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**CONDOMINIUM DECLARATION
FOR
MATTHEW FRANK CONDOMINIUM**

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CONDOMINIUM DECLARATION FOR MATTHEW FRANK CONDOMINIUM

This Declaration submits to the provisions, restrictions and limitations of the Oregon Condominium Act, real property hereinafter described (the "Real Property") and all improvements now existing or to be constructed on the Real Property, to be known as MATTHEW FRANK CONDOMINIUM.

Recitals, Intent and Purpose

MATTHEW FRANK, LLC ("Declarant") is the owner in fee simple of the Real Property, and desires to submit the Real Property to the Condominium form of ownership, to be converted, used and owned in the manner provided by the Oregon Condominium Act.

NOW, THEREFORE,

Declaration

The Declarant hereby declares on behalf of itself, its successors, grantees and assigns, as well as to any and all persons having, acquiring or seeking to have or acquire any interest of any nature whatsoever in and to any part of the Real Property, as follows:

1. **Definitions.** Except as otherwise provided or modified by this Section 1, the terms contained herein shall have the meaning set forth in the Oregon Condominium Act, ORS 100.005 et seq., and said statute and its definitions are incorporated herein. As used in this Declaration and in the bylaws (the "Bylaws") of Matthew Frank Condominium Association ("Association"), the following terms shall have the following meanings:

1.1 **Association** shall mean and refer to the Matthew Frank Condominium Association which shall be an Oregon nonprofit corporation.

1.2 **Condominium** means the Real Property, all buildings, and structures constructed thereon and all improvements made thereto, and all easements, rights and appurtenances belonging thereto, all of which are herewith submitted to the provisions of the Oregon Condominium Act.

1.3 **Mortgage** means a recorded first mortgage, first trust deed or first contract of sale that creates a first lien against a unit, and "Mortgagee" means the holder, beneficiary or vendor of such a mortgage, trust deed or contract of sale, but only when such holder, beneficiary or vendor notifies the Association in writing of the existence of such mortgage and gives the Association a current name and mailing address.

1.4 **Unit** means the airspace encompassed by the boundaries more specifically described in Section 3.2 of this Declaration.

2. **Real Property Description.** The Real Property that is submitted hereunder to the Oregon Condominium Act is located in the County of Multnomah, State of Oregon, and is more particularly described on Exhibit "A." Each Owner shall hold fee simple title to the Unit and common elements pertaining thereto when such property is conveyed to the Owner by the Declarant. Prior to such conveyance, the Declarant shall hold fee simple title to all Units and the appertaining common elements.

3. **Name and Unit Description.**

3.1 **Name.** The Real Property shall be known as Matthew Frank Condominium.

3.2 **Boundaries of Units.** Each Unit shall be bounded by the outside plane of the studs in its perimeter walls, the unfinished floor and the plane of the ceiling joists. In the case of Units which are more than one level, the boundary shall be measured from the lower floor to the ceiling of the top floor, all as more particularly shown on the Plat. The Units shall include all lath, furring, wallboard, plasterboard, plaster, paneling, tiles, wallpaper, paint, finished flooring, and any other materials constituting any part of its finished surfaces and the exterior surfaces so described, except those portions of the walls, floors or ceilings that materially contribute to the structural or shear capacity of the Condominium. All other portions of the exterior walls, floors or ceilings shall be a part of the common elements. In addition, each Unit shall include the following:

3.2.1 All spaces, nonbearing interior partitions, windows, window frames, exterior doors, door frames, and all other fixtures and improvements within the boundaries of the Unit; and

3.2.2 All outlets of utility service lines, including, but not limited to, power, light, gas, hot and cold water, heating, refrigeration, air-conditioning and waste disposal within the boundaries of the Unit, but shall not include any part of such lines or ducts themselves.

