 2005	8 0	2013	8 no
Comments: Coordinate with Paint-Exterior.									
Deck-Membrane TPO	0	0	2,140 Square Feet	5,000	100	10,700 2005	30 0	2035	30 no
Comments: Installed by Eagle Roofing, Phone 541.389.8305. Membrane is to be protected by a paver system which will result in an estimated 30 year life. At five year intervals have the deck surface inspected by a knowledgeable professional to evaluate the projected replacement schedule.									
Deck-Membrane TPO Inspection	0	0	1 Total	500.000	100	500 2005	5 0	2010	5 no
Comments: Inspect all deck membranes and make repairs as needed.									
Insurance Deductible	0	0	1 Total	5,000.000	100	5,000 2005	5 0	2010	5 YES
Comments: Use this fund to pay the deductible in the event of a claim. If not spent, roll over to next five year period.									
Lights-Exterior	0	0	1 Total	10,000.000	100	10,000 2005	20 0	2025	20 no
Comments: Remove and replace fixtures installed by THT Electric, Phone 541.312.4548									
Paint-Exterior-Trim/Doors/Rails	0	0	1 Total	6,500.000	100	6,500 2005	8 0	2013	8 no
Comments: Coordinate with Stucco-Clean & Repair									
Paving-Asphalt-Overlay	0	0	4,400 Square Feet	1,500	100	6,600 2005	20 0	2025	20 no
Comments:									
Paving-Asphalt-Sealcoat	0	0	4,400 Square Feet	0.250	100	1,100 2005	5 0	2010	5 no
Comments:									
Roof-Buildup	0	0	5,800 Square Feet	2,000	100	11,600 2005	15 0	2020	15 YES

Worksheet

October 3, 2005

Sorted Alphabetically
Firehall Condominium-All Units

<u>Item Description</u>	<u>Group</u>	<u>Sub-Group</u>	<u>Number Of Items</u>	<u>Item Type</u>	<u>Item Cost</u>	<u>%</u>	<u>Total Year Useful Life</u>	<u>Year Life</u>	<u>One</u>
<u>Comments:</u>							<u>Life Adj</u>	<u>Replace</u>	<u>Left Time?</u>
Roof-Flat-Membrane TPO	0	0	1	Total	7,400.000	100	7,400 2005	20 0	2025 20 no
Comments: Replace 2960 square feet of membrane with comparable. Installed by Eagle Roofing, Phone 541.389.8305.									
Stucco-Clean, Recaulk & Repair	0	0	1	Total	2,000.000	100	2,000 2005	4 0	2009 4 no
Comments: Carefully inspect all stucco surface for cracks and caulking failure. Repair as needed.									
Stucco-Recoat	0	0	1	Total	10,000.000	100	10,000 2005	15 0	2020 15 no
Comments:									

Total 13 items

Funding Plan Summary

October 3, 2005

Firehall Condominium-All Units

Year	Percent Funded	Unadjusted Ideal Balance	Inflation Adjusted Ideal Balance	Starting Balance	Annual Contribution	Interest Income	Tax Liability	Inflation Adjusted Expenditures	Unadjusted Expenditures
2005	0%	0	0	0	5,879	103	(15)	0	0
2006	99%	5,879	6,026	5,967	6,028	314	(47)	0	0
2007	99%	11,758	12,354	12,262	6,180	537	(81)	0	0
2008	100%	17,638	18,994	18,899	6,335	772	(116)	0	0
2009	100%	23,517	25,958	25,890	6,492	942	(141)	(2,208)	(2,000)
2010	100%	27,396	30,996	30,976	5,521	919	(138)	(7,467)	(6,600)
2011	100%	25,675	29,775	29,811	5,640	1,142	(171)	0	0
2012	100%	30,554	36,319	36,422	5,697	1,374	(206)	0	0
2013	100%	35,433	43,172	43,287	5,887	1,170	(176)	(12,793)	(10,500)
2014	100%	29,813	37,232	37,376	5,949	1,412	(212)	0	0
2015	100%	34,692	44,408	44,526	6,187	1,595	(239)	(2,048)	(1,600)
2016	100%	37,971	49,821	50,020	6,203	1,859	(279)	0	0
2017	100%	42,850	57,628	57,803	6,504	2,043	(306)	(2,690)	(2,000)
2018	101%	45,729	63,038	63,354	6,568	2,332	(350)	0	0
2019	101%	50,608	71,508	71,904	6,498	2,630	(395)	0	0
2020	100%	55,487	80,362	80,638	5,671	1,746	(262)	(33,601)	(23,200)
2021	100%	36,393	54,026	54,192	6,054	1,457	(219)	(15,587)	(10,500)
2022	101%	29,999	45,647	45,897	6,164	1,714	(257)	0	0
2023	101%	34,105	53,192	53,518	6,241	1,982	(297)	0	0
2024	101%	38,211	61,086	61,444	6,206	2,259	(339)	0	0
2025	100%	42,317	69,341	69,570	6,671	969	(145)	(45,226)	(27,600)
2026	101%	18,823	31,614	31,838	6,821	1,234	(185)	0	0
2027	101%	22,928	39,473	39,708	6,951	1,511	(227)	0	0
2028	101%	27,034	47,705	47,944	7,006	1,801	(270)	0	0
2029	100%	31,140	56,324	56,481	7,270	1,439	(216)	(18,992)	(10,500)
2030	100%	24,746	45,877	45,982	7,577	1,638	(246)	(2,966)	(1,600)
2031	100%	27,252	51,786	51,985	7,703	1,954	(293)	0	0
2032	100%	31,357	61,078	61,349	7,726	2,282	(342)	0	0
2033	100%	35,463	70,802	71,016	8,091	2,487	(373)	(3,993)	(2,000)
2034	100%	37,569	76,882	77,228	8,056	2,844	(427)	0	0
Total					195,776	46,466	(6,970)	(147,571)	(98,100)
Average				45,910	6,526	1,549	(232)	(4,919)	(3,270)
Maximum			80,362	80,638	8,091	2,844	(427)	(45,226)	(27,600)
Minimum			0	0	5,521	103	(15)	0	0

3.50% Investment Rate

15.00% Tax Rate

2.50% Inflation Rate

0.00% Contingency Rate

Annual Expenditures

October 3, 2005

Firehall Condominium-All Units

Year	Amount	Item Description
2008	0	~NOTE
	<u>0</u>	
2009	2,208	Stucco-Clean, Recaulk & Repair
	<u>2,208</u>	
2010	566	Deck-Membrane TPO Inspection
	5,657	Insurance Deductible
	1,245	Paving-Asphalt-Sealcoat
	<u>7,467</u>	
2013	7,920	Paint-Exterior-Trim/Doors/Rails
	2,437	Stucco-Clean, Recaulk & Repair
	2,437	Brick & Mortar-Clean & Seal
	<u>12,793</u>	
2015	640	Deck-Membrane TPO Inspection
	1,408	Paving-Asphalt-Sealcoat
	<u>2,048</u>	
2017	2,690	Stucco-Clean, Recaulk & Repair
	<u>2,690</u>	
2020	16,800	Roof-Builtup
	724	Deck-Membrane TPO Inspection
	1,593	Paving-Asphalt-Sealcoat
	14,483	Stucco-Recoat
	<u>33,601</u>	
2021	9,649	Paint-Exterior-Trim/Doors/Rails
	2,969	Stucco-Clean, Recaulk & Repair

Annual Expenditures*October 3, 2005**Firehall Condominium-All Units*

Year	Amount	Item Description
	2,969	Brick & Mortar-Clean & Seal
	<u>15,587</u>	
2025	12,126	Roof-Flat-Membrane TPO
	819	Deck-Membrane TPO Inspection
	16,386	Lights-Exterior
	1,802	Paving-Asphalt-Sealcoat
	10,815	Paving-Asphalt-Overlay
	3,277	Stucco-Clean, Recaulk & Repair
	<u>45,226</u>	
2029	11,757	Paint-Exterior-Trim/Doors/Rails
	3,617	Stucco-Clean, Recaulk & Repair
	3,617	Brick & Mortar-Clean & Seal
	<u>18,992</u>	
2030	927	Deck-Membrane TPO Inspection
	2,039	Paving-Asphalt-Sealcoat
	<u>2,966</u>	
2033	3,993	Stucco-Clean, Recaulk & Repair
	<u>3,993</u>	

Total: 147,571

**Reserve Study
Residential & Office Units**

**The Firehall Condominium
Bend Oregon**

PREPARED BY

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Worksheet

October 3, 2005

Sorted Alphabetically
Firehall Condominium-Residential & Office Units

Item Description

-NOTE

Sub-Group	Number Of Items	Item Type	Item Cost	%	Total Year Useful Life	Year Life	One
Group	0	0	0	0	0	0	0
0	0	1 Total	0.000	100	0 2005	3 0	2008 3 YES

Comments: Cost, quantity, design and material information included in this report was supplied by the developer and is subject to course of construction changes. Verify original plans and assumptions and adjust as necessary.

Carpet-Stairs & Hallways

0 0 501 Square Yards 20,000 100 10,020 2005 15 0 2020 15 no
Comments: Remove and replace with comparable. Installed by I&J Carpet, Phone 541.382.5570

Elevator-Cab Renovation

0 0 1 Total 7,500.000 100 7,500 2005 15 0 2020 15 no
Comments: Refinish doors, wall panels, flooring and lighting.

Elevator-Modernization

0 0 1 Total 50,000.000 100 50,000 2005 30 0 2035 30 no
Comments: Replace all mechanical system, ADA and state standards. Information from ThyssenKrupp Elevators.

Lights-Interior

0 0 1 Total 2,500.000 100 2,500 2005 20 0 2025 20 no
Comments: Includes lobby, stairwells and hallways.

Paint-Interior-Fire Stairwell

0 0 1 Total 1,000.000 100 1,000 2005 10 0 2015 10 no
Comments:

Paint-Interior-Hallway & Lobby

0 0 1 Total 1,500.000 100 1,500 2005 5 0 2010 5 no
Comments:

