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BYLAWS OF TANGLEWOOD HILLS CONDOMINIUM
Exhibit "C" to Declaration of Tanglewood Hills Condominium
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BYLAWS
OF
TANGLEWOOD HILLS CONDOMINIUM

Exhibit C to Condominium Declaration for Tanglewood Hills Condominium

ARTICLE 1
PLAN OF UNIT OWNERSHIP

1.1 Unit Ownership. The Condominium, located in Lake Oswego, Clackamas County, Oregon, known as Tanglewood Hills Condominium, is submitted to the provisions of Oregon Revised Statutes, Sections 100.005 et seq. ("Oregon Condominium Act").

1.2 Bylaws Applicability. The provisions of these Bylaws are applicable to the Condominium, the Tanglewood Hills Condominium Owners' Association (the "Association") and the entire management structure thereof and the Declarant and its successor and assigns. (The term "Condominium," as used herein, shall include the land).

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

1.4 Definitions. Except as otherwise provided below, the terms herein shall have the meaning set forth in the Oregon Condominium Act, ORS 100.005 et seq., as supplemented by the Condominium Declaration for Tanglewood Hills Condominium (the "Declaration"), and said statute and definitions are incorporated herein by this reference.

ARTICLE 2
ASSOCIATION MEMBERSHIP, VOTING,
MAJORITY OF OWNERS, QUORUM, PROXIES

2.1 Membership in the Association. Upon recordation of a conveyance or contract to convey a Unit, the grantee or purchaser named in such conveyance or contract shall automatically be a member of the Association and shall remain a member of the Association until such person's ownership ceases for any reason. For all purposes of the Declaration and the administration of the Condominium, Unit ownership shall be determined on the basis of the records maintained by the Association. The record shall be established by the Unit owner filing with the Association a copy of the deed to or land sale contract for his Unit, to which shall be affixed the certificate of the recording officer of the County of Clackamas, Oregon, showing the

date and place of recording of such deed or contract. No person shall be recognized as a Unit owner unless a copy of the deed or contract showing him to be the current owner or contract purchaser of a Unit has been filed with the Association as provided above. Notwithstanding the foregoing, the Declarant shall be the owner of all previously unsold Units, although no deed or land sale contract, with respect to such Units, has been filed with the Association.

2.2 Voting. The owner or co-owner of each Unit shall be entitled to one vote per Unit. No votes will be attributed to any Parking Units or Storage Units developed in subsequent stages. The calling and conducting of meetings of the Association and the exercise of voting rights shall be controlled by Articles 2 and 3 of the Bylaws.

2.3 Majority of Owners. As used in these Bylaws, the term "majority of owners" shall mean those owners holding over fifty percent (50%) of the voting rights allocated to the Unit owners in accordance with the Declaration and Section 2.2 above. "Majority of owners present" shall mean owners holding over fifty percent (50%) of the votes present at any legal meeting, as defined in Section 2.8 hereof.

2.4 Quorum. Except as otherwise provided in these Bylaws, the presence in person, by proxy or by ballot of owners holding twenty-five percent (25%) or more of the outstanding votes in the Condominium, as defined in Section 2.2 hereof, shall constitute a quorum.

2.5 Proxies; Ballots. Votes may be cast in person, by proxy or by written ballot. Proxies must be filed with the secretary of the Association (the "Secretary") before or during the appointed meeting. The proxies may require the holder to cast a vote for or against any special proposal set out in the notice calling the meeting. In the sole discretion of the Board of Directors, a meeting of the Association may be held by ballot rather than at a formal gathering. Ballots for such meeting must be properly executed and returned in sufficient quantity to constitute a quorum and/or to pass the proposal(s) specifically propounded on the ballot. Unless withdrawn, a proxy given to another person to vote at a specific meeting also shall be valid at an adjourned meeting called under the provisions of Section 3.8 hereof.

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

2.7 Fiduciaries and Joint Owners. An executor, administrator, guardian or trustee may vote, in person, by proxy or by ballot, at any meeting of the Association with respect to any Unit owned or held by him in such capacity, whether or not the same shall have been transferred to his name; provided, that he shall satisfy the Secretary that he is the executor, administrator, guardian or trustee, holding such Unit in such capacity. Whenever any Unit is owned by two (2) or more persons jointly according to the records of the Association, the vote of such Unit may be exercised by any one (1) of the owners then present, in the absence of protest by a co-owner. In the event of such protest, no one (1) co-owner shall be entitled to vote without the approval of all co-owners. In the event of such disagreement and such protest, the vote of such Unit shall

be disregarded completely in determining the proportion of votes given with respect to such matter.

2.8 Actions by Association: Legal Meeting. Except as otherwise provided in the Declaration, the Articles of Incorporation, these Bylaws, the Oregon Condominium Act or the Oregon Nonprofit Corporation Act, decisions and resolutions of the Association shall require approval by a majority of owners present at any legal meeting. For the purposes of these Bylaws, a legal meeting is one duly called pursuant to these Bylaws at which a quorum is present in person or by proxy at a formal gathering, or, if a vote is taken by written ballot, when ballots are returned representing more than twenty-five percent (25%) of the vote.

ARTICLE 3 ADMINISTRATION

3.1 Association Responsibilities. The owners of the Units constitute the members Association, which has the responsibility of administering the project, approving the annual budget, establishing and collecting assessments and arranging for the operation, management and maintenance of the Condominium, including negotiating and contracting with and supervising any person, persons or business entity with respect to such matters. The Association shall be an Oregon nonprofit corporation.

3.2 Place of Meetings. Formal meetings of the Association shall be held at the principal office of the Condominium or such other place that is convenient to the owners as may be designated by the Board of Directors. The outcome of a ballot meeting shall be determined by the Board of Directors within forty-eight (48) hours of the deadline for return of ballots or, in the event the ballot return date is postponed, within forty-eight (48) hours of the postponed date. Each Unit owner shall be notified within ten (10) days after the ballots have been counted, by mail or other delivery of written notice, of the results of the ballot meeting or that a quorum of ballots was not returned.