In interpreting deeds, Mortgages, deeds of trust and other instruments for any purpose whatsoever or in connection with any matter, the existing physical boundaries of the Unit or of a Unit reconstructed in substantial accordance with the original plans hereof shall be conclusively presumed to be the boundaries, regardless of settling, rising or lateral movement of the building and regardless of variances between boundaries as shown on the Plat being recorded simultaneously with this Declaration (the "Plat") and those of the actual building or buildings.

3.3 **Building Description and Unit Designation.** The land submitted by this Declaration has four (4) buildings thereon, each of which contains six (6) Units. The Condominium buildings, which are three (3) story, wood frame construction on concrete foundations with concrete-based siding and composition shingle roofs contain twenty-four (24) Units in total. The vertical and horizontal boundaries, number designation, location and dimension of each Unit are shown on the Plat. The number designation and square footage area of the Units is also shown on Exhibit "B."

Each Unit has been assigned an assessment index. The assessment indices are as follows: One Bedroom Units – 0.80, two bedroom Units – 1.20, three bedroom Units – 1.60. The allocation to each Unit in Stage 1 of an undivided interest in the common elements was determined by dividing the sum of the assessment indices of all Units into the assessment index of each respective Unit (and arbitrarily subtracting from or adding to the percentage of ownership of certain of the Units .0001 percent so that the total percentage ownership of all Units equals exactly 100.0000 percent).

The numerical designation, square footage area and percentage of ownership in common elements of each Unit in Stage 1 are shown on Exhibit “B.”

3.4 Development Plan; Flexible Condominium; Variable Property. The Condominium is a flexible condominium as defined in the Oregon Condominium Act.

3.4.1 Special Declarant Rights. The Declarant is reserving all of the rights provided under ORS 100.150(1). There are no limitations on the rights reserved by the Declarant under ORS 100.150(1).

3.4.2 Variable Property. There is one (1) variable property tract in the Condominium. It is designated and depicted on the Plat as Tract A. All of Tract A is nonwithdrawable variable property.

3.4.3 Termination Date. The date after which any right reserved by the Declarant under ORS 100.150(1) will terminate is seven (7) years from the date this Declaration is recorded.

3.4.4 Maximum Number of Units. The maximum number of Units which may be created is one hundred twenty (120).

3.4.5 Percentage Ownership in the Common Elements. As additional Units are created by one or more supplemental condominium declarations, each Unit's percentage ownership in the common elements will be recalculated in the method specified in Section 3.3 above.

3.4.6 Liability for Common Expenses. As additional Units are created by one or more supplemental declarations, each Unit's liability for general and limited common expenses shall be recalculated in the method described in Section 3.3. above.

3.4.7 Reservation of Rights. The Declarant hereby reserves the right to construct Units on the variable property, the floor plans of which differ from those of Units created by this Declaration which have larger or smaller floor areas. However, the exterior style of the buildings shall be compatible with those of the four (4) buildings in which the initial twenty-four (24) Units are located and all Units and buildings will be substantially completed before they are reclassified as Units.

3.4.8 Automatic Reclassification of Variable Property. The Plat depicts Tract A as nonwithdrawable variable property. If or to the extent Tract A has not been reclassified by the termination date, the remaining portions thereof shall automatically be reclassified as general common elements.

3.4.9 Voting Rights. As additional Units are created by one or more supplemental declarations, the method used to allocate voting rights to the newly created Units shall be the same as stated in Section 7 in the Declaration, i.e., each owner or co-owner shall be entitled to one (1) vote per Unit.

3.4.10 Limited Common Elements. The Declarant reserves the right to create limited common elements on the variable property. The types that may be created include rear yards, patios and driveways appurtenant to the Unit to which it adjoins as shown on the Plat.