Total

7 items

Funding Plan Summary

October 3, 2005

Firehall Condominium-Residential & Office Units

Year	Percent Funded	Unadjusted Ideal Balance	Inflation Adjusted Ideal Balance	Starting Balance	Annual Contribution	Interest Income	Tax Liability	Inflation Adjusted Expenditures	Unadjusted Expenditures
2005	0%	0	0	0	3,360	50	(8)	0	0
2006	99%	3,360	3,435	3,403	3,436	154	(23)	0	0
2007	99%	6,719	7,025	6,969	3,515	262	(39)	0	0
2008	99%	10,079	10,775	10,707	3,594	375	(56)	0	0
2009	100%	13,439	14,690	14,619	3,675	494	(74)	0	0
2010	100%	16,798	18,775	18,714	3,757	567	(85)	(1,677)	(1,500)
2011	100%	18,658	21,323	21,278	3,841	696	(104)	0	0
2012	100%	22,018	25,729	25,711	3,927	830	(125)	0	0
2013	100%	25,377	30,322	30,343	4,004	970	(146)	0	0
2014	100%	28,737	35,108	35,171	4,042	1,116	(167)	0	0
2015	100%	32,097	40,095	40,161	4,184	1,174	(176)	(3,123)	(2,500)
2016	100%	32,956	42,095	42,220	4,260	1,330	(200)	0	0
2017	100%	36,316	47,431	47,611	4,328	1,493	(224)	0	0
2018	100%	39,676	52,984	53,208	4,375	1,662	(249)	0	0
2019	100%	43,035	58,764	58,995	4,356	1,835	(275)	0	0
2020	100%	46,395	64,777	64,912	4,664	1,221	(183)	(26,556)	(19,020)
2021	100%	30,735	43,877	44,057	4,751	1,393	(209)	0	0
2022	100%	34,094	49,769	49,993	4,830	1,572	(236)	0	0
2023	100%	37,454	55,903	56,159	4,887	1,758	(264)	0	0
2024	100%	40,814	62,289	62,540	4,876	1,949	(292)	0	0
2025	100%	44,173	68,933	69,073	5,229	1,917	(287)	(7,803)	(5,000)
2026	100%	42,533	67,867	68,128	5,295	2,123	(318)	0	0
2027	100%	45,893	74,875	75,228	5,364	2,337	(351)	0	0
2028	101%	49,252	82,164	82,579	5,398	2,558	(384)	0	0
2029	100%	52,612	89,744	90,151	5,324	2,784	(418)	0	0
2030	100%	55,972	97,623	97,841	5,816	2,944	(442)	(2,616)	(1,500)
2031	100%	57,831	103,136	103,544	5,890	3,195	(479)	0	0
2032	101%	61,191	111,583	112,149	5,938	3,454	(518)	0	0
2033	101%	64,551	120,358	121,022	5,932	3,720	(558)	0	0
2034	100%	67,910	129,471	130,116	5,760	3,990	(598)	0	0
Total					138,606	49,924	(7,489)	(41,774)	(29,520)
Average				54,553	4,620	1,664	(250)	(1,392)	(984)
Maximum			129,471	130,116	5,938	3,990	(598)	(26,556)	(19,020)
Minimum			0	0	3,360	50	(8)	0	0

3.00% Investment Rate

15.00% Tax Rate

2.25% Inflation Rate

0.00% Contingency Rate

Annual Expenditures

October 3, 2005

Firehall Condominium-Residential & Office Units

Year	Amount	Item Description
2008	0	~NOTE
	<u>0</u>	
2010	1,677	Paint-Interior-Hallway & Lobby
	<u>1,677</u>	
2015	1,874	Paint-Interior-Hallway & Lobby
	1,249	Paint-Interior-Fire Stairwell
	<u>3,123</u>	
2020	13,990	Carpet-Stairs & Hallways
	10,472	Elevator-Cab Renovation
	2,094	Paint-Interior-Hallway & Lobby
	<u>26,556</u>	
2025	2,341	Paint-Interior-Hallway & Lobby
	1,561	Paint-Interior-Fire Stairwell
	3,901	Lights-Interior
	<u>7,803</u>	
2030	2,616	Paint-Interior-Hallway & Lobby
	<u>2,616</u>	
Total:	41,774	

**Reserve Study
Garages**

**The Firehall Condominium
Bend Oregon**

PREPARED BY

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Worksheet

October 3, 2005

Sorted Alphabetically

Firehall Condominium-Garages

<u>Item Description</u>	<u>Sub-Group</u>	<u>Number Of Items</u>	<u>Item Type</u>	<u>Item Cost</u>	<u>%</u>	<u>Total Year Built</u>	<u>Useful Life</u>	<u>Year Life</u>	<u>One</u>
Garage-Door Operators	0	0	3 Units	300,000	100	900	2005	10	0
Comments: Remove and replace Liftmaster Model T Commercial Trolley Openers installed by Blankenship Garage Doors, Phone 541.383.2658									
Garage-Overhead Doors	0	0	3 Units	3,080,000	100	9,240	2005	20	0
Comments: Remove and replace Northwest Door Model 924 Commercial Steel Insulated Door w/ Full View Glas Section and Metal Backsheet installed by Blankenship Garage Doors, Phone 541.383.2658									
Paint-Interior	0	0	1 Total	1,800,000	100	1,800	2005	10	0
Paint-Interior									

Total 3 items

Funding Plan Summary

October 3, 2005

Firehall Condominium-Garages

Year	Percent Funded	Unadjusted Ideal Balance	Inflation Adjusted Ideal Balance	Starting Balance	Annual Contribution	Interest Income	Tax Liability	Inflation Adjusted Expenditures	Unadjusted Expenditures
2005	0%	0	0	0	732	13	(2)	0	0
2006	99%	732	750	743	751	39	(6)	0	0
2007	99%	1,464	1,538	1,527	770	67	(10)	0	0
2008	100%	2,196	2,365	2,353	789	96	(14)	0	0
2009	100%	2,928	3,232	3,224	808	127	(19)	0	0
2010	100%	3,660	4,141	4,141	828	159	(24)	0	0
2011	100%	4,392	5,093	5,104	846	193	(29)	0	0
2012	100%	5,124	6,091	6,115	862	229	(34)	0	0
2013	101%	5,856	7,135	7,172	873	266	(40)	0	0
2014	101%	6,588	8,228	8,272	870	305	(46)	0	0
2015	100%	7,320	9,370	9,401	934	224	(34)	(3,456)	(2,700)
2016	101%	5,352	7,022	7,069	955	264	(40)	0	0
2017	101%	6,084	8,182	8,249	976	306	(46)	0	0
2018	101%	6,816	9,396	9,485	996	349	(52)	0	0
2019	101%	7,548	10,665	10,778	1,015	395	(59)	0	0
2020	101%	8,280	11,992	12,130	1,033	443	(66)	0	0
2021	101%	9,012	13,378	13,538	1,047	492	(74)	0	0
2022	101%	9,744	14,827	15,003	1,055	544	(82)	0	0
2023	101%	10,476	16,339	16,520	1,051	597	(89)	0	0
2024	101%	11,208	17,918	18,078	1,009	650	(98)	0	0
2025	100%	11,940	19,565	19,641	1,124	22	(3)	(19,565)	(11,940)
2026	99%	732	1,229	1,218	1,230	64	(10)	0	0
2027	99%	1,464	2,520	2,503	1,261	110	(16)	0	0
2028	100%	2,196	3,875	3,857	1,293	158	(24)	0	0
2029	100%	2,928	5,296	5,284	1,325	208	(31)	0	0
2030	100%	3,660	6,785	6,786	1,357	261	(39)	0	0
2031	100%	4,392	8,346	8,365	1,386	317	(48)	0	0
2032	100%	5,124	9,981	10,021	1,412	375	(56)	0	0
2033	101%	5,856	11,691	11,752	1,431	436	(65)	0	0
2034	101%	6,588	13,482	13,554	1,426	499	(75)	0	0
Total					31,447	8,210	(1,232)	(23,021)	(14,640)
Average					8,063	1,048	274	(41)	(488)
Maximum					19,565	19,641	1,431	650	(98)
Minimum					0	0	732	13	(2)

3.50% Investment Rate

15.00% Tax Rate

2.50% Inflation Rate

0.00% Contingency Rate

Annual Expenditures*October 3, 2005**Firehall Condominium-Garages*

Year	Amount	Item Description
2015	2,304	Paint-Interior
	1,152	Garage-Door Operators
	<u>3,456</u>	
2025	2,950	Paint-Interior
	15,141	Garage-Overhead Doors
	1,475	Garage-Door Operators
	<u>19,565</u>	

Total: 23,021

Maintenance Plan

The Firehall Condominium Bend Oregon

PREPARED BY

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Maintenance Plan for The Firehall Condominium

The proper care and maintenance of substantial assets have been entrusted to the homeowner association. The key to any effective Maintenance Plan is consistency and expertise. The goal of this Maintenance Plan is to provide general information and direction on how to maintain those assets to produce the highest livability and market values for member units. While many specific items are included, the list is not exhaustive and some issues may develop over time which should be added to the Plan.

Many building and grounds components require specific maintenance to ensure their proper function. Many of the tasks are suitable only to trained professionals with a thorough understanding of the systems. It is highly recommended that only licensed, bonded and insured workman with the training, knowledge, tools and equipment to handle the maintenance of those systems or components be used to ensure highest service quality.

The Maintenance Plan is divided into two parts: **Annual Maintenance** and **Reserve Repairs & Replacements**. The first deals with annual tasks while the second deals with cyclical tasks. Close attention to both are required to achieve the desired results.

Annual Maintenance

The following tasks should be performed on according to a regular and adequate schedule as preventive maintenance:

Carpet Cleaning Common area carpeting should be professionally cleaned twice per year.

Common Area Light Bulb Replacement Common area lighting should be maintained in working order at all times for safety, security and curb appeal. Using high lumen, low energy, long life compact fluorescent light bulbs work very well for this task and reduce both energy and labor costs.

Fire Alarm System This system announces an alert in the event of fire in the common areas. It should be inspected and tested annually to confirm it operation.

Fire Sprinkler System Maintenance This system is designed to work automatically. It should be inspected and tested annually to confirm it operation.

General Repairs The Operating Budget provides money to handle various minor repairs. The management company generally groups various non-emergency repair requests until there is sufficient work to handle the work cost effectively.

HVAC Maintenance The roof top equipment should be inspected and tuned up annually by a qualified contractor.

Janitorial & Supplies At least weekly, janitorial services should be performed on common elements including the elevator, stairwells and hallways.. Services to be performed include vacuuming, sweeping, mopping, dusting and wiping down.

Roof Maintenance The budget provides for an annual inspection and minor repair of the roof.

Reserve Repairs & Replacements

The following items should be performed according to the schedule outlined in the Reserve Study:

Brick & Mortar-Clean & Seal Coordinate with Paint-Exterior. It is extremely important that the brick and mortar be waterproofed to prevent degradation. Use only a high quality 10 year warranty sealer applied to manufacturer's specifications.

Concrete Safety Repairs Inspect all driveways and sidewalks for tripping hazards. Grind down or remove and replace as necessary.

Deck-Membrane TPO This material is very durable but requires periodic inspection, cleaning and repair.

Elevator-Cab Refurbish This is a curb appeal task. At the specified interval, refurbish the flooring, wall panels and lighting. Costs vary widely depending on material and design selection.

Elevator-Equipment Overhaul This task is related to compliance with state safety code changes and technology upgrades. The elevator maintenance contractor will advise when and if such is needed.

Landscape Renovation Properly maintained landscaping is fundamental to curb appeal and directly affects unit market value. At least every five years (or as needed), dead or overgrown bushes and plants should be removed and replaced to keep the landscape looking its best.

Lights-Exterior To maintain uniform appearance, only the homeowner association should replace common area light fixtures. When style change is warranted, all fixtures should be replaced at the same time with a style that matches.

Paint-Exterior Coordinate with Siding & Trim Repair. Pressure wash, repair and prepare all surfaces to be painted.

1. Inspect and repair siding and trim as needed.

2. Pressure wash all surfaces to remove peeling paint, moss, algae, dirt and other contaminants.
3. Treat areas with algae with mildewcide.
4. Scrape or wire brush loose paint and prime all bare spots with primer.
5. Inspect all open joints around windows, doors and trim and caulk as needed.
6. Remove and/or provide adequate protection for address plates, lighting fixtures and other hardware.
7. Mask with tape and paper, cover with plastic tarp or otherwise protect windows, other unpainted surfaces, landscaping and personal property from paint drips and/or overspray.
8. Surface to be painted shall be dry and free of dirt, dust, oils or other contaminants which will prevent adhesion of the coating.
9. Coating shall be applied at a temperature in accordance with manufacturer's specification.
10. Spray and backroll or roll on high quality latex paint to siding, trim, soffit and fascia according to manufacturer's guidelines.
11. Spray high quality oil enamel to exterior doors according to manufacturer's guidelines.
12. Clean up all work related debris and dispose of off site.