3.3 Turnover Meeting. The turnover meeting (which shall constitute the initial organizational meeting) shall be held within ninety (90) days after the earlier of the following: the date on which seventy-five percent (75%) of the Units that the Declarant has reserved the right to create have been conveyed to persons other than the Declarant or the date on which seven (7) years have elapsed since the first conveyance of a Unit to someone other than the Declarant. The turnover meeting shall be called by notice to all Unit owners of the time, place and purpose thereof not less than seven (7) nor more than fifty (50) days before the meeting. If such meeting is not called by the Declarant within the time specified, the meeting may be called and notice given by a Unit owner.

At the turnover meeting the Declarant shall relinquish control of the administration of the Association and shall assume such control and the Unit owners shall elect a board of directors (the "Board of Directors") in accordance with the provisions of Article 4 of these Bylaws. Additionally, the Declarant shall deliver to the Association those items specified in the Oregon Condominium Act to be turned over by the Declarant at the turnover meeting. To

facilitate an orderly transition, during the three (3) month period following the turnover meeting, the Declarant or an informed representative, shall be available to meet with the Board of Directors on at least three (3) mutually acceptable dates to review the documents delivered to the Association as required by the Oregon Condominium Act and as referred to above.

3.4 Transitional Committee. Within sixty (60) days of conveyance to persons other than the Declarant of fifty percent (50%) of the Units in the Condominium (unless the turnover meeting has been held), the Declarant shall call a meeting of the Unit owners for the purpose of forming a transitional committee in accordance with the Oregon Condominium Act and these Bylaws. The transitional members selected by Unit owners other than the Declarant and may include not more than one (1) representative of the Declarant. The members shall serve until the turnover meeting.

The function of the transitional committee shall be that of enabling ease of transition from control of the administration of the Association by the Declarant to control by the Unit owners. The committee shall have access to the information, documents and records which the Declarant must turn over to the Unit owners under the Oregon Condominium Act and Section 3.3 of these Bylaws.

The Declarant shall give notice of the meeting required under this Section 3.4 to each Unit owner at least seven (7) , but not more than fifty (50), days prior to the meeting. The notice shall state the purpose of the meeting and the time and place where it is to be held. If such meeting is not called by the Declarant within the time specified, the meeting may be called and notice given by a Unit owner. If the owners, other than the Declarant, do not select members for the committee under this Section 3.4, the Declarant shall have no further responsibility to form the committee.

3.5 Annual Meetings. The first annual meeting of the Association shall be held during the calendar year following the calendar year during which the turnover meeting is held, and its date shall be set by action of the Board of Directors. This meeting, the date of which may be changed from time to time, at the discretion of the Board of Directors, must be held annually under the rules and regulations as set out in these Bylaws. At such meetings, new members of the Board of Directors shall be elected by the owners in accordance with the requirements of Section 4.6 of these Bylaws, to replace those directors whose terms have expired. The owners may also transact such other business of the Association as may properly come before them.

3.6 Special Meetings. Special meetings of the Association may be called by the chairperson of the Association ("Chairperson"), a majority of the Board of Directors, or upon the presentation to the Secretary of a petition signed by ten percent (10%) or more of the owners. All meetings called because of petition of Unit owners shall be held at a formal gathering and not by ballot, and shall be held within sixty (60) days after receipt of the petition. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business, except as stated in the notice, shall be transacted at a special meeting, unless by consent of all the owners of the Units or as otherwise set out in these Bylaws.

ARTICLE 4
BOARD OF DIRECTORS

4.1 **Number and Qualification.** The affairs of the Association shall be governed by a Board of Directors composed of five (5) persons, each of whom must be an owner or a co-owner of a Unit. Provided, however, that if a Unit is owned by more than one (1) owner, only one (1) owner of that Unit may serve on the Board of Directors at any one time. An officer or employee of a corporation, a trustee of a trust, a personal representative of an estate, or an employee of a trust or estate, may serve on the Board of Directors, if such corporation, trust or estate owns a Unit.

4.2 **Powers and Duties.** The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law or by these Bylaws directed to be exercised and done by the owners.

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

4.3.1 Caring for, maintaining and supervising the management of the Condominium, Association property, and the general common elements and the limited common elements for which the Association has maintenance responsibilities, and assigning, supervising assignments or approving any assignment of the use of any common element, general or limited, as may be required by the Declaration.

4.3.2 Establishing and maintaining replacement reserve accounts and other reserves, as required by the Oregon Condominium Act or these Bylaws and such other reserve accounts as are permitted by these Bylaws.

4.3.3 Designating and collecting of regular and special assessments from the owners, in accordance with these Bylaws, the Declaration and the Oregon Condominium Act.

4.3.4 Establishing a budget for payment of all common expenses of the Association and instituting and maintaining a system for such payment as may be reasonably necessary to prevent any misuse of Association funds.

4.3.5 Obtaining and maintaining insurance policies and paying premiums therefor out of the common expense funds with respect to both the common elements and individual Units as more specifically provided in Article 8 of these Bylaws.

4.3.6 Designating and dismissing the personnel necessary for the maintenance and operation of the Condominium, the general common elements and the limited common elements, if any.

4.3.7 Causing the preparation and distribution of annual financial statements of the Condominium to each of the Unit owners, as more specifically provided in Article 12 of these Bylaws.

4.3.8 Adopting and amending administrative rules and regulations governing the details of operation and use of the common elements, including a fine structure for violations of these Bylaws, the Declaration or any rules or regulations promulgated thereunder. Provided, however, that any such rules or regulations always shall be subject to rescission or amendment by the Association upon a majority vote of owners present at any properly called meeting at which a quorum is present.

4.3.9 Causing the Association to comply with ORS 100.480 relating to maintenance of documents delivered to the Association by the Declarant, depositing all assessments in a separate bank account in the name of the Association, payment of all expenses from the Association's bank account, and maintenance and distribution of financial statements, and to maintain copies suitable for duplication of the following: the Declaration, the Articles of Incorporation, the Bylaws, the Association rules and regulations and any amendments thereto, the most recent annual financial statement and the current operating budget of the Association.