3.4.11 Association Rights Under ORS 100.155(2). The Association shall have the rights set forth in ORS 100.155(2).

4. General Common Elements.

4.1 Definition. The general common elements consist of all portions of the Condominium that are not part of a Unit or a limited common element, including, without limitation, the following:

4.1.1 The land;

4.1.2 The foundations, columns, girders, beams, supports, shear and bearing walls, main walls, roofs, halls, corridors, lobbies, stairs, fire escapes, entrances and exits of the building (s);

4.1.3 The yards and gardens;

4.1.4 Installations of central services, such as power, light, gas, hot and cold water, heating, refrigeration, air conditioning, waste disposal and incinerators, up to the outlets within any Units;

4.1.5 All apparatus and installations existing for common use; and

4.1.6 All other elements of any building that are necessary or convenient to its existence, maintenance and safety or that are normally in common use.

4.2 Maintenance, Repair and Replacement of General Common Elements; Liability for Common Expense. Except as otherwise specifically provided in this Declaration, the cost of maintenance, repair and replacement of the general common elements shall be a common expense, and the performance of such work shall be the responsibility of the Association, except that any damage caused by the negligence or intentional act of an owner or his invitee, guest, tenant or servant shall be repaired by the Association at such owner's sole cost and expense. Although repair, maintenance and replacement of exterior doors and door frames (including patio and garage doors), windows and window frames shall be the responsibility of

individual owners, exterior painting shall be the responsibility of the Association. Common expenses shall be assessed and apportioned among the owners as set forth in Section 10.6 of this Declaration.

4.3 Income From General Common Elements. All income derived from any coin-operated vending machines and/or any other income derived from the general common elements shall be income of the Association. In its discretion, the Board of Directors may use such income to help meet the expense of maintaining the common elements or for such other purpose as may benefit the Association and the Unit owners in a substantially equal manner.

5. Limited Common Elements. The following shall constitute limited common elements, the use of which shall be restricted to the Units to which they pertain:

5.1 Definitions. Each of the patios and/or decks is a limited common element appertaining to the Unit which it adjoins as shown on the Plat.

5.2 Maintenance, Repair and Replacement of Limited Common Elements. Except as otherwise specifically provided in this Declaration, the cost of maintenance, repair and replacement of the limited common elements shall be a common expense, which shall be assessed and apportioned pursuant to Section 10.6 of this Declaration, and the performance of such work shall be the responsibility of the Association, except that any damage caused by the negligence or intentional act of an owner or his invitee, guest or servant shall be repaired by the Association at such owner's sole cost and expense. Common expenses shall be apportioned among and assessed against the owners as set forth in Section 10.6 below. Provided, however, each owner shall pay the expense to maintain any door or garage door within or adjoining the limited common elements assigned to such owner's Unit, except that exterior painting shall be performed at the expense of the Association.

6. Parking. There are no parking areas in the Condominium, except for the garages which are a part of Units. Occupants and all guests of occupants of Units without garages must park in the public street. Each of the townhouse style Units includes a single car garage within the boundaries of the Units. The flat, single story Units are handicapped adaptable, but do not have a garage within the boundaries of the Units. Occupants of these Units must park on the public streets.

7. Voting. The owner or co-owners of each Unit shall be entitled to one (1) vote per Unit. "Majority" or "Majority of Unit Owners" shall mean the owners of more than fifty percent (50%) of the voting rights allocated to the Units by the Declaration. 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.

8. Use Of Property.

8.1 General. Each Unit shall be used for residential purposes only. The common elements shall be used for furnishing of services and facilities to Unit owners. Every Unit owner shall have an easement to enjoy and use the general common elements in the manner for which they were intended. Additional restrictions and regulations shall be set forth in the Bylaws and rules or regulations adopted pursuant to the provisions of the Bylaws.