Paving-Asphalt-Overlay Under average traffic conditions, a properly installed asphalt pavement should last 30 years. Heavy truck traffic like garbage trucks could cause accelerated damage to the traffic lane and may require spot repairs that should be performed as needed. At the recommended replacement interval, the asphalt should be overlaid as follows:

(Coordinate with and perform before Paving-Asphalt-Sealcoat)

1. Pavement should be dry throughout process
2. Seal cracks with rubberized sealer
3. Remove and patch crumbled or alligatored areas
4. Apply 2" overlay of new material

Paving-Asphalt-Sealcoat Asphalt is a porous material that is deteriorated by water, dirt, oil and sunlight. To protect it from the elements, a sealcoating should be applied for the same reason that paint is applied to siding. Sealcoating will seal against water, protect against UV rays which break it down, keep the asphalt from drying out and extend its useful life.

1. Thoroughly clean all asphalt surfaces removing moss, algae, oil, dirt, rocks and weeds
2. Seal cracks with rubberized sealer
3. Repair areas that are deteriorated.
4. Apply two coats of emulsified sealcoat according to the following application rates:
 - a. Smooth surfaces (newer): 20 gallons per 1000 sf
 - b. Medium surfaces (middle age): 30 gallons per 1000 sf
 - c. Rough surfaces (older): 50 gallons per 1000 sf
5. Add 3 lbs of sand per gallon to first coat
6. Apply sealcoat in dry weather only with surface temperature of at least 60 degrees F

7. Allow first coat to dry to touch before applying second coat.
8. Wait at least 6 hours before driving on

Siding & Trim Repair Coordinate with Paint-Exterior. Carefully inspect all siding and trim. Renail or replace bad boards as needed.

Stucco-Clean, Recaulk & Repair To maintain its waterproofing qualities, the stucco should be inspected and repaired by a knowledgeable contractor.

EXHIBIT C-2
Allocation of Commercial Expense

<u>Unit No.</u>	<u>Area (Square Feet)</u>	<u>Allocation of Retail Expense</u>
100	4,202	57.62%
104	<u>3,091</u>	42.38%
Totals:	7,293	100.00%

EXHIBIT C-3
Allocation of Storage Unit Expense

<u>Unit No.</u>	<u>Area</u> <u>(Square Feet)</u>	<u>Allocation of</u> <u>Storage Unit Expense</u>
001	171	29.08%
002	238	40.48%
003	96	16.33%
004	<u>83</u>	<u>14.12%</u>
Totals:	588	100.00%

EXHIBIT C-4
Allocation of Residential Expense

<u>Unit No.</u>	<u>Area (Square Feet)</u>	<u>Allocation of Residential Expense</u>
201	1,062	19.06%
202	1,305	23.43%
301	1,062	19.06%
302	1,305	23.43%
401	<u>837</u>	<u>15.02%</u>
Totals:	5,571	100.00%

EXHIBIT D

Bylaws of Firehall Condominiums Owners' Association

BYLAWS
OF
FIREHALL CONDOMINIUMS OWNERS' ASSOCIATION

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BYLAWS
OF
FIREHALL CONDOMINIUMS OWNERS' ASSOCIATION

1. GENERAL PROVISIONS.

1.1 Identity. Firehall Condominiums Owners' Association, a nonprofit corporation organized under the laws of the State of Oregon, the Articles of Incorporation of which were filed in the Office of the Oregon Corporation Commissioner on the ____ day of _____, 2005 (the "Association"), has been organized for the purpose of administering the operation and management of Firehall Condominiums (the "Condominium"), in accordance with the terms of these Bylaws. The Condominium was established by Firehall Partners, L.L.C., an Oregon limited liability company (the "Declarant"), in accordance with the provisions of ORS Chapter 100 (the "Act"). The Condominium is located upon property in Deschutes County, Oregon, as more particularly described in the Declaration of Condominium Ownership for Firehall Condominiums (the "Declaration"), which is being recorded simultaneously herewith in the records of Deschutes County, Oregon.

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

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

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

1.5 Office. The office of the Association shall be at 915 NW Gasoline Alley, Bend, Oregon 97701, or at any other place within Bend, Oregon designated by the Association.

2. MEETINGS OF OWNERS.

2.1 Administrative Control. Notwithstanding any other provisions of these Bylaws, until the Turnover Meeting, the Declarant shall have the powers and authorities reserved to the Declarant in Section 21 of the Declaration.

2.2 Transitional Committee. Unless the Turnover Meeting has been held, the Declarant shall call a meeting of the Owners within 60 days after the conveyance to persons other than the Declarant of 50 percent of all 30 Units. Notice of the meeting shall be given as provided in Section 2.7 to each Owner at least 10 but not more than 50 days prior to the meeting. The notice shall state the purpose, time, and place of the meeting. If the meeting is not called by

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

2.3 Turnover Meeting. The Turnover Meeting, which shall constitute the initial meeting of the Association, shall be called by the Declarant within 90 days of the expiration of the period of Declarant's administrative control described in Section 21 of the Declaration. The Declarant shall give notice (as provided in Section 2.7) of the Turnover Meeting to each Owner at least 10 but not more than 50 days prior to the meeting. The notice shall state the purpose, time, and place of the meeting. If the meeting is not called by the Declarant, the meeting may be called and notice given by any Owner or by any first Mortgagee of a Unit. At the Turnover Meeting, the Declarant shall relinquish control of the administration of the Association to the Owners and the latter shall assume control; the Owners shall elect a board of directors as set forth in these Bylaws; and the Declarant shall deliver to the Association the items specified in Section 100.210(5) of the Act. During the three-month period following the Turnover Meeting, the Declarant or an informed representative thereof shall be available to meet with the Board on at least three mutually acceptable dates to review the documents delivered pursuant to Section 100.210(5)(3) of the Act. If the Declarant has complied with the terms of Section 100.210 of the Act, then, unless the Declarant otherwise has sufficient voting rights as an Owner to control the Association, the Declarant shall not be responsible for the failure of the Owners to comply with the provisions of Section 100.210(4) of the Act, and the Declarant shall be relieved of any further responsibility for the administration of the Association except as an Owner for any unsold Unit.

2.4 Annual Meetings. In the twelfth month following the month in which the Turnover Meeting is held, the first annual meeting of Owners shall be held. At such meeting, the incumbent directors of the Association (any director of the Association, a "Director") elected at the Turnover Meeting shall resign and five directors (who may have previously served as Directors) shall be elected by the Owners in accordance with these Bylaws. Thereafter, annual meetings shall be held in the same month as the initial annual meeting or in the month following, at such hour and on such date as the Chairperson of the Board of Directors (the "Chairperson") may designate or, if the Chairperson fails to designate such date by the last day of the first month in which the meeting may be held, the meeting shall be held on the second Wednesday of the second month in which the meeting may be held, unless such date shall be a legal holiday, in which event the meeting shall be held on the next succeeding business day. At such meetings, the Owners shall elect Directors to fill vacancies or to succeed retiring Directors as provided in Article 3 of these Bylaws and shall also transact such other business of the Association as may properly come before the meeting.

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

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

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

2.8 Voting.

2.8.1 The total number of votes of all Owners shall be 14, which is equal to one vote for each of the Residential Units, two votes for the Office Unit and three votes for each of the Commercial Units in the Condominium, allocated as described in Section 8 of the Declaration, and each Owner or group of Owners shall be entitled, subject to the provisions of Section 21 of the Declaration (which grants Declarant five (5) times the votes for each Primary Unit owned by it prior to the Turnover Meeting) and to Section 3.1 of these Bylaws regarding the election of Directors, to a number of votes equal to the number of votes allocated to the Primary Units owned by such Owner or group of Owners. No voting rights shall be allocated to the Parking Units, Flex Unit or Storage Units. The Declarant shall be entitled to vote as the Owner of any Primary Units retained by the Declarant, and the Board shall be entitled to vote on behalf of any Primary Unit that has been acquired by or on behalf of the Association; provided, however, that the Board shall not be entitled to vote such Primary Units in any election of Directors. Notwithstanding the foregoing, the approval of the Owners of the Commercial Units and Office Unit shall be required in order to pass a vote on a matter adversely impacting the rights or privileges of the Owners of the Commercial Units or Office Unit, respectively.

2.8.2 If an Owner is in default under a first Mortgage on its Unit for 60 consecutive days or more and the Mortgage instrument signed by the Owner provides for such a pledge upon default, the Mortgagee shall automatically be authorized to declare at any time thereafter that the Unit Owner has pledged his or her vote on all issues to the Mortgagee during the continuance of the default. If the Board has been notified of any such pledge to a Mortgagee, or in the event the record Owner or Owners have otherwise pledged their vote regarding special matters to a Mortgagee under a duly recorded Mortgage, only the vote of such Mortgagee or vendor will be recognized in regard to the special matters upon which the vote is so pledged, if a copy of the instrument with this pledge has been filed with the Board. Amendments to this subsection shall only be effective upon the written consent of all the voting Owners and their respective Mortgagees, if any.

2.8.3 If an Owner is in default for payment of assessments or other charges under these Bylaws, the Declaration or the Rules and Regulations for 60 consecutive days or more, the Owner's voting rights shall be suspended until such delinquencies are paid in full, including any interest, penalties or late charges due for such delinquency.

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

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

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

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

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

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

- 2.13.1 Calling of the roll and certifying of proxies;
- 2.13.2 Proof of notice of meeting or waiver of notice;
- 2.13.3 Reading of minutes of preceding meeting;
- 2.13.4 Reports of officers;
- 2.13.5 Reports of committees, if any;
- 2.13.6 Election of directors;
- 2.13.7 Unfinished business;
- 2.13.8 New business; and
- 2.13.9 Adjournment.

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

3. BOARD OF DIRECTORS.

3.1 Number, Term and Qualification. The affairs of the Association shall be governed by the Board of Directors, which shall consist of from one to three persons prior to the

Turnover Meeting and five persons after the Turnover Meeting. Until the Turnover Meeting (as provided for in Section 2.3 of these Bylaws) shall have been held, the Board of Directors shall consist of the Director or Directors named in the Articles of Incorporation of the Association, subject to the appointment and removal powers of the Declarant described in Section 21 of the Declaration. At the Turnover Meeting, two Directors shall be elected by the Owners of the Residential Units (the "Residential Owners") to serve until the first annual meeting of the Association; and one Director shall be elected by each Owner of a Commercial Unit (the "Commercial Owners") and one Director shall be elected by the vote of the Owner of the Office Unit (the "Office Owner"). At the first annual meeting of the Association, one Director shall be elected by the Residential Owners to serve for a term of two years, one Director shall be elected by the Residential Owners to serve for a term of one (1) year, one Director shall be elected by each of the Commercial Owners to serve for a term of two (2) years and (1) one Director shall be elected by the votes of the Office Owner for a term of two (2) years. Election by the Residential Owners shall be by plurality. At the expiration of the initial term of office of each Director elected at the first annual meeting of the Association, his or her successor shall be elected as provided in this Section 3.1 to serve for a term of two (2) years. The Directors shall hold office for the term herein fixed and until their successors have been qualified and elected. There shall be no limit on the number of successive terms a Director may serve on the Board of Directors, if elected as herein provided. After the Turnover Meeting, all Directors shall be Owners and no Director shall continue to serve on the Board of Directors after he or she ceases to be an Owner. For purposes of this Section 3.1, the officers, employees or designees of any corporation, the trustee of any trust, the partners of any partnership, or the members or managers of any limited liability company that owns a Primary Unit shall be considered co-owners of any such Unit.