4.3.10 Causing the Association to file an Annual Report as provided in ORS 100.250 and ORS 100.260.

4.3.11 Causing the Association to file the necessary tax returns of the Association.

4.4 **Management Agent.** The Board of Directors may employ a management agent, to be compensated in an amount established by the Board, to perform such duties and services as the Board shall authorize, including, but not limited to, the duties listed in Section 4.3 hereof. Any such management contract must be cancelable without cause or penalty upon ninety (90) days' written notice. Any management contract entered into by the Declarant before the turnover meeting may be cancelled by the Board of Directors elected at the turnover meeting upon thirty (30) days' written notice given not later than sixty (60) days after the turnover meeting.

4.5 **Interim Directors.** Upon the filing of the Declaration submitting the Condominium to the Oregon Condominium Act, the Declarant shall appoint an interim board of one (1) to three (3) directors (who need not be owners of Units), who shall serve until replaced by the Declarant or their successors have been elected by the Unit owners at the turnover meeting as hereinafter provided. The interim board shall work closely with the transitional committee, once appointed, to acquaint the members of the transitional committee with the procedures and operations of the condominium.

4.6 **Election and Term of Office.** At the turnover meeting, upon agreement by vote of the owners, the Board of Directors may be elected by a single ballot with each owner permitted to vote for five (5) nominees. In such event, the two (2) nominees receiving the highest number of votes shall be Directors serving a two (2) year term and the three (3) nominees receiving the next highest number of votes shall be Directors serving a one (1) year term. At the expiration of the initial term of office of each respective Director, his successor shall be elected

to serve a term of two (2) years. The Directors shall hold office until their successors have been elected and hold their first meeting. The Association may increase or decrease the number of Directors and length of terms for which each is elected upon amendment of this Section 4.6. If additional Directors are elected, the same sequential election terms shall apply as nearly as is practicable.

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

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

4.9 Organizational Meeting. The first meeting of a newly elected Board of Directors shall be held within ten (10) days after its election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice need be given to the newly elected Directors to hold such meeting legally, providing that a majority of the newly elected Directors are present.

4.10 Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors, but shall be held no less often than quarterly. Notice of regular meetings of the Board of Directors may be called by the Chairperson on three (3) days' notice to each Director, given personally or by mail, telephone, facsimile, telegraph or other similarly reliable method, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

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

4.12 Waiver of Notice to Directors. Before, at or after any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are

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

ARTICLE 5 OFFICERS

5.1 Designation. The principal officers of the Association shall be a chairperson, a secretary and a treasurer, all of whom shall be elected by the Directors. The Directors may appoint an assistant treasurer and an assistant secretary and any such other officers as in their judgment may be necessary.

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

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

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

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

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

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

ARTICLE 6
OBLIGATIONS OF THE OWNERS

6.1 Assessment. All owners shall be obligated to pay annual assessments imposed by the Association to meet all the Condominiums' common expenses, which shall include premiums for insurance required or permitted under Article 8 of these Bylaws. In the discretion of the Board of Directors, the annual assessment may be made payable semi-annually, quarterly or monthly. An assessment shall be charged, beginning when the Declarant first conveys a Unit to a Unit owner. Prior to such time, the Declarant shall pay all operating expenses of the Condominium. All of the reserve accounts set up pursuant to these Bylaws shall be funded by allocation and payment from the assessment of Unit owners. The assessment of all Unit owners who may be benefited by expenditure of reserve funds may be increased as necessary, so the reserve fund in question can be maintained in an amount sufficient to meet the needs for which such fund was established.

Except as otherwise provided in the Declaration or these Bylaws, each Unit shall be liable for the common expense in the same percentage as the percentage of ownership in the common elements allocated to such Unit. Certain services provided through the Association, such as basic cable television service, may be billed on a per Unit basis rather than on the basis of percentage ownership. If Parking Units and Storage Units are created in subsequent stages, limited common elements may pertain to such Parking or Storage Units, in which event, such Units will be responsible to pay the limited common expenses attributable to such Parking and Storage Units and shall be liable for the limited common element expense of maintaining, repairing and replacing the limited common element garage building in the properties which the square footage of such Parking Unit or Storage Unit bears to the total square footage of all such Units.

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

6.1.1 Expense Items:

- 6.1.1.1 Expenses of administration.
- 6.1.1.2 Expenses of maintenance, repair or replacement of the common elements.
- 6.1.1.3 Any deficit in common expenses for any prior period
- 6.1.1.4 The costs of utilities for the common elements and other utilities that have a common meter or that are commonly billed, such as water and sewer.

- 6.1.1.5 At the discretion of the Board of Directors, the expense of basic cable television or satellite service to all Units, together with maintenance and repair expenses for such system and service.
- 6.1.1.6 The cost of insurance or bonds obtained in accordance with these Bylaws.
- 6.1.1.7 The cost of any professional management if required by Mortgagees or desired by the Board of Directors.
- 6.1.1.8 Legal, accounting and other professional fees.
- 6.1.1.9 Any other items that are properly chargeable as an expense of the Association.

6.1.2 Reserve Items:

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

The Board of Directors of the Association annually shall conduct a reserve study, or review and update an existing study, of the common elements to determine the reserve account requirements. A reserve account shall be established

for those items of the 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 the maintenance, repair or replacement of other items as may be required under the Declaration or Bylaws or that the Board of Directors, in its discretion, may deem appropriate. The reserve account need not include items that could reasonably be funded from operating assessments. 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.

Except as otherwise provided in the Oregon Condominium Act, the reserve account shall be used only for maintenance, repair, and replacement of common elements for which reserves have been established and shall be kept separate from other accounts.

6.1.2.2 **General Operating Reserve.** The Board of Directors shall create a general operating reserve account by allocation and payment thereto monthly of an amount determined by the Board of Directors. The initial working capital required by Section 6.2.1 shall be deposited into such operating reserve account.