8.2 Rules and Regulations Promulgated by the Association. The Board of Directors shall have the authority from time to time to promulgate such rules and regulations as the Board may deem to be in the best interest of the Association. No person shall use the common elements, the Units, or any part thereof in any manner contrary to or inconsistent with such rules and regulations. Without limiting the generality of the foregoing, the Board of Directors shall have the right, but not the obligation, to promulgate rules and regulations limiting the use of the common elements to the members of the Association and their respective families, guests, invitees and servants. Such use may be conditioned upon, among other things: (a) the payment by the Unit owner of assessments for common expenses and such other assessments or fees as may be established by the Association for the purpose of defraying the costs associated with the use of such common elements and the administration and operation of the Condominium property; and (b) the observance by the Unit owner and his guests, tenants, invitees and servants, of the provisions of the Declaration, the Bylaws and the Association's rules and regulations. The Board of Directors shall have the authority to fine such owners who are not in compliance with the rules and regulations. The amount and the procedure to impose such fines shall be established by Board resolution.

8.3 Right of Ingress and Egress. Each Unit owner shall have a perpetual right of ingress and egress to and from the Owner's Unit. This right shall pass to all successors in interest to the Unit when the Unit is transferred voluntarily, involuntarily, or by operation of law. Any attempt to transfer voluntarily or involuntarily any common element ownership interest separately from the transfer of the Unit to which such interest pertains shall be void.

9. Contracts and Leases. All contracts or leases that are entered into before the turnover meeting (including any management contract) shall be terminable without penalty by the Association or the Board of Directors upon not less than thirty (30) days' written notice to the other party by the Association given not later than sixty (60) days after the turnover meeting. Provided, however, that any such contracting or leasing party may request the Association to affirm the continuation of any such agreement for the balance of its stated term. Affirmation by the Association after transfer of control shall extinguish all termination rights of the Association under this Section 9.

10. Bylaws; Association; Management.

10.1 Adoption of Bylaws. On behalf of the Association, the Declarant hereby adopts the Bylaws attached hereto as Exhibit "C" to govern the administration of the Condominium. The Bylaws shall be effective upon the execution and recording of this Declaration.

10.2 Association; Membership. The name of the Association shall be Matthew Frank Condominium Association. The Association shall operate under the name Matthew Frank Condominium Association, or a name as close to that name as is permitted by the Oregon Secretary of State. Each owner of a Unit in the Condominium shall be a member of the Association, and membership therein shall be limited to Unit owners only. The Association, which shall be organized upon the recording of the Declaration and the Bylaws, shall serve as a means through which the Unit owners may take action with regard to the administration,

management and operation of the Condominium. The Association shall be an Oregon nonprofit corporation.

10.3 Management; Board of Directors. The affairs of the Association shall be governed by a Board of Directors as provided in the Bylaws. The Board of Directors shall elect officers consisting of a chairperson, secretary and treasurer and such other officers as the Board of Directors deems prudent or convenient. Pursuant to the provisions of the Bylaws and the Oregon Condominium Act, the Board of Directors may adopt administrative rules and regulations governing details of the operation, maintenance and use of the Condominium property. The Board of Directors may contract with a professional manager or management firm to manage some or all of the affairs of the Association.

10.4 Interim Board and Officers. The Declarant has reserved control over the administration of the Association by reserving the right in the Bylaws to appoint an interim Board of Directors to manage the Condominium until the turnover meeting. The turnover meeting shall be held within ninety (90) days after the earlier of the following dates: the date on which seven (7) years has elapsed since the date of the first conveyance of a Unit to a person other than the Declarant or the date on which seventy-five percent (75%) of the total number of Units which the Declarant may annex to the Condominium have been conveyed to persons other than the Declarant. The one (1) to three (3) member(s) of the interim board shall also serve as the interim officers.

10.5 Powers and Duties of the Association. The Association and the Board of Directors shall have the powers and duties granted to them by this Declaration, any applicable Supplemental Condominium Declaration, the Articles of Incorporation, the Bylaws, and ORS 100.405(4) and all other provisions of the Oregon Condominium Act.