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

3.2.1 Operation, care, inspection, upkeep, repair, replacement and maintenance of the Common Elements, Parking Units and Association Property.

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

3.2.3 Annually conducting a reserve study, or review and update any existing study, of the Common Elements to determine the reserve fund requirements, in accordance with ORS 100.175(4).

3.2.4 Collection of the common expenses from the Owners.

3.2.5 Provision for the designation, hiring and removal of employees and other personnel, including lawyers and accountants and personnel

necessary for the maintenance, upkeep and repair of the Common Elements, Parking Units and Association Property; engagement of or contracting for the services of others; and making purchases for the inspection, maintenance, repair, replacement, administration, management and operation of the Condominium and delegating any such powers to the manager or managing agent (and any such employees or other personnel as may be employees of the managing agent); provided, however, that any management agreement, service contract, or employee contract entered into before the Turnover Meeting shall not be in excess of three (3) years, and shall be terminable by the Association without penalty upon not less than 30 days written notice to the other party given not later than 60 days after the Turnover Meeting; and provided further, that any agreement for management services entered into after the Turnover Meeting on behalf of the Association must be terminable by the Association for cause upon not less than 30 days' notice, must have a reasonable term not exceeding two years, and must be renewable with the consent of the Association and the manager. If an Eligible Mortgagee had previously required professional management, the Board of Directors may not terminate professional management and assume self-management unless the decision to do so is approved by at least one hundred percent (100%) of the total voting power of the Association, and approved by Eligible Mortgagees holding Mortgages on Units which have at least fifty-one percent (51%) of the voting rights of the Units subject to Eligible Mortgagee Mortgages.

3.2.6 Adoption and amendment of reasonable rules and regulations of the Condominium ("Rules and Regulations") pursuant to Section 7.30 hereof.

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

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

3.2.9 Bidding for and purchasing Units at foreclosure sales (judicial or non-judicial) or other judicial or execution sales, in the name of the Association or its designee, corporate or otherwise, on behalf of all Owners upon the consent or approval of the Owners of not less than 75 percent of the voting power of the Association.

3.2.10 Selling, leasing, mortgaging, voting the votes appurtenant to (other than for the election of directors), or otherwise dealing with Units of the Condominium acquired by the Association or its designee on behalf of all the Owners.

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

3.2.12 Obtaining and reviewing bonds and insurance, including officers' and directors' liability insurance, for the Association and the Condominium, including the Units,

pursuant to the provisions of these Bylaws and in the case of such insurance, reviewing it at least annually.

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

3.2.14 Making additions and improvements to, or alterations of, the Common Elements; provided, however, that no such project of a non-structural or non-capital nature may be undertaken by the Board of Directors if the total cost will exceed the amount of Fifteen Thousand Dollars (\$15,000), unless the Owners have enacted a resolution authorizing the project by a vote of Owners holding at least 75 percent of the voting power of the Association, present in person or by proxy at a meeting of the Owners. This limitation shall not be applicable to repairs or maintenance undertaken pursuant to Section 3.2.1.

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

3.2.16 Borrowing money on behalf of the Association when required in connection with the operation, care, upkeep, and maintenance of the Common Elements, Parking Units and Association Property; provided, however, that (i) the consent of Owners holding at least 75 percent of the voting power of the Association, obtained at a meeting duly called and held for such purpose in accordance with the provisions of these Bylaws, shall be required for the borrowing of any sum in excess of an amount or amounts, aggregated for the calendar year in question, exceeding 15 percent of the estimated budget of the Association for that calendar year to cover the operation, care, upkeep and maintenance of the Common Elements, Parking Units and Association Property, and (ii) no lien to secure repayment of any sum borrowed may be created on any Unit or its appurtenant interest in the Common Elements without the consent of the Owner of such Unit. If any sum borrowed by the Board of Directors on behalf of the Association pursuant to the authority contained in this Section 3.2.16 is not repaid by the Association, an Owner who pays to the creditor such proportion thereof equal to his interest in the Common Elements shall be entitled to obtain from the creditor a release of any judgment or other lien that said creditor shall have filed or shall have the right to file against such Owner's Unit.

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

3.2.18 Filing all appropriate income tax returns.

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

3.2.20 Charging and collecting a fee in connection with moving in to or out of a Primary Unit.

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

3.2.22 Enforcement by legal means of the provisions of the Act, the Declaration, these Bylaws and any Rules and Regulations adopted hereunder. Nothing in these Bylaws shall be construed as requiring the Association to take any specific action to enforce violations.

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

3.3 Limitation. The powers of the Board of Directors enumerated in these Bylaws shall be limited in that the Board of Directors shall have no authority to (i) acquire and pay for out of the maintenance fund of the Association any structural alterations or capital improvements of, or capital additions to, the Common Elements (other than for purposes of repairing, replacing or restoring portions of the Common Elements, subject to all the provisions of these Bylaws) requiring an expenditure in excess of an amount or amounts, aggregated for the calendar year in question, exceeding 10 percent of the estimated total budget of the Association for such calendar year, or (ii) enter into agreements having a term in excess of two years, except agreements specifically authorized in these Bylaws, without, in each case, the prior approval of Owners holding at least 75 percent of the voting power of the Association.

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

3.5 Regular and Special Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the

Directors. Special meetings of the Board of Directors may be called by the Chairperson and must be called by the Secretary at the written request of at least two Directors. Notice of any special meeting shall be given to each Director, personally or by mail, telephone or facsimile at least two days prior to the day named for such meeting, and shall state the time, place and purpose of such meeting. For a period of ten (10) years following recording of the Declaration, notices of meetings shall also be given to Declarant in the same manner as given to Directors. All meetings of the Board of Directors shall be open to the Owners except that the following matters and any other matters permitted by the Act may be considered in executive session: (a) consulting with legal counsel regarding the rights and duties of the Association in connection with existing or potential litigation, or criminal matters; (b) dealing with personnel matters, including salary negotiations and discipline; (c) negotiation of contracts with third parties; and (d) collection of unpaid assessments pursuant to the Act. Except in the event of an emergency, the Board of Directors shall vote in an open meeting on whether to meet in executive session. If the Board of Directors votes to meet in executive session, the Chairperson shall announce the general nature of the action being considered and when and under what circumstances the deliberations can be disclosed to the Owners. The statement, motion, or decision to meet in executive session must be included in the minutes of the meeting. A contract or action considered in executive session does not become effective unless the Board, following the executive session, reconvenes in an open meeting and votes on the contract or action, which must be reasonably identified in the open meeting and included in the minutes. Such meetings may be conducted by telephonic communication or by other means authorized under ORS 100.420(2), except that if a majority of the Primary Units are principal residences of the occupants, then: (i) for other than emergency meetings, notice of each meeting of the Board of Directors shall be posted at a place or places on the Property at least three days prior to the meeting, or notice shall be provided by a method otherwise reasonably calculated to inform the Owners of such meeting; and (ii) only emergency meetings of the Board of Directors may be conducted by telephonic communication or in a manner permitted by the Act. The meeting and notice requirements in ORS 100.420(1) may not be circumvented by chance or social meetings or by any other means, including, without limitation, e-mail communication. For purposes of this Section, "meeting" shall have the definition provided in Section 100.420(5) of the Act. Unless other rules of order are adopted by resolution of the Association or the Board of Directors, all meetings of the Board of Directors shall be conducted according to the latest edition *Robert's Rules of Order* published by Robert's Rules Association.

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

3.7 Quorum. At all meetings of the Board of Directors, a majority of the members thereof shall constitute a quorum for the transaction of business, and the votes of a majority of the members of the Board of Directors present at a meeting at which a quorum is present shall constitute the act of the Board of Directors; provided, however, that the approval of

the directors elected by the Owners of the Commercial Units shall be necessary for the Board to take any action which would eliminate or impair the rights and privileges granted to the Owners of the Commercial Units and that the approval of the director elected by the Owner of the Office Unit shall be necessary for the Board to take any action which would eliminate or impair the rights and privileges granted to the Owner of the Office Unit. If at any meeting of the Board of Directors there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time until a quorum is present. At any such adjourned meeting at which a quorum is present, any business that might have been transacted at the meeting originally called may be transacted without further notice.

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

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

3.10 Vacancies. Vacancies on the Board of Directors caused by any reason other than the removal of a member pursuant to Section 3.8 shall, in the case of a vacancy relating to a Director elected by the Residential Owners, be filled by vote of a majority of the remaining Directors at a special meeting of the Board of Directors held for that purpose promptly after the occurrence of any such vacancy, even though the Directors present at such meeting may constitute less than a quorum. Any vacancy relating to a Director elected by one of the Commercial Owners shall be filled by the vote of such Commercial Owner promptly after the occurrence of the vacancy. Each person so elected or appointed shall be a member of the Board of Directors for the remainder of the term of the member whose position was vacated and until a successor shall be elected by the vote of such Commercial Owner at the next annual meeting of the Owners. Any vacancy relating to a Director elected by the Office Owner shall be filled by

the vote of the Office Owner held promptly after the occurrence of the vacancy. Each person so elected or appointed shall be a member of the Board of Directors for the remainder of the term of the member whose position was vacated and until a successor shall be elected by the vote of the Office Owner at the next annual meeting of the Owners.

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

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

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

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

4. OFFICERS.

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

employees or beneficiaries, or members of the respective families, of Units owned by corporations, partnerships, fiduciaries or Mortgagees).

4.2 Election. The officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board of Directors and shall hold office at the pleasure of the Board of Directors and until their successors are elected and qualified. If any office shall become vacant, the Board of Directors shall elect a successor to fill the unexpired term at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose.

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

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

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

4.6 Secretary. The Secretary shall keep the minutes of all proceedings of the Board of Directors and the minutes of all meetings of the Association. He shall attend to the giving and serving of all notices to the 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 Chairperson. In addition, the Secretary shall act as Vice Chairperson, taking the place of the Vice Chairperson and performing his duties whenever the Vice Chairperson is absent or unable to act, unless the Directors have appointed another Vice Chairperson.

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

4.8 Execution of Instruments. All agreements, contracts, deeds, leases and other instruments of the Association, shall be executed by such person or persons as may be designated by general or special resolution of the Board of Directors, including the execution of checks of up to Four Thousand Nine Hundred Ninety-Nine Dollars (\$4,999) by the professional property management company for the Condominium, and, in the absence of any general or special resolution applicable to any such instrument, then such instrument shall be signed by the Chairperson. All checks of Five Thousand Dollars (\$5,000) or more shall be signed by the Treasurer, or in his absence or disability, by the Chairperson or any duly elected Assistant Treasurer. Notwithstanding the foregoing, all checks of Seven Thousand Five Hundred Dollars (\$7,500) or more shall require the signatures of at least two authorized signatories.