6.1.2.3 **Special Reserves.** Such other special reserve funds as may be set up by the Directors by special assessments of the Unit owners who benefit thereby as may be required by the Declaration or otherwise determined by the Association to be appropriate

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

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

6.2 Initial Assessment. The amount of the initial assessment due from Unit owners other than the Declarant shall be determined by the Declarant. The amount of the annual assessment thereafter shall be subject to review and modification by the Board of Directors. Except as otherwise provided below, the assessment for all Units shall be payable from the date on which the Declaration is recorded.

6.2.1 Contribution to Working Capital. At closing, each purchaser shall contribute to the Association a sum equal to one sixth (1/6th) of the annual assessment, with respect to the Unit being purchased, as a one-time contribution to the working capital of the Association. Within sixty (60) days after the first conveyance of a Unit by the Declarant, the Declarant shall make such contribution with respect to all Units in the Condominium that have not yet been conveyed to a purchaser. If the Declarant has made such contribution, no further contribution shall be required to the Association, but each purchaser shall reimburse the Declarant at closing for the amount of the contribution made by the Declarant with respect to the Unit conveyed to the purchaser. If the amount of the assessment is reduced pursuant to the authority granted to the Declarant herein, the initial deposit to the Association budget equal to one sixth (1/6th) of the annual assessment, shall be based on the projected amount of such assessment after substantial or full occupancy of the Units rather than on the reduced amount. The working capital contribution shall be allocated to the general operating reserve provided in Section 6.1.2.2 of these Bylaws. The working capital contribution is in addition to regular assessments and shall not be used as a prepayment of assessments by any Owner. The Declarant may not use the working capital funds to defray any of its expenses, reserve contributions, or construction costs, or to make up any budget deficits while the Declarant is in control of the Association. All working capital contributions shall be disbursed to the Association at or prior to the turnover meeting and shall be credited to the operating reserve account.

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

The Declarant, or such other person paying all operating expenses or subsidizing such expenses, shall give ten (10) days' written notice to individual Unit owners prior to their obligation to pay the full assessment begins. Thereafter, each owner, including the Declarant or such other person, shall pay the assessments to the Association. In the event that the Declarant has collected initial assessments from Unit purchasers at closing and thereafter

elects to pay or subsidize the operating expenses, thereby causing the amount of the assessment to be reduced, the one time initial contribution collected from Unit purchasers shall be held by the Declarant in a separate Association account. On the date on which Unit owners are required to pay full assessments, the aggregate sums held in such separate account shall be deposited to the Association's general account to be used as working capital.

6.2.3 Temporary Reduction of Assessment Amount. If the Association expenses are temporarily less than projected by the Declarant because some or most of the Units are not yet sold or occupied, the Declarant shall have the authority to reduce temporarily the amount of the assessment to reflect the lower expenses of the project.

6.3 Initial Assessment of Units in Future Stages. The initial assessment for owners of Units in stages annexed to the Condominium subsequent to the submission of Units in Stage I to Unit ownership shall be an amount equal to one sixth (1/6th) of the annual assessment then in effect for similar Units in the Condominium, plus a prorated portion of the assessment for the assessment installment period during which the Units in such stages are annexed to the Condominium. Thereafter, the owners of Units in such stage shall be assessed directly by the Association. The initial assessment equal to one sixth (1/6th) of the current annual assessment shall be a one-time contribution to the budget of the Condominium. The total initial assessment of Units in subsequent stages shall be collected by the Declarant and delivered to the Association within thirty (30) days after the date on which Units in each stage are annexed to the Condominium. Upon the annexation of additional Units to the Condominium in future stages, the Board of Directors shall promptly prepare a new budget reflecting the addition to the Condominium and shall recompute any previous assessment covering any period after the annexation.

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

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

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

6.4.3 To make repairs or renovations to the common elements if sufficient funds are not available from the operating budget or replacement reserve accounts vote of a majority of the Board; or

6.4.4 To make capital acquisitions, additions or improvements costing less than \$2,500; or

6.4.5 To make capital acquisitions, additions or improvements costing \$2,500 or more by vote of at least seventy-five percent (75%) of all votes allocated to Units in the Condominium.

6.5 Payment of Assessments. Subject to the provisions of Sections 6.2 and 6.3 of this Article 6, from the date on which the Declaration is recorded, the Declarant shall:

6.5.1 Pay assessments due for operating expenses on all unsold Units; and

6.5.2 Pay assessments due for reserves on all unsold Units, or, at the Declarant's option, pay or require the Unit owner to pay all accrued reserve assessments against the Unit at the time of the initial sale to the Unit owner. Provided, however, such reserve accrual shall not be for a period longer than two (2) years after the Declaration is recorded.

6.6 Adoption of Budget; Filing Income Tax Returns; Determination of Fiscal Year.

6.6.1 Determination of Fiscal Year. The fiscal year of the Association shall be the calendar year unless otherwise determined by the Board of Directors.

6.6.2 Filing of Tax Returns. The Board of Directors, in its sole discretion, shall select the person, persons or entity to prepare such tax returns and determine the manner in which all necessary income tax returns are filed.

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

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

6.6.4 Failure to Prepare Budget. The failure of the Board of Directors to timely prepare and/or to present, in a timely manner, a budget to the Unit owners shall not be cause for any owner to fail or refuse to pay assessments. Assessments shall continue, based upon the last adopted or accepted budget, until a new budget is created and announced. Retroactive

increases and/or special assessments may be made by the Board of Directors to make up for any deficiency.

6.6.5 Failure to Adopt Budget. In the event the Board of Directors fails to adopt, in a timely manner, a budget for a new fiscal year, Unit owners holding a majority of the votes of the entire Association, at any general or specially called meeting, may adopt such a budget, announce it to the Unit owners and immediately commence assessments based on the newly adopted budget. Additionally, at any general or specially called meeting, Unit owners holding a majority of the votes of the entire Association may amend any budget adopted by the Board of Directors. Thereafter, the amount of assessments due from Unit owners shall be based on the budget as so amended until a new budget is adopted in accordance with this Section 6.6.