10.6 Covenant to Pay Assessments; Liability for Common Expense. Each owner hereby covenants to pay to the Association annual assessments for common expenses as more fully provided in the Bylaws. No owner may avoid liability for assessments by abandonment of his Unit or non-use of the common elements. Except as otherwise provided in this Declaration or the Bylaws, each Unit and the owner thereof shall be liable for the common expense and funding of the replacement reserves, both of which shall be apportioned among the Units based upon each Unit's 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. No offset against any assessment shall be permitted for any reason, including, without limitation, any claim that the Association is not properly discharging its duties. Assessments shall be levied against all Units not later than the first day of the month next following the date when the first Unit is conveyed to a person other than the Declarant.

10.7 Delegation. Nothing in this Declaration shall be construed to prohibit the Association or the Board of Directors from delegating to persons, firms or corporations of its choice the performance of such duties as may be imposed upon the Association or the Board of Directors by this Declaration, any Supplemental Declaration, the Articles of Incorporation, the Bylaws, Association rules or regulations, or applicable law.

11. Service Of Process. The designated agent to receive service of process in cases set forth in ORS 100.550(1) shall be named in the Condominium Information Report, which shall be filed with the Oregon Real Estate Agency in accordance with ORS 100.250(1).

12. Mortgagees. In the event of a conflict between this Section 12 and other provisions of this Declaration or any Supplemental Condominium Declaration, the provisions of this Section 12 shall prevail. The terms "Mortgage" and "Mortgagee" are defined in Section 1 of this Declaration.

12.1 Notice of Action. Upon the written request of a Mortgage holder, insurer, or guarantor to the Association, identifying the name and address of such person and the number or address of the Unit on which a Mortgage has been placed, such Mortgagee, insurer or guarantor shall be entitled to timely notice of the following:

12.1.1 Any condemnation loss or casualty loss that affects either a material portion of the Condominium or any Unit securing its Mortgage;

12.1.2 Any sixty (60) day delinquency in the payment of assessments or charges owed by an owner of any Unit on which it holds a Mortgage;

12.1.3 Any lapse, cancellation or material modification of any insurance policy maintained by the Association;

12.1.4 Any proposed action that would require the consent of a specified percentage of eligible Mortgage holders.

12.2 Mortgagee Exempt From Certain Restrictions. Any Mortgagee that comes into possession of the Unit pursuant to the remedies provided in the Mortgage, by foreclosure of the Mortgage, or by deed (or assignment) in lieu of foreclosure, shall be exempt from any "right of first refusal" or other restriction on the sale or rental of the mortgaged Unit, including, but not limited to, restrictions on the age of Unit occupants and restrictions on the posting of signs pertaining to the sale or rental of the Unit. Provided, however, that Mortgagees shall not be exempt from the restriction that Units cannot be rented for periods of fewer than thirty (30) days.

12.3 Subordination of Association Lien to Mortgage; Discharge of Lien Upon Foreclosure. Except as otherwise provided by law, the lien of the Association shall be subordinate to any first Mortgage. Subject to the procedural requirements of the Oregon Condominium Act, any first Mortgagee that comes into possession of the Unit pursuant to the remedies provided in the Mortgage, by foreclosure of the Mortgage, or by deed (or assignment) in lieu of foreclosure, and any purchaser at the foreclosure sale of a first Mortgage, shall take the property free of any claims for unpaid assessments or charges against the mortgaged Unit which accrue before such Mortgagee comes into possession of the Unit (except for claims for a pro rata share of such assessments or charges resulting from a pro rata reallocation of such assessments or charges to all Units, including the mortgaged Unit).

12.4 Professional Management. Upon the written request of holders of first Mortgages that represent at least fifty-one percent (51%) of the votes of mortgaged Units in the Condominium, the Board of Directors shall employ a professional manager to manage the affairs of the Association. Without the prior written approval of the holders of first Mortgages that represent at least fifty-one percent (51%) of the votes of mortgaged Units in the Condominium, the Association may not terminate professional management and assume self-management of the Condominium. Additionally, if professional management has previously been required by any Mortgage holder, any such decision to establish self-management shall require prior consent of the owners of Units to which sixty-seven percent (67%) of the votes in the Association are allocated. Any agreement for professional management shall provide that the management contract may be terminated for cause on thirty (30) days' written notice.