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

5. BUDGET, EXPENSES AND ASSESSMENTS.

5.1 Budget. The Board of Directors shall from time to time, at least annually, prepare and adopt a budget for the Association, estimate the common expenses expected to be incurred, less any previous overassessment, and assess the common expenses to each Owner in the manner set forth in the Declaration. The budget shall provide for an adequate reserve fund for maintenance, repairs and replacement of those Common Elements that must be maintained, repaired or replaced on a periodic basis by the Association in accordance with Section 5.2 of these Bylaws. The budget shall also divide the common expenses into Commercial Expenses, Office Expenses and Residential Expenses in accordance with Section 7.1 of the Declaration. If the Director elected by the Office Owner objects to the budget, such Director shall present the basis for the objection to the Board of Directors, who shall consider the objection and prepare a revised budget. If the objecting Director rejects the revised budget, the previous budget shall be adopted, adjusted by any increase in the Consumer Price Index - All Items - for all urban consumers as published by the U.S. Bureau of Labor Statistics (or any comparable substitute index, if such shall be discontinued), the base year being 2005. The Board of Directors shall advise each Owner in writing of the amount of common expenses payable by him or her, and furnish a summary of each budget and amended budget on which such common expenses are based to all Owners and, if requested, to their Mortgagees, within 30 days after adoption of the budget. Failure to deliver a summary of any budget or amended budget to each Owner shall not affect the liability of any Owner for any such assessment. Nothing herein contained shall be construed as restricting the right of the Board of Directors to, at any time, in their sole discretion, levy any additional assessment in the event that the budget originally adopted shall appear to be insufficient to pay costs and expenses of operation and management of the Condominium, or in the event of emergencies. Any budget for the Association prepared by Declarant or during the period of Declarant's administrative control of the Association pursuant to Section 21 of the Declaration shall be based on Declarant's reserve study, but such projection may vary substantially from the actual requirements of the Association for such period. After the Turnover Meeting, the Board of Directors shall be responsible, in its sole discretion, for preparation of the

budget of the Association and shall not rely upon prior budgets or projections prepared by Declarant. The budget shall take into account the requirements of the Maintenance Plan adopted pursuant to Section 3.2.23 above.

5.2 Reserve Fund for Replacing Common Elements. Declarant shall conduct a reserve study as required by the Act and shall establish in the name of the Association a reserve fund for replacement of Common Elements that will normally require replacement in more than three (3) and fewer than 30 years, for significant future maintenance items as required by the Maintenance Plan established pursuant to Section 3.2.23 above, and exterior painting, if any. The common expenses of the Condominium shall be calculated on the basis of expected replacement costs and life expectancy of the items comprising the Common Elements that will normally require replacement in more than three and fewer than 30 years, for significant future maintenance items as required by the Maintenance Plan established pursuant to Section 3.2.23 above, and exterior painting, if any, such that the reserve fund is reasonably expected to provide sufficient funds for replacement of such Common Elements. Declarant in establishing the reserve fund shall obtain and rely on a reserve study Common Elements assessments, but such projection may vary substantially from the actual requirements of the Association. Declarant may elect to defer payment of the assessments for the reserve fund with respect to a Unit until the time of conveyance of the Unit; provided that Declarant may defer payment of such reserve assessments beyond the date of the Turnover Meeting, or, if no Turnover Meeting is held, the date the Owners assume administrative control of the Association. The Board of Directors shall administer the reserve fund and shall adjust at regular intervals, but no less than annually, the amount of the periodic payments into it to reflect changes in current replacement costs over time as reflected by the reserve study or update thereof. The Board of Directors shall annually conduct a reserve study or review and update an existing reserve study of the Common Elements to determine reserve account requirements. The reserve study shall include all information required by the Act. Within 30 days after conducting or updating the reserve study, the Declarant, as applicable, and the Board of Directors shall provide each Owner with a written summary of the reserve study and any revisions to the Maintenance Plan as a result of the reserve study. Following the second year after the Turnover Meeting, the Association may by an affirmative vote of at least 75 percent of the Owners elect to reduce or increase future assessments for the reserve funds. In addition the Board of Directors' authority to do so, after the Turnover Meeting, the Association may, on an annual basis by unanimous vote of the Owners, elect not to fund the reserve account. Any funds established for any of the purposes mentioned in this Section shall be deemed to be a reserve fund notwithstanding that it may not be so designated by the Board of Directors. The amount of the reserve fund shall constitute an asset of the Association and shall not be distributed to any Owner except on termination of the Condominium and the Association. The reserve fund is to be used only for replacement of the Common Elements that will normally require replacement in more than three (3) and fewer than 30 years and for the painting of exterior painted surfaces, if any, and is to be kept separate from the assessments described in Section 5.4 of the Bylaws. **The reserve study assumes that the Board conducts normal, routine maintenance for the elements reserved for and that the Board is required to perform pursuant to this Declaration, the Bylaws and the Act. If the Board fails to perform required maintenance, the reserve fund may be inadequate at the time of the required replacement for one or more elements included in the reserve study.** After the Turnover Meeting, however, the Board of Directors may borrow amounts from the

reserve fund to meet high seasonal demands on funds obtained from regular assessments or to meet other unexpected increases in expenses that will later be paid from special or regular assessments, if the Board of Directors has adopted a resolution, which may be an annual continuing resolution, authorizing the borrowing of funds. Not later than the adoption of the budget for the following year, the Board shall adopt by resolution a repayment plan providing for repayment of the borrowed funds within a reasonable period. Repayment of such amounts borrowed from the reserve fund shall include any interest that would otherwise have been earned on such amounts. Assessments under this Section 5.2 shall be allocated between Commercial Unit and Residential Units described in Section 7.1 of the Declaration.

5.3 Determination of Common Expenses. Common expenses shall include:

5.3.1 Expenses of administration.

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

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

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

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

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

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

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

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

5.3.10 Professional management services, landscaping, snow removal, waste removal (subject to the provisions of the Declaration relating thereto), painting, cleaning, outside window washing and inspection, maintenance, repair and replacement of the exterior of the structures within the Condominium and inspection, maintenance, decorating, repair and replacement of the Common Elements and Parking Units by the Association (but not including windows opening on to a Primary Unit, interior surfaces of Units, doors that provide the means of ingress and egress to and from a Primary Unit, which the respective Owners of such Primary Units shall paint, clean (except for outside window surfaces), decorate, maintain, and repair) and such furnishings and equipment for the Common Elements as the Board of Directors shall

determine are necessary and proper, which the Board of Directors shall have the exclusive right and duty to acquire for the Common Elements and Association Property.

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

5.3.12 Paving, resurfacing, or restriping of Parking Units.

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

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

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

5.4 Assessment of Common Expenses. All Owners shall be obliged to pay on a monthly basis in advance common expenses assessed to them by the Board of Directors on behalf of the Association pursuant to these Bylaws and the Declaration, including amounts applicable to the reserve fund described in Section 5.2 of these Bylaws; provided, however, that such reserve assessments may be collected on a monthly, quarterly, or biannual basis, and at least annually, and may be assessed prospectively or in arrears. Assessments for Commercial, Office and Residential Expenses shall be allocated in accordance with Section 7.1 of the Declaration. Assessments may not be waived due to limited use or nonuse of Common Elements. Declarant shall be assessed as the Owner of any unsold Unit, but such assessment shall be prorated to the date of sale of the Unit. Assessments shall commence in accordance with Section 7.1 of the Declaration. At the time of closing of the initial sale of each Primary Unit, the purchaser shall make the contribution described in Section 5.5.3 to the working capital fund. The Board of Directors, on behalf of the Association, shall assess the common expenses against the Owners from time to time, and at least annually, and shall take prompt action to collect from an Owner any common expense due that remains unpaid by him or her for more than 30 days from the due date for its payment (except as provided above for the Declarant). All assessments shall be

deposited in a separate bank account in the name of the Association. All expenditures of the Association shall be paid from the Association bank account.

5.5 Special Assessments.

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

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

5.5.3 Working Capital Fund. Declarant shall establish in the name of the Association a working capital fund for the Association. Amounts paid into this fund shall not be considered advance payments of the monthly assessments for common expenses described in Section 5.4. At the time of closing of the initial sale of each Primary Unit, the purchaser shall make an initial contribution to the working capital fund equal to two months of Association assessments for such Unit, but, in any event, not less than the amount that may have been contributed to the working capital fund on behalf of such Unit (or Units) by Declarant under this Section 5.5.3. At or prior to the Turnover Meeting, Declarant shall make a contribution to the working capital fund equal to two months of Association assessments for all Primary Units then existing but not yet conveyed to persons other than Declarant; provided, however, that the contribution by the initial purchaser of a Primary Unit described in the preceding sentence shall be paid to Declarant at the closing of such purchase in reimbursement of contributions made to the working capital fund by Declarant. At or prior to the Turnover Meeting, Declarant shall transfer the amount of the working capital reserve fund to the Association for deposit in a segregated fund and administration in accordance with Section 5.5.2. During the period of administrative control described in Section 21 of the Declaration, Declarant shall not use any funds contained in the working capital fund to defray Declarant's expenses, contributions to

reserves, or construction costs, or to compensate for any deficits in the operating budget of the Condominium.

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

5.7 Liability of Owners. An Owner shall be liable for the expenses of any maintenance, repair or replacement rendered necessary by his act, neglect or carelessness or by that of any member of his family, or his or their guests, employees, servants, invitees, agents or lessees, but only to the extent that such expense is not met by the proceeds of insurance carried by the Association. Such liability shall include any increase in insurance rates occasioned by use, misuse, occupancy or abandonment of any Unit or its appurtenances. Nothing in these Bylaws, however, shall be construed to modify any waiver by insurance companies of rights of subrogation. The expense of any such maintenance, repair or replacement shall be charged to the responsible Owner as a specific item, which shall be a lien against such Owner's Unit or Units with the same force and effect as if the charge were a part of the normal common expenses attributable to such Owner's Unit or Units.

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

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

6. RECORDS AND AUDITS.

6.1 General Records. The Board of Directors and the managing agent or manager, if any, shall keep detailed records of the actions of the Board of Directors and the managing agent or manager, minutes of the meetings of the Board of Directors and minutes of the meetings of the Association and contemporaneous written documentation of the Association's inspection, operation, care, upkeep, repair, replacement and maintenance of the Common Elements and Association Property. The Board of Directors shall maintain a list of Owners entitled to vote at meetings of the Association and a list of all Mortgagees of Units. The Association shall maintain within the State of Oregon a copy, suitable for duplication, of: (i) the Declaration, these Bylaws, the Rules and Regulations, the recorded plat(s) and any amendments or supplements thereto; (ii) the most recent annual financial statement of the Association described in Section 6.5 hereof; (iii) the current operating budget of the Association and reserve study; and (iv) all documents, information and records delivered to the Association at the Turnover Meeting. Such documents shall be available for inspection within the State of Oregon and upon written request, available for duplication by Owners, Mortgagees of Units, insurers and guarantors of such Mortgages, and prospective purchasers of Units during normal business hours. The Board of Directors shall retain the documents required by 100.480(1) for the time period required by such statute. Records kept by or on behalf of the Association may be withheld from examination as permitted by the Act.

6.2 Records of Receipts and Expenditures. The Board of Directors or its designee shall keep detailed, accurate records in chronological order of the receipts and expenditures affecting the Common Elements, itemizing the maintenance and repair expenses of the Common Elements and any other expenses incurred. Such records and the vouchers authorizing the payments shall be available for examination by the Owners, Mortgagees of Units, and insurers and guarantors of such Mortgages during normal business hours.