6.6.6 Determination of Fiscal Year. The fiscal year of the Association shall be the calendar year unless otherwise determined by the Board of Directors.

6.6.7 Filing of Income Tax Returns. The Board of Directors, in its sole discretion, shall determine the manner in which all necessary income tax returns are filed and of selecting any and all persons to prepare such tax returns.

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

In addition, the Board of Directors, at its option, may impose a late charge penalty on any assessment or installment thereof that is delinquent for ten (10) or more days. Such penalty shall not exceed the sum of twenty-five percent (25%) of the delinquent assessment or installment thereof and shall be imposed only once on each regular or special assessment or installment of such assessments.

The Association shall be entitled to a lien that may be enforced upon compliance with the provisions of ORS 100.450. In any foreclosure suit by the Association with respect to such lien, the Association shall be entitled to collect reasonable rent from the defaulting owner for the use of his Unit or shall be entitled to the appointment of a receiver pursuant to ORS 100.460. Liability for all assessments, fines, charges, interest, fees (including attorneys' fees, whether or not a suit or an action is commenced) and other sums owing by the Unit owner pursuant to the Declaration, these Bylaws, the Oregon Condominium Act and rules and regulations of the Association shall be the personal obligation of the Unit owner and may be enforced by suit for a money judgment, in addition to all other remedies of the Association. Any default by the owner of any provisions of these Bylaws or of the Oregon Condominium Act shall

be deemed to be a default by the owner of any Mortgage to which the owner is a party or to which the Unit is subject.

6.8 Maintenance and Repair.

6.8.1 Owner's Duty to Maintain. Every owner shall perform promptly all maintenance and repair work that is needed within his own Unit, to prevent any negative effect on the common elements of the Condominium or a part thereof belonging to other owners, and every owner shall be responsible for the damages and liabilities that his failure to maintain and repair may cause, including, but not limited to, damage caused by plugged toilets and bath drains, overloaded electrical outlets, and clothes washer and dishwasher overflow.

6.8.2 Owner's Expenses. All repairs of internal installations of each Unit, such as water, lights, gas, power, sewage, telephones, air conditioners, heaters, sanitary installations, doors, windows, lamps and all other accessories and appliances belonging to the Unit area shall be at the sole expense of the Owner of such Unit.

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

6.9 Right of Entry; Encroachments; Easements for Maintenance.

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

6.9.2 Association's Easement. An easement for the benefit of the Association is hereby reserved in and through all Units and the common elements, providing access at reasonable times and with reasonable notice for purposes of maintenance, repair and replacement of the common elements. If, in the process of such repair and maintenance by the Association, it is necessary to alter or damage any Unit or common elements, such alterations or damages shall be permitted without compensation, provided that the Unit and/or common elements are promptly restored to substantially their prior condition by the Association.

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

ARTICLE 7
USE AND OCCUPANCY RESTRICTIONS; RULES OF CONDUCT

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

7.1 Use as Private Dwelling Only. Each of the Units shall be occupied as a single family private dwelling by its owner or his tenants, visitors and guests and for no other purpose. Subject to compliance with applicable local ordinances and other restrictions of record, an owner may use his Unit as a "home office," provided that clients, customers, and employees do not regularly visit the "home office." All common elements shall be used in a manner conducive to such purpose. No Unit owner shall be permitted to lease his Unit for a period of fewer than thirty (30) days. No Unit owner may lease less than the entire Unit. Any agreement to lease a Unit shall provide that the terms of the lease shall be subject in all respects to the provisions of the Declaration and the Bylaws and that any failure by the lessee to comply with the terms of such documents shall be a default under the lease.

7.2 Restriction on Alteration to Unit. No owner shall make structural alterations or installations in his Unit without previously notifying the Association in writing by certified mail to the management agent, if any, or to the Chairperson of the Board of Directors, if no management agent is employed. The Association shall have the obligation to answer within thirty (30) days of receipt of such notice, and failure to do so within the stipulated time shall mean that it does not object to the proposed alteration or installations. Provided, however, that nothing herein contained shall waive or limit an owner's obligation to comply with the provisions of ORS 100.535.

7.3 Use of the Common Elements. No owner shall place or cause to be placed in the lobbies, vestibules or stairways or on the patios, decks or ramps or other common elements of the Condominium of a similar nature any furniture, packages or objects of any kind, except that suitable furniture may be placed on the decks and patios without the prior written consent of the Board of Directors. Such areas shall not be used for any purpose that is not appropriate, customary and acceptable to the Board of Directors.

7.4 Pets. No pets except dogs and cats shall be permitted on the condominium property and no more than a total of two (2) pets shall be permitted. Provided, however, no owner may keep a pet in his Unit without the prior written consent of the Board of Directors. Any Unit owner who is given such authorization and who maintains any pet upon any portion of the Condominium shall be deemed to have indemnified and agreed to hold the Association, each of its members and the Declarant free and harmless from any loss, claim or liability of any kind or character whatever arising by reason of keeping or maintaining such pet within the Condominium. All pets shall be registered with the Board of Directors and shall be registered and inoculated as required by law. Further such owner shall abide by the Municipal Sanitary Regulations, leash laws and rules or regulations of the Association created by the Board of

Directors. The Board of Directors shall have the power to require any Unit owner or occupant whose pet is a nuisance to remove such pet from the premises.

7.5 Appearance of Condominium Building(s). No Unit owner shall cause anything to be hung, displayed, or placed on the walls, doors, windows, walkways, ceilings of walkways or roof of the Condominium building(s) or any other common element or otherwise change the appearance of any portion of the common elements without the prior written consent of the Board of Directors. Each Unit owner shall provide draperies, mini-blinds or other window coverings at all windows, which window coverings shall be lined with white materials, sufficiently opaque so as to not disclose the color of the interior portion of such window coverings. No clothes lines or similar devices, and no "For Sale" or "For Rent" signs shall be allowed on any part of the Condominium property without the prior written consent of the Board of Directors, except that the Declarant may post reasonable signs advertising any Unit for sale or for rent in reasonable places on the Condominium property.