12.5 Consent of Mortgagees to Change Percentage Ownership in Common Elements. The Unit owners may not reallocate the percentage of interest in the common elements attributable to any Unit without the prior written approval of holders of first Mortgages that represent at least fifty-one percent (51%) of the votes of mortgaged Units with respect to which the percentage of ownership is proposed to be altered. Nothing in this Section 12.5 shall be construed to give the owners, the Association, or the Board of Directors, any specific authority to alter such percentage of ownership and, if any attempt is made to do so, full compliance shall be made with the Declaration, the Association's Articles of Incorporation, Bylaws and the Oregon Condominium Act.

12.6 Consent of Mortgagees Required to Terminate Project. Except with respect to termination of the Condominium as a result of destruction, damage or condemnation, any termination of the Condominium shall require the written approval of holders of first Mortgages that represent at least sixty-seven percent (67%) of the votes of mortgaged Units in the Condominium. Provided, however, such consent will be deemed given if a Mortgagee does not object in writing within thirty (30) days after notice of the proposed termination. Additionally, any such terminations shall be carried out by the owners pursuant to provisions of the Declaration, the Association's Articles of Incorporation, the Bylaws and the Oregon Condominium Act and shall be carried out only after vote of the owners, as provided in such provisions.

12.7 Limited Right of Amendment. Except upon the written approval of holders of first Mortgages that represent at least fifty-one percent (51%) of the votes of Mortgaged Units in the Condominium, no amendment that adds to or amends any material provision that establishes, provides for, governs or regulates any of the following may be made to the Declaration or the Bylaws:

12.7.1 voting rights;

12.7.2 increases in assessments that raise the previously assessed amount by more than twenty-five percent (25%), assessment liens, or the priority of common elements;

12.7.3 reductions in reserves for maintenance, repair, and replacement of common elements;

- 12.7.4 responsibility for maintenance and repairs;
- 12.7.5 except as provided in this Declaration, reallocation of interests in the general or limited common elements, or rights to their use;
- 12.7.6 redefinition of any Unit boundaries;
- 12.7.7 convertibility of Units into common elements or vice versa;
- 12.7.8 except as provided in this Declaration, expansion or contraction of the Condominium project, or the addition, annexation, or withdrawal of property to or from the Condominium project;
- 12.7.9 hazard or fidelity insurance requirements;
- 12.7.10 imposition of any restrictions on the leasing of Units;
- 12.7.11 imposition of any restrictions on a Unit Owner's right to sell or transfer his or her Unit;
- 12.7.12 restoration or repair of the Condominium (after damage or partial condemnation) in a manner other than that specified in the documents; or
- 12.7.13 any provisions that expressly benefit Mortgage holders, insurers, or guarantors.

The provisions of this Section are intended to limit only the right of the Unit owners, the Board of Directors and the Association to amend the Declaration and the Bylaws, and are not intended to give any such parties any specific rights to effect any amendments. Any amendments to the Declaration or the Bylaws shall be made only upon full compliance with the provisions of the Declaration, the Bylaws and the Oregon Condominium Act relating to the procedure and percentage of votes required for such amendment. An addition or amendment to the Declaration or the Bylaws shall not be considered to be material so as to require the consent or approval of Mortgagees, if its purpose is to correct technical errors or to clarify unclear language.

12.8 Request for Approval of Mortgagees. Any Mortgagee that receives a written request to approve additions or amendments to the Declaration or the Bylaws, or any other action to be taken by the Board of Directors, the Association or Unit owners shall be considered to have given such approval unless such Mortgagee delivers or posts a negative response within thirty (30) days after receipt of such request.

12.9 Proxy Held by Mortgagee in