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

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

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

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

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

7. OCCUPATION AND USE.

7.1 Rental. The Leasing or Renting of a Unit by its Owner shall be governed by the provisions of this Section 7.1. "Leasing or Renting" a Unit means the granting of a right to use or occupy a Unit, for a specified term or indefinite term (with rent reserved on a periodic basis),

whether in exchange for the payment of rent (that is, money, property or other goods or services of value) or not; but shall not mean and include joint ownership of a Unit by means of joint tenancy, tenancy-in-common or other forms of co-ownership. With the exception of a lender in possession of a Unit following a default in a Mortgage, a foreclosure proceeding or any deed or other arrangement in lieu of a foreclosure, no Owner shall be permitted to Lease his Unit for hotel or transient purposes, which shall be defined as Renting for any period less than 30 days.

7.1.1 No Partial Leases. No Owner of a Residential, Parking, or Storage Unit may Lease less than the entire Unit.

7.1.2 Written Leases. All Leasing, Rental or other occupancy agreements shall be in writing and be subject to this Declaration and the Bylaws (with a default by the tenant or occupant in complying with this Declaration and/or Bylaws constituting a default under the Lease, Rental or occupancy agreements).

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

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

7.1.5 Limitation on Number of Units. At no time shall more than 33 percent of Residential Units be rented or occupied by non-Owner occupants. In order to insure that the foregoing limitation is not exceeded, Owners who intend to rent or grant occupancy rights to their Units shall provide 30 days written notice to the Board of their intentions. Each such Owner may proceed to rent or grant occupancy to non-Owner occupants for his or her unit unless such Owner is provided written notice of the Board's refusal to allow such rental or non-Owner occupancy because such rental or non-Owner occupancy would exceed the limitation of the foregoing sentence. In the event of such Board refusal, the requesting Owner shall not rent or grant non-Occupancy to any person until the Board notifies him or her that such rental or occupancy would not violate the limitation on non-Owner occupied Residential Units. The Board shall maintain a list of Owners who requested and were denied the ability to rent or grant non-Owner occupancy of their Residential Units, on a first-come, first-served basis and shall promptly notify each Owner on such list as it becomes permissible to rent or grant non-Owner occupancy of such Owner's Residential Unit.

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

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

7.2 Residential Use. Except as expressly permitted in these Bylaws or the Declaration, or as otherwise permitted by Board approval (with such conditions as the Board may establish), each Residential Unit shall be occupied and used only as a private residence and for no other purpose. Without the prior consent of the Board of Directors, no more than four persons may live in a Primary Unit on a permanent basis. Nothing contained in the Declaration or Bylaws shall preclude an Owner from having a "home office" from which the Owner conducts some of his or her business affairs, so long as the Residential Unit is not generally open to the public and its use is limited to occasional visits by appointment-only customers, clients, or trade vendors. Except as permitted by the foregoing, no industry, business, trade, occupation or profession of any kind shall be conducted, maintained or permitted in any Unit (other than as set forth in Section 7.3). Nothing contained in this Section 7.2 shall prevent the Declarant or Declarant's successors and assigns from completing the Units and the building they are in, maintaining Units as models for display purposes, and otherwise maintaining construction or sales offices displays and signs.

7.3 Commercial Use.

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

7.3.2 The Office Unit and the Commercial Units may be used for commercial purposes, including, in the case of the Commercial Units, restaurant use, but only if the commercial use of such Units (i) is conducted such that daily business hours commence no earlier than 6:00 a.m. and end no later than 10:00 p.m. for uses conducted outside the Building on Sundays through Thursdays, 11:00 p.m. for uses conducted outside the Building on Fridays and Saturdays, and 1:00 a.m. for uses conducted within the Unit, unless, in connection with special occasions, the Board of Directors approves in writing other hours of business for a

specified date or dates, (ii) does not cause objectionable noise to emanate out of or arise from such Units, (iii) does not produce objectionable odors, and (iv) does not involve the storage of material amounts of highly combustible materials or other materials that would pose an unreasonable threat to the Condominium or well-being of the Owners. For purposes of construing the foregoing provisions, the term "objectionable noise" shall mean, without limitation and for the purpose of illustration, loud noises made by (i) machinery or equipment, (ii) a gathering of disorderly persons, or (iii) music that can be readily heard by persons in nearby Units; and the term "objectionable odors" shall mean, without limitation and for the purpose of illustration, strong or unpleasant odors such as odors produced by (i) gas-powered or diesel-powered machinery or equipment, (ii) food waste, (iii) brewed or fermented liquids (other than coffee or similar beverages), or (iv) any number of chemicals or solvents. The word "objectionable" shall be construed in every instance in accordance with the sensibilities of an ordinary and reasonable person residing in attached condominiums with one associated restaurant use in an urban environment.

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

7.4 Use of Flex Unit. The Flex Unit may be used for "home office" purposes, as set forth in Section 7.2, or for storage purposes. In no event shall the Flex Unit be used for sleeping, cooking or for the storage of animals unattended for other than short periods (not exceeding four hours), and in no event overnight.

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

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

7.7 Alterations. Except as otherwise permitted by these Bylaws or the Declaration, no Owner shall make or allow any alterations in or to any of his or her Units, or make any change or allow any alteration or installation on or to the Common Elements, or maintain, decorate, alter, paint or repair any part of the Common Elements, without the prior consent in writing of the Board of Directors. The Board of Directors shall consider the granting of such consent only after the Owner shall submit a complete set of architectural, mechanical, electrical or other relevant plans and specifications, which submission shall be reviewed by such architects and engineers as the Board of Directors shall deem appropriate. The Board shall provide a copy of such submission materials to the Declarant upon receipt. Whether or not such consent is granted, the Owner shall pay, upon demand and in advance, if so required by the Board of Directors, for such professional review. During the course of construction and after completion of same, the

Board of Directors may cause its professional advisors to inspect the work to ensure that it is performed in compliance with the approved plans. The costs of such inspection(s) shall be paid by the Owner to the Board of Directors, upon demand. The Board shall provide reasonable advance notice to Declarant of its inspection to Declarant and Declarant or its contractors or agents may, but shall not be obligated to, inspect the work concurrently with the Board's professional advisors. Prior to commencement of construction, the Owner shall provide the Board of Directors with copies of all relevant building permits and evidence of due compliance with any other requirements of government bodies having jurisdiction regarding such work. Except as otherwise permitted by Section 7.18, no signage or graffiti visible from the exterior of a Unit, window display, window attachment, or lighting directed from a Unit to its exterior shall be permitted without the prior written approval of the Board of Directors; provided that this sentence shall not apply to draperies, blinds, and similar window coverings. The Owner making such alterations shall indemnify, defend and hold harmless the Association and other Owners for, from and against any costs, claims, damages, or expenses caused by such alterations, including without limitation, property damage or personal injury resulting therefrom. An Owner may have removed by the Association, at such Owner's expense, a part of the partition wall separating contiguous Primary Units owned by an Owner provided that (i) such removal shall not interfere with any structural support elements or loadbearing partitions or columns or with any pipes, wires, cables, conduits or ducts or other mechanical systems and (ii) such Owner agrees in writing to have the Association restore such wall at such Owner's expense in the event that the ownership of the Units is subsequently divided. Before proceeding with any approved alterations or improvements, the Owner shall, if the Board of Directors so requires, provide to the Association, at the expense of the Owner, a performance bond and a labor and materials bond, issued by a surety satisfactory to the Board of Directors, each in the amount of at least 125 percent of the estimated cost of such alterations or improvements or such other security as shall be satisfactory to the Board of Directors. With respect to Commercial Units and Office Unit in connection with a commercial use approved pursuant to Section 7.3, the provisions of this Section 7.6 shall apply only to structural alterations that would impact the structural or acoustical integrity of the building, except there shall be no bond required as provided in the immediately prior sentence.

7.8 Occupants of Corporate Unit. Whenever a Residential Unit is owned in whole or in part by a partnership, corporation, trust, or other entity, such an entity shall designate at the closing of the acquisition of its ownership interest one particular person or family that shall be entitled to be the primary occupant of the Residential Unit. Only such designated person or family, its servants and non-paying guests may occupy such Residential Unit. A different person or family may be so designated as the named user of a Residential Unit by written notice to the Association; provided, however, that no more than two such changes may be made in any calendar year.

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

7.10 Nuisances. No nuisances or noxious or offensive activities shall be allowed in the Condominium nor shall any use or practice be allowed that is improper or offensive in the opinion of the Board of Directors or that unreasonably interferes with or is an

unreasonable annoyance to the peaceful possession or proper use of the Condominium by other Owners or occupants or requires any alteration of or addition to any Common Element. The determination of acceptable commercial uses within the Condominium shall be made in accordance with Section 7.3. Residential Unit Owners, occupants and their guests shall exercise extreme care not to make or allow noises that may disturb other occupants or guests, including the use of musical instruments, radios, televisions, speakers and amplifiers. Televisions and speakers for audio equipment may not be mounted on or against perimeter walls or on floors of a Residential Unit without an adequate sound barrier to prevent vibration and transmission of bass sounds outside the Unit. Road noise, noise from mechanical systems of the Condominium, the elevators, air compressors and other incidental noises from a multi-family building, including, without limitation, from residents' use of the patios or balconies in accordance with these Bylaws and the Rules and Regulations, shall not be considered nuisances. In addition, smells from barbeques on Unit balconies shall not be considered nuisances. Owners shall not discard or throw, or allow to be discarded or thrown, intentionally or otherwise, any items from the windows or the balconies or decks adjacent to their Units, including, without limitation, cigarettes or ashes. Owners shall not allow the storage or use of hazardous substances in their Units other than normal cleaning materials stored and used in accordance with applicable law.

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

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

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

7.11.3 If any Owner conducts any activity or fails to comply with any Legal Requirement that increases the insurance premiums on insurance carried by the Association, or for which the Association is directly or indirectly responsible, such Owner shall pay such increased premium to the Association, upon demand, and if not so paid, such amount shall bear interest after the date of such demand at the rate provided in Section 7.3 of the Declaration.

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

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

7.14 Limitation on Storage Areas, Patios and Balconies. Other than objects placed by the Declarant and the Association and except as permitted in this Section 7.13, , no furniture or objects of any kind shall be placed in the lobby areas, vestibules, public halls, stairways, or any other part of the Common Elements other than those designated as storage areas, patios and balconies. The common corridors and stairs shall be used only for normal passage. In addition, no storage of any kind shall be permitted on the balconies or patios located adjacent to or above the Residential Units, except for the following specific items: outdoor propane barbecue grills, well-maintained patio furniture, and plants with drip containers, so long as these do not protrude from the patio or balcony or overhang the patio or balcony railing. In no event are deep fat or other oil fryers allowed to be used in the Condominium. In addition, no items of any kind may be hung from the patio or balcony walls or railings without the prior approval in writing of the Board of Directors. Owners and occupants shall promptly clean up debris and water on their patio or balcony. The provisions hereof shall not apply to the Declarant until such time as all Primary Units have been initially sold and conveyed by the Declarant; however, the Declarant shall not use the Common Elements in such a manner as will unreasonably interfere with the use of the Residential Units for dwelling purposes.

7.15 Vehicle Parking Restrictions. Parking Units are restricted to use for parking of operative motor vehicles, except that the enclosed area at the first of Parking Units P1 through P6 may be used for storage purposes. Other items and equipment may be parked or kept therein only subject to the Rules and Regulations adopted by the Board pursuant to Section 7.30. The Board shall require removal of any inoperative vehicle, or any unsightly vehicle, or any other equipment or item improperly stored in Parking Units. If the same is not removed, the Board shall cause removal at the risk and expense of the Owner thereof. The area between the rear of Parking Units P1 through P6 and the garage doors leading to such Units is reserved for the use of the Owners or users of such Parking Units for access to and from such Units.