7.6 Nuisances. No nuisances nor any use or practice that is the source of annoyance to residents or that interferes with the peaceful possession and proper use of the property by its residents shall be allowed upon the Condominium property. Residents shall exercise extreme care about creating disturbances, making noises or using musical instruments, radios, televisions and amplifiers that may disturb other residents. All parts of the Condominium shall be kept in a clean and sanitary condition; no rubbish, refuse or garbage shall be allowed to accumulate; and no fire or environmental hazard shall be allowed to exist. All garbage and trash shall be placed inside disposal containers. No Unit owner shall make or permit any use of his Unit or make any use of the common elements that would increase the cost of insurance upon the Condominium property.

No owner shall hang garments, towels, rugs or similar items from any window, facade, deck, patio, fence, balcony or terrace of the Condominium, hang or shake dust rags, mops or similar items from any window, porch, terrace or patio or clean such items by beating them on an exterior part of the Condominium.

7.7 Improper, Offensive or Unlawful Use. No improper, offensive or unlawful use shall be made of the Condominium property or any part of it; all valid laws, zoning ordinances and regulations of governmental bodies having jurisdiction shall be observed. The responsibility for meeting the requirements of governmental bodies for maintenance, modification or repair of the Condominium property shall be carried out and paid for in the same manner as the responsibility for the maintenance and repair of the property concerned.

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

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

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

7.11 **Use of Recreation and Common Facilities.** Recreational buildings, facilities and play areas and all other general common elements, including any common garden and common patio or storage areas, are provided for the use of the owners and their guests. Rules and regulations shall be posted. Setting forth the hours the various facilities shall be available for use and the conditions attendant thereto shall be posted. Use of recreational and common facilities shall be conditional upon compliance with such rules and regulations.

7.12 **Leasing/Renting Units.** Subject to approval by the Board of Directors, a Unit owner may rent or lease his entire Unit for a period of not less than thirty (30) days, provided that the occupancy is only by the lessee, his visitors and guests. No rooms may be rented and no transient tenants may be accommodated. Before entering into any such agreement, a Unit owner shall notify the Board of Directors of his intent, the name and address of the proposed tenant and the circumstances of proposed arrangement. If the Board of Directors finds that such proposed tenancy shall not be detrimental to the Association, the well-being of the Condominium or the enjoyment by other Unit owners of their Units and the common elements, it shall approve such tenancy. Provided, however, that such tenants shall always be under the control of and subject to the Declaration, any Supplemental Declaration, the Articles of Incorporation, the Bylaws, rules and regulations of the Association and the Board of Directors. At any time during the tenancy, the Board of Directors may cause its termination and evict such tenants for cause with or without joining the Unit owner of such Unit in any such action. All such leases shall be in writing.

7.13 **Use of Parking Units.** If Parking Units are created in subsequent stages, they may be subject to use restrictions set out in the Supplemental Declaration annexing such Parking Units to the Condominium.

7.14 **Use of Storage Units.** If Storage Units are created in subsequent stages, they may be subject to use restrictions set out in the Supplemental Declaration annexing such Storage Units to the Condominium.

7.15 **Additional Rules.** Rules and regulations concerning other use of the Condominium property may be made and amended from time to time by the Association or the

Board of Directors. Copies of such rules and regulations shall be furnished to all Unit owners and residents of the Condominium, upon request.

7.16 Covenants, Conditions, Restrictions, and Easements in Other Documents. In addition to the provisions of the Declaration, any Supplemental Declaration, the Articles of Incorporation, the Bylaws and any rules or regulations promulgated thereunder, each owner of a Unit in the Condominium is subject to covenants, conditions, restrictions, easements and assessments as set forth in the following instruments:

An easement created by instrument, including terms and provisions thereof.

Dated: June 19, 1970
Recorded: June 26, 1970
Recorder's Fee No.: 70-12391
In Favor Of: Mountain Park Corp. and its successors and assigns
For: Utilities, sewer, water and drainage
Affects: 5 feet in width along all boundary lines of Parcel II

An easement created by instrument, including terms and provisions thereof.

Dated: June 15, 1970
Recorded: June 26, 1970
Recorder's Fee No.: 70-12392
In Favor Of: Mountain Park Corp. and its successors and assigns
For: Utilities, sewers, water and drainage
Affects: 5 feet in width along all boundary lines of Parcel I

Easements as described or delineated on the recorded plat of Mountain Park No. 8

Recorded: July 27, 1971
Recorder's Fee No.: 71-17731
For: Roadway utilities
Affects: Parcel III

Easements as dedicated or delineated on the recorded plat of Mountain Park No. 8

Recorded: July 27, 1971
Recorder's Fee No.: 71-17731
For: Blanket utilities
Affects: All of said premises except under the buildings

Easements as dedicated or delineated on the recorded plat of Mountain Park No. 8

Recorded: July 27, 1971
Recorder's Fee No.: 71-17731
For: Utilities
Affects: 10 feet in width along the Northeasterly and Northwesterly lines of Parcel I

Easements as dedicated or delineated on the recorded plat of Mountain Park No. 8
Recorded: July 27, 1971
Recorder's Fee No.: 71-17731
For: Water line
Affects: 20 feet through Parcel II

Covenants, conditions, restrictions and easements, but omitting restrictions, if any, based on race, color, religion, sex, handicap, familial status or national origin, unless and only to the extent that said covenant, (1) is exempt under Chapter 42, Section 3607 or the United States Code or (b) relates to handicap but does not discriminate against handicapped persons, imposed by instrument, including the terms and provisions thereof

Recorded: May 27, 1968
Recorder's Fee No.: 68-9908

And Recorded: April 11, 1969
Recorder's Fee No.: 69-6089

And supplemented by instrument
Recorded: March 30, 1970
Recorder's Fee No.: 70-5812

Said covenants, conditions and restrictions were amended by instrument

Recorded: July 28, 1971
Recorder's Fee No.: 71-17886

An easement created by instrument, including terms and provisions thereof

Dated: May 30, 1989
Recorded: August 14, 1989
Recorder's Fee No.: 89-35190
In Favor Of: Pacific Northwest Bell Telephone Company
For: Buried Cable
Affects: All common area

Agreement for Non-Exclusive License and Easement, including the terms and provisions thereof

Dated: July 3, 1995
Recorded: March 12, 1996
Recorder's Fee No.: 96-017268
By and Between: Equity Residential Properties Management Limited Partnership, as Agent for the Owner of Tanglewood/OR Apartments and Interactive4 Cable Systems, Inc.

ARTICLE 8
INSURANCE

The Board of Directors shall obtain and maintain at all times insurance of the type and kind and in the amounts hereinafter provided, including insurance for such other risks of a similar or dissimilar nature as are or hereafter customarily shall be covered with respect to other condominiums similar in construction, design and which insurance shall be governed by the provisions in this numbered section.

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

8.1.1 A policy or policies of property insurance, including, but not limited to, fire, extended coverage, vandalism and malicious mischief, for the full insurable replacement value, if available, of all Units and common elements, and such other fire and casualty insurance as the Board of Directors shall determine, to give substantially equal or greater protection to the owners and their Mortgagees, as their respective interests appear, which policy or policies shall provide for a separate loss payable endorsement in favor of the Mortgagee or Mortgagees, if any, of each Unit. For the purposes of any policy or policies of fire insurance, the term "building" shall include fixtures, installations or additions comprising a part of the building within the unfinished interior surfaces of the perimeter walls, floors and ceilings of the individual Condominium Units initially installed or any replacement thereof, in accordance with the original Condominium plans and specifications, or installed by or at the expense of any Unit owner or owners.

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

8.1.3 Workmen's compensation insurance to the extent necessary to comply with any applicable laws.

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

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

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

8.3 Authority to Adjust Losses. All losses under policies hereafter in force regarding the property shall be settled exclusively with the Board of Directors or its authorized representative; provided, however, that where a first Mortgagee has been designated as a loss payee by a Unit owner and such first Mortgagee has requested the opportunity to exercise the rights provided by this Article 8, such Mortgagee shall be entitled to settle losses as to the mortgaged Unit, provided that the loss which occurs is severable. Releases and proofs of loss shall be executed by at least two directors

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

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

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

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

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

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

8.6 Reconstruction Costs. If the Association is required or elects to reconstruct any of the common elements or a Unit that has been damaged or destroyed, an affected Unit owner (i.e. the owner whose Unit or limited common element has been damaged or destroyed) shall contribute to the Association all amounts received by such owner from property loss insurance

policies to the Association to help pay for the repairs. To the extent that such insurance proceeds are unavailable or unpaid when needed, the Association shall assess such owner the amount of the Association's "deductible" under its policy to pay the cost of repairing or reconstructing such owner's Unit or limited common elements. Such assessment shall be both a personal obligation of such owner and a lien against such owner's Unit in the same manner as any other Association assessment.

8.7 Insurance Deductible/Owner and Tenant Insurance The Board of Directors shall determine the amount of the deductible for property loss insurance policies, as well as other insurance policies required to be procured by the Association under this Article 8. In determining the deductible under the policies, the Board shall take into consideration among other factors the availability, cost, and loss experience of the Association. In this regard, as in other Board responsibilities, the Board members shall exercise their reasonable business judgment.

The Association shall have no responsibility to procure or assist in procuring property loss insurance for any owner or tenant for (a) damage to a Unit or limited common elements not covered by the Association's policy (because of the deductible amount or because the claim for loss or damage is one not normally covered by fire and property loss insurance policies with extended coverage endorsements); or (b) for any damage or loss to the owner's or tenant's personal property. Owners shall be responsible for purchasing insurance policies insuring their Units and appurtenant limited common elements for the deductible amount under the Association's policies and for insuring their own personal property for any loss or damage. Proof of such insurance coverage shall be provided to the Association's Secretary by the Unit owner. Tenants shall be responsible for insuring their own personal property for any loss or damage. The Board of Directors shall notify all owners of the amount of the deductible under the Association policies. To the extent reasonably practicable, the Board of Directors shall give at least thirty (30) days' notice to the owners of any increase in the deductible proposed in renewal or replacement insurance policies owners and tenants of all Units shall procure and maintain comprehensive liability policies having combined limits of not less than Fifty Thousand Dollars (\$50,000) for each occurrence. Such insurance shall provide coverage for, without limitation, the negligent acts of the owner(s) and tenant(s) and their guests or other occupants of the Unit(s) for damage to the general and limited common elements and other Units and the personal property of others located therein.

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

8.9 Duplicate Insurance Coverage In the event of duplicate insurance coverage, the insurance policy obtained by the owners shall be deemed to be the primary coverage.

ARTICLE 9
DAMAGE AND DESTRUCTION

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

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

9.2.1 The Condominium property shall be deemed to be owned in common by the owners.

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

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

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

9.3 Architectural Changes After Damage or Destruction. Reconstruction of the damaged or destroyed building as used in this Article means restoring the buildings to substantially the same condition in which they existed prior to the fire, casualty or disaster and shall be performed substantially in accordance with the Declaration and the original plans and specifications unless other action is approved by the holders of at least fifty-one percent (51%) of the Mortgages on Units in the Condominium. Such reconstruction shall be accomplished under the direction of the manager or the Board of Directors. Notwithstanding all other provisions hereof, the owners may, by an affirmative vote of sufficient owners, amend these Bylaws, cause an amendment to be made to the Condominium documents so as to facilitate architectural changes

that the owners affected thereby and the Association deem desirable if, and only if, the partial or total destruction of the Condominium, or any buildings thereof, by fire, casualty or any other disaster is so great as to require the substantial reconstruction of the whole of the Condominium, or said buildings, and upon approval by the holders of at least fifty-one percent (51%) of the Mortgages in the Condominium. Provided, however, that any such amendment of such Condominium documents shall be valid only upon (1) compliance with all applicable provisions of the Oregon Condominium Act; (2) approval by the Oregon Real Estate Commissioner; (3) recordation of the Condominium documents in the deed records of Clackamas County; and (4) recordation in the deed records of Clackamas County of the approval by each Mortgagee and other lienholders of record having a lien against any part of the project, or building, affected by such amendment.