7.16 Tradesmen. Owners of Residential Units shall require their tradesmen to utilize exclusively the entrance, if any, designated by the Board of Directors for transporting packages, merchandise or any other objects.

7.17 Animals. No animals or fowl shall be raised, kept or permitted within the Condominium, except domestic dogs, cats, or other household pets, kept within a Primary Unit. No such dogs, cats or household pets shall be permitted to run at large or be kept, bred or raised for commercial purposes or in excess of four (4) per Primary Unit (other than fish). Any inconvenience, damage or unpleasantness caused by such pets shall be the responsibility of the respective Owners thereof. All dogs, cats or other permitted household pets (other than fish) shall be carried or maintained on a leash while within the confines of a Common Element. The Owner of a pet or allowing an animal in the Condominium shall keep all Common Elements free from such animal's food and fecal matter. An Owner may be required to remove a pet after receipt of two notices in writing from the Board of Directors of violations of any Rule, Regulation or restriction governing pets within the Condominium. No animals of any kind shall be permitted to be kept within Storage Units, Parking Units or the Flex Unit.

7.18 Signs and Displays. All signage displayed to public view, whether from a Unit or Common Element, shall be subject to rules and regulations thereon adopted by the Board of Directors pursuant to Section 7.30 except as otherwise provided herein. In no event shall any "for sale" or similar sign be placed in a window that is displayed to public view or any sign be placed on or in the vicinity of a common entry door of the Condominium, other than signs used by the Declarant or the Owners of the Commercial Units or Office Unit to advertise Units for sale or lease, without the prior written approval of the Board of Directors. The Owners of the Commercial Units may, and may allow their tenants to, post signs for commercial purposes on the sign stanchions located on the exterior of the Condominium building, within their Primary Unit on awnings above the entrance or windows to such Unit, suspended on the building outside such Unit or elsewhere at a location on the exterior of the Commercial Units approved by the Board, subject only to the requirements of applicable laws and ordinances. The Owner of the Commercial Units may, and may permit their tenants to, also install window displays and display lighting for commercial purposes within their Primary Unit, subject only to the requirements of applicable laws and ordinances. The Owners of the Office Unit may also affix identification signs on the directory sign in the alley behind the condominium, on the exterior sign in the parking area and the directory sign in the lobby, subject to applicable laws and ordinances and provided they utilize the sign bracket installed therefor. No sign shall be illuminated in a manner that unreasonably interferes with the enjoyment of any Unit.

7.19 Sidewalk Areas. Notwithstanding anything to the contrary in these Bylaws or the Declaration, the Owners of the Commercial Units may, and may permit their tenants to, use and place items on the Common Elements and sidewalks in front of the Commercial Units for uses consistent with such Owners' or tenants' business in the premises, provided that such use (i) complies with all Legal Requirements, (ii) does not materially obstruct pedestrian access, and (iii) such Owner or tenant shall indemnify the Association for all claims, cost, expense or liability arising out of such use.

7.20 Trash. No part of any Unit or the Common Elements shall be used or maintained as a dumping area for rubbish, trash, garbage or other waste, other than designated common trash disposal and recycling areas. No such items shall be kept or maintained excepting sanitary containers in areas designated therefor.

7.21 Auctions or Open House. No Owner shall, when attempting to sell, lease or otherwise dispose of his Unit, or any personal property located therein, hold an "open house" or "auction" without the prior written approval of the Board of Directors of an access security management plan for the event. The Board shall approve any reasonable access security management plan.

7.22 Overloading. No Owner shall do anything to overload any part of a Unit or any part of the Common Elements.

7.23 Hot Tubs. No hot tubs or Jacuzzis may be installed on decks, balconies or patios.

7.24 Replacement or Installation of Finished Surfaces in Residential Units. Subject to Section 7.7, each Owner shall have the right to substitute new finished surfaces for the finished surfaces then existing in such Owner's Unit's ceilings, floors and walls; provided that, except for hard surface flooring installed by Declarant or installed as part of the original construction of the Unit, no Owner shall install hard surface flooring within a Unit except with the prior written consent of the Board of Directors.

7.25 Carpeting. At least 30 percent of each room within Residential Units with wood flooring shall be carpeted with one or more area rugs.

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

7.27 Window Coverings. All window coverings that are visible from the exterior of a Residential Unit or the Flex Unit shall be of the brand Hunter Douglas or its successor or of comparable quality, ¾" single cell cellular blinds with a horizontal orientation and a neutral, off-white color on the side facing the building exterior.

7.28 Smoke Alarms. No person shall tamper with or disable smoke alarms installed in the Condominium.

7.29 No Smoking in Common Elements. Smoking is prohibited in interior Common Elements of the Condominium.

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

of a majority of the Office Unit. A copy of the Rules and Regulations, upon adoption, and a copy of each amendment, modification or revocation thereof, shall be delivered by the Board of Directors promptly to each Owner and shall be binding upon all Owners and occupants of all Units from the date of delivery.

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

8. MAINTENANCE OF CONDOMINIUM PROPERTY; CONDEMNATION.

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

8.1.1 Units. All maintenance of and repairs to any Primary or Storage Unit shall be made by the Owner of such Unit or Units shall be charged to the Owner of the Unit served by such heat pump, as described in Section 13.2 of the Declaration.

8.1.2 Common Elements, Parking Units and Association Property. Except as otherwise provided by Section 13 of the Declaration, all inspection, maintenance, repairs and replacements to the Common Elements, Parking Units and Association Property shall be made by the Association and shall be charged to the Owners as a Retail Expense, an Office Expense or a Residential Expense, as applicable, in accordance with Section 7.1 of the Declaration; provided, that if such maintenance, repairs or replacement have been necessitated by acts or omissions of an Owner by reason of which the Owner is responsible under applicable law or under these Bylaws for all or a portion of the costs thereof, except as otherwise provided by Section 22.2 of the Declaration, such costs shall be charged solely to the Owner so responsible. However, should actual collection of such costs from the responsible Owner within a reasonable period of time prove impossible after reasonable collection efforts, the uncollected portion may be charged to all Owners as a common expense in accordance with Section 7.1 of the Declaration, subject to reimbursement of any amounts later collected from the responsible Owner. The Association shall change filters in heat pumps serving Units as a common expense in accordance with Section 7.1 of the Declaration. The Association shall maintain, repair and replace all heat pumps serving Primary and Flex Units, but the costs of repair or replacement of a particular heat pump shall be charged to the Owner of the Unit served by such heat pump. Each Owner of a Commercial Unit shall be responsible, at its expense, for keeping entrance ways to such Owner's Unit free of debris, trash or materials associated with commercial activity. If the Mortgagee of any Primary Unit determines that the Board is not providing an adequate maintenance, repair, and replacement program for the Common Elements, such Mortgagee, at its option, may deliver a notice to the registered agent of the Association, as required pursuant to ORS 100.550, setting forth the particular defect(s) which it believes exists in the maintenance, repair, and replacement program. If the specified defect(s) are not corrected within 60 days after receipt of such notice, then the Mortgagee, upon written notice to the registered agent that it is exercising its proxy rights thereunder, shall have the right to attend succeeding annual or special meetings of the Association and to cast a vote for each Primary Unit on which it holds a

Mortgage on all business coming before such meeting, which proxy rights shall continue until the defect(s) described in the notice are corrected.

8.1.3 Repairs by Association. The Association may make repairs that an Owner is obligated to make and that he or she does not make within a reasonable time. If such repairs are of an emergency nature (in that the repairs must be promptly made to prevent further or imminent potential damage to the Unit involved, other Units or any Common Element), the Association may make such repairs immediately, without notice to the Owner, if he or she is not available for reasonable notification within the time frame that the nature of the emergency shall reasonably afford. The Association shall indemnify its agents, employees and other of its representatives from any and all liability to any Owner incurred by reason of any reasonable exercise of the right of entry afforded in the Declaration or these Bylaws to effect emergency repairs. The Association shall have no liability to an Owner for any use of its right of entry or right to make emergency repairs if it shall have reasonable cause to believe that such action is required. An Owner shall be deemed to have consented to having such repairs done to his or her Unit by the Association. An Owner shall reimburse the Association in full for the cost of such repairs, except to the extent covered by insurance proceeds received by the Association, including any legal or collection costs incurred by the Association in order to collect the costs of such repairs. All such sums of money shall bear interest from the due date therefor at the rate provided in Section 5.7. The Association may collect all such sums of money in such installments as the Board of Directors may determine, which installments shall be added to the monthly contributions towards the common expenses of such Owner, after the Owner's receipt of notice thereof. All such payments are deemed to be additional contributions towards the common expenses and recoverable as such.

8.2 Additions, Alterations, or Improvements. Except as otherwise permitted by the Declaration or these Bylaws, an Owner shall not, without first obtaining the written consent of the Board of Directors (if so required by Section 7.7) and satisfying the other requirements provided for in Section 7.7, as applicable, make or permit to be made any structural alteration, improvement, or addition in or to his Unit or Units, or in or to the exterior of any building forming part of the Condominium or any Common Element. An Owner shall make no repair or alteration or perform any other work on his Unit or Units that would jeopardize the soundness or safety of the Condominium, or reduce the value thereof or impair any easement or other right, unless the written consent of all Owners affected is also obtained. Other than as permitted by the Declaration or these Bylaws, an Owner shall not modify, alter, add to, paint or decorate any portion of the exterior of any building forming part of the Condominium or any Common Element without first obtaining the written consent of the Board of Directors and satisfying the other requirements of Section 7.7. In order to prevent damage to the structural integrity of any building forming part of the Condominium, in no event may any Owner, the Association, the Board of Directors or any other entity or any agents, employees, permittees, or licensees of the foregoing, drill, bore, or cut any holes into any floor or ceiling of the Condominium more than 3/4" in depth, and the Board of Directors shall not consent to any such actions unless engineering studies confirm to the Board in the Board's sole discretion that such drilling, boring or cutting shall not compromise the structural integrity of the Condominium.

8.3 Failure to Follow Maintenance Plan. If the Association fails to follow the maintenance and inspection requirements contained in the Maintenance Plan described in Section 3.2.23 above, then the Association hereby waives any claim it might otherwise have against Declarant and its design professionals, contractors and subcontractors and their consultants, including without limitation, all of their officers, members, directors, employees, agents, brokers and affiliates, for loss or damage to the extent the same results from such failure to follow the Maintenance Plan, and shall indemnify such persons and entities from and against claims by Owners or other persons or entities for loss or damage resulting from such failure.

9. INSURANCE.

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

9.1.1 Insurance covering loss or damage under an all-risk replacement cost policy, which coverage must include fire, extended coverage, vandalism and malicious mischief, and such other coverages such as flooding, which the Association may deem desirable, for not less than the full insurable replacement value, including the cost of replacement in compliance with the then applicable building codes, of the Units and Common Elements, including any fixtures (including built-in kitchen appliances), building service equipment, and common personal property and supplies belonging to the Association. Such policy or policies shall name the Association and the Owners as insureds, as their interests may appear, and shall provide for a separate loss payable endorsement in favor of the Mortgagee of each Unit, if any. No such policy shall contain a deductible exceeding the lesser of Ten Thousand Dollars (\$10,000.00), adjusted by any increase in the Consumer Price Index - All Items - for all urban consumers as published by the U.S. Bureau of Labor Statistics (or any comparable substitute index, if such shall be discontinued), the base year being 2005, or one percent of the face amount of the policy.