9.4 Reallocation of Percentage Interest. In the event of a partial destruction of the Condominium buildings or Units therein, the Unit owners may not reallocate percentages of interest in the common elements without the prior approval of the Mortgagees of all the remaining Units, whether existing in whole or in part. Any such reallocation shall also comply with the Oregon Condominium Act and other provisions of the Declaration, any applicable Supplemental Condominium Declaration and the Bylaws.

ARTICLE 10 CONDEMNATION

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

ARTICLE 11 AMENDMENTS TO BYLAWS

These Bylaws may be amended by the owners holding a majority of the total voting rights allocated to the Units in a duly constituted meeting or ballot meeting called for such purpose, and no amendment shall take effect unless approved by owners holding a majority of the voting rights as otherwise set forth in the Declaration and any Supplemental Condominium Declaration. Any

amendments adopted hereunder shall be reduced to writing and certified by the Chairperson and Secretary of the Association to be the amendment so adopted by the Association, and such amendment so certified shall be recorded in the Deed Records of Clackamas County, Oregon. Provided, however, that no amendment of these Bylaws reducing or eliminating the right of any first Mortgagee shall be made without the prior written consent of such first Mortgagee. Provided, further, that no amendment of these Bylaws may be made without the consent of the Declarant so long as the Declarant owns any Unit in the Condominium. No such consent shall be required after conveyance to owners other than the Declarant of seventy-five percent (75%) of the Units in the last stage of the Condominium or seven (7) years after the first conveyance of a Unit in the Condominium, whichever is earlier. Provided, however, that even thereafter, no amendment may limit the Declarant's special rights, whether reserved in the Declaration, these Bylaws, or as otherwise provided by law. ANY AMENDMENTS TO THESE BYLAWS MADE WITHIN FIVE (5) YEARS OF THE RECORDING DATE HEREOF MUST BE APPROVED BY THE OREGON REAL ESTATE COMMISSIONER PRIOR TO RECORDING.

ARTICLE 12 **RECORDS AND AUDITS**

12.1 General Records. The Board of Directors and the managing agent or manager, if any, shall keep detailed records of the actions of the Board of Directors and the managing agent or manager, minutes of the meetings of the Board of Directors and minutes of the meetings of the Association. The Board of Directors shall maintain a list of owners entitled to vote at meetings of the Association and a list of all Mortgagees of Units, insofar as such names have been provided by the Owner or the Mortgagee to the Board.

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

12.3 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 owner or owners, the dates and amounts in which the assessment comes due, the amounts paid upon the account and the balance due on the assessments.

12.4 Payment of Common Expenses. The Board of Directors shall authorize the Treasurer, the management agent or another specified party to pay all legitimate expenses of the Association. Such payments shall be made pursuant to the payment system instituted by the Board of Directors as described in Section 4.3.4 of these Bylaws.

12.5 Reports and Audits. The Board of Directors shall prepare or cause to be prepared an annual report of the receipts and expenditures of the Association and a balance sheet and

income and expense statement setting forth the financial condition of the Association as of the end of each year. The report shall be prepared according to generally accepted accounting procedures and shall be distributed to all Unit owners and to all Mortgagees of Units within ninety (90) days after the end of each fiscal year. At any time and at his own expense, any owner or Mortgagee may cause an audit or inspection to be made of the books and records of the Association.

12.6 Notice of Sale, Mortgage, Rental or Lease. Immediately upon the sale, Mortgage, rental or lease of any Unit, the Unit owner shall promptly inform the Secretary or manager of the name and address of such vendee, Mortgagee, lessee, or tenant. This obligation is in addition to those set forth in Section 7.12.

12.7 Annual Report. The Board of Directors shall cause an Annual Report, including any amendments, to be filed with the Oregon Real Estate Agency, pursuant to the provisions of ORS 100.250 and ORS 100.260.

ARTICLE 13 **COMPLIANCE**

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

ARTICLE 14 **INDEMNIFICATION OF DIRECTORS, OFFICERS,** **EMPLOYEES AND AGENTS**

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

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

ARTICLE 15
ASSESSMENT AND FINE COLLECTION COSTS;
ENFORCEMENT SUITS AND ACTIONS

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

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

ARTICLE 16
MISCELLANEOUS

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

16.2 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.

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

It is hereby certified that these Bylaws have been adopted by Tanglewood Associates, LLC, Declarant of Tanglewood Hills Condominium, and shall be recorded in the Deed Records of Clackamas County, together with the Condominium Declaration for said Condominium. after said Declaration and Bylaws are approved by the Assessor of said County.

DATED this 6 day of November, 2000.

TANGLEWOOD ASSOCIATES, LLC
a Delaware limited liability company

By: Pomeroy Stutz Investors, LLC, a
Michigan limited liability company,
Manager of Tanglewood Associates, LLC

By: Pomeroy Stutz Management, LLC, a
Michigan limited liability company,
Manager of Pomeroy Stutz Investors, LLC

By: [Signature]
Benjamin R. Stutz, Manager

STATE OF OREGON)
County of MULTNOMAH) ss.

6 November, 2000

Personally appeared before me the above-named Benjamin R. Stutz who, being duly sworn, did say that he is the Manager of Pomeroy Stutz Management, LLC, a Michigan limited liability company, which is a Manager of Pomeroy Stutz Investors, LLC, a Michigan limited liability company, which is a Manager of Tanglewood Associates, LLC, a Delaware limited liability company, and that said instrument was signed in behalf of said company by authority of its Board of Directors; and they acknowledged said instrument to be its voluntary act and deed.

[Signature]
Notary Public for Oregon



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