9.1.2 A policy or policies insuring the Declarant, the Association, the Board of Directors, the Owners and the managing agent, against liability to the public or to the Owners, and their employees, invitees, or tenants, incident to the supervision, control, operation, inspection, maintenance, or use of the Condominium, including all Common Elements, public ways, and any other areas under the supervision of the Association. There may be excluded from such policy or policies coverage of an Owner (other than as a member of the Association or Board of Directors) for liability arising out of acts or omissions of such Owner and liability incident to the ownership and/or use of the part of the Condominium as to which such Owner has the exclusive use or occupancy. Limits of liability under such insurance shall not be less than One Million Dollars (\$1,000,000.00) on a combined single limit basis. In addition to the indexing provided under Section 12.7 of these Bylaws, the foregoing policy limits of liability shall be increased, in the sole discretion of the Board of Directors, as indicated by the course of plaintiff's verdicts in personal injury claims in the Circuit Court of Deschutes County, State of Oregon, from time to time. Such policy or policies shall be issued on a comprehensive liability

basis and shall provide cross liability endorsement wherein the rights of the named insured under the policy or policies shall not be prejudiced as respects any action against another named insured.

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

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

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

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

9.2.1 All policies shall be written with companies licensed in the State of Oregon or a company domiciled in the United States and licensed to do business in the State of Oregon and holding a commissioner's rating of at least "A," and a size rating of at least "AAA," by the Best's Insurance Reports current at the time the insurance is written or, prior to the Turnover Meeting, holding ratings acceptable to the Declarant. Should reinsurance be involved, the Board of Directors shall use its best efforts to obtain such coverage from a reinsurer having a size rating of at least "A-."

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

9.2.3 Each Owner shall be required to notify the Board of Directors of all improvements made by the Owner to his Unit or Units, the value of which is in excess of Five

Hundred Dollars (\$500.00). Nothing in this subsection shall permit an Owner to make improvements without first obtaining the approval of this Board of Directors pursuant to Section 8.2 hereof.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9.3.10 An "inflation guard" endorsement;

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

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

9.4 Additional Requirements.

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

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

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

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

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

9.5.1 Insurance on any additions or improvements made by the Owner to his or her Unit or Units shall be purchased and maintained for the full insurable value thereof, to the extent not covered by the Association's insurance policy, unless the Owner presents in

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

9.5.2 Public liability insurance in the amount reasonably set by the Board of Directors no more often than every three years, covering any liability of any Owner to the extent not covered by any public liability and property damage insurance obtained and maintained by the Association, including, without limitation, damages caused by fixtures, equipment, or personal property under the custody, care, or control of the Owner; provided that the Board of Directors may require the Commercial Unit Owners, if any, and Owner of Office Unit being used for commercial purposes as permitted under Section 9 of the Declaration to maintain public liability insurance in an amount greater than the amount required of the Owners of the other Units.

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

9.5.4 In the case of the Commercial Units, if any, and Office Unit being used for commercial purposes as permitted in Section 9 of the Declaration, such other insurance coverages as are customarily maintained by owners of businesses comparable to those operated within such Unit.

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

10. AMENDMENTS TO BYLAWS.

10.1 How Proposed. Amendments to the Bylaws shall be proposed by either a majority of the Board of Directors or by Owners holding at least 33 percent of the voting power of the Association. The proposed amendment must be reduced to writing and shall be included in the notice of any meeting at which action is to be taken thereon.

10.2 Adoption. A resolution adopting a proposed amendment may be proposed by either the Board of Directors or by the Owners and may be approved by a majority of the Owners at a meeting called for this purpose. Owners not present at the meeting considering such amendment may express their approval in writing or by proxy delivered to the Board of Directors at or prior to such a meeting. Any resolution shall be approved by at least a majority of the Owners, except that any resolution containing an amendment relating to age restrictions, pet restrictions, limitations on the number of persons who may occupy a Primary Unit and limitations on leasing or rental of Primary Units shall be approved by at least 75 percent of the voting power of the Association (including, without limitation, the right of Declarant or its assigns to approve commercial uses), and except that any provision of these Bylaws that is required to be in the Declaration may be amended only in accordance with the requirements governing amendment of the Declaration. Notwithstanding the foregoing, these Bylaws may not be amended in a manner that eliminates or impairs rights or privileges granted herein to the Owners of the Commercial Units or Office Unit without the approval of the Owners of such Units. In addition to the foregoing approval requirements, amendment of the following provisions of these Bylaws shall require the prior written approval of at least 51 percent (51%) of those holders of first Mortgages on Primary Units (based upon one vote for each first Mortgage held) who have given written notice to the Association requesting notification of any proposed action that requires the consent of a specified percentage of eligible Mortgagees: (i) Section 8.1, which addresses maintenance and repair; (ii) Article 9, which addresses insurance requirements; and (iii) any other provision of these Bylaws which expressly benefits Mortgagees of Units or insurers or guarantors of such Mortgages. Any approval of a Mortgagee required under this Section 10.2 may be presumed by the Association if the Mortgagee fails to submit a response to a written proposal for an amendment to these Bylaws within thirty (30) days after it receives notice of such proposal by certified or registered mail, return receipt requested. For so long as Declarant remains the owner of one or more Primary Units, the Bylaws may not be modified, added to, amended or repealed so as to eliminate, change, or impair any rights, privileges, easements, licenses or exemptions granted therein or herein to the Declarant or its designee (including, without limitation, the right of Declarant or its assigns to approve commercial uses), or otherwise adversely affect the Declarant or such designee, without the Declarant's or such designee's prior written consent in each instance.

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

10.4 Rights of Declarant. Nothing in this Article 10 shall limit the right of the Declarant to approve amendments to the Bylaws pursuant to Section 21 of the Declaration.

11. LITIGATION.

11.1 By Less than All Owners. If any action is brought by one or more but less than all Owners on behalf of the Association and recovery is obtained, the plaintiff's expenses, including reasonable counsel's fees, shall be a common expense; provided, however, that if such action is brought against all of the Owners or against the Board of Directors, the officers, employees, or agents thereof, in their capacities as such, with the result that the ultimate liability asserted would, if proved, be borne by all the Owners, the plaintiff's expenses, including counsel's fees, shall not be charged to or borne by the other Owners, as a common expense or otherwise.

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

11.3 Initial Dispute Resolution Procedures. In the event of a claim by the Association or any Owner against Declarant or any contractor, subcontractor, or supplier for a construction defect, the parties shall first comply with the provisions contained in ORS 701.550 to 701.595. In the event the claim is not for a construction defect, but relates to a claimed defect in the condition of the project, the parties shall follow the same procedures as set forth in such provisions, except that the notice of defect shall include a statement of the basis upon which the recipient is claimed to be liable for the defect. Compliance with the procedures contained in this Section 11.3 shall be a condition precedent to mediation, arbitration or litigation of any such claims.

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

11.5 Limitations on Actions. Notwithstanding any other provision of the Declaration or these Bylaws, the Association shall not expend or commit to expend in excess of \$2,500 for attorneys' fees and costs unless first approved by at least 75 percent of the outstanding votes of the Owners. The foregoing limitation shall not apply to actions for delinquent assessments or other charges under the Declaration or these Bylaws, for actions

initiated by the Association during Declarant's period of administrative control pursuant to Section 21 of the Declaration; for actions challenging ad valorem taxation or condemnation proceedings; initiated against any contractor or vendor hired by the Association or supplier of goods and services to the Association; to defend claims filed against the Association or to assert counterclaims in proceedings instituted against it; actions to appoint a receiver pursuant to Section 5.9 of these Bylaws; actions to summarily abate and remove a structure or condition that violates the Declaration or these Bylaws; or for the defense of the Association of an action or proceeding brought against the Association (except for non-mandatory counterclaims).

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

11.7 Suits Against Declarant. Declarant shall have the right to be present at any meeting of the Association during which the Board of Directors or the Owners vote on whether to initiate legal action against Declarant. The Board of Directors shall provide Declarant with at least 10 days written notice of the time and place of any such meeting.

12. MISCELLANEOUS.

12.1 Notices. All notices to the Association or to the Board of Directors shall be sent care of the managing agent, or if there is no managing agent, to the principal office of the Association or to such other address as the Board of Directors may hereafter designate from time to time by written notice thereof to each Owner. All notices to any Owner shall be sent to such address as may have been designated by him from time to time, in writing, to the Board of Directors, or if no address has been designated, then to the Owner's Primary Unit.

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

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

12.4 Action Without a Meeting. Any action that the Act, the Declaration or the Bylaws require or permit the Board of Directors to take at a meeting may be taken without a meeting if a consent in writing setting forth the action so taken is signed by all of the Directors entitled to vote on the matter. The consent, which shall have the same effect as a unanimous vote of the Board of Directors shall be filed in the records of minutes of the Association. For votes of the Owners by written ballot, the Board of Directors shall provide Owners with at least 10 days' notice before written ballots are mailed or otherwise delivered. The notice shall state the general subject matter of the vote by written ballot, the right of Owners to request secrecy procedures specified in ORS 100.425, the date after which ballots may be distributed, the date

and time by which any petition must be received by the Board requesting secrecy procedures, and the address where such a petition may be delivered. If, at least three (3) days before written ballots are scheduled to be mailed or otherwise distributed, at least 10 percent of the Owners petition the Board of Directors requesting secrecy procedures, a written ballot must be accompanied by a secrecy envelope, a return identification envelope to be signed by the Owner, and instructions for mailing and returning the ballot. Written ballots that are returned in secrecy envelopes may not be examined or counted before the deadline for returning ballots has passed. Notwithstanding the foregoing, action by written ballot may not substitute for the Turnover Meeting or the annual meeting of the Association.

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

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

12.7 Indexing. Whenever any dollar amount is specified in these Bylaws, such amount shall be automatically adjusted each January 1 based upon any changes in the Consumer Price Index - All Items - for all urban consumers published by the U.S. Bureau of Labor Statistics (or any generally accepted substitute for such index, if such index shall be discontinued) using the index for January, 2005 as the base year.

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

Dated at Bend, Oregon, this 29th day of SEPTEMBER, 200__ being hereby adopted by the undersigned Declarant on behalf of the Association.

FIREHALL PARTNERS, L.L.C., an Oregon
limited liability company

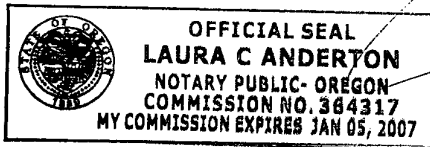
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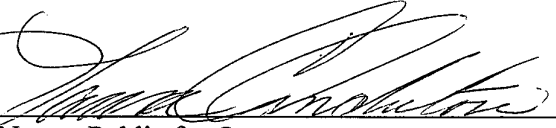
By: [Signature]
Print Name: JOHN N. COILBERT, III
Its: MEMBER OF ACADIA PROPERTIES, L.L.C.,
OPERATING MANAGER OF
FIREHALL PARTNERS, L.L.C.

STATE OF OREGON)
) ss.
County of Deschutes)



This instrument was acknowledged before me on Sept. 29, 2005, by John N. Gilbert III, the member of the operating mgr of Firehall Partners, L.L.C., an Oregon limited liability company, on behalf of and as the act and deed of said limited liability company.




Notary Public for Oregon

My Commission Expires: Jan 5, 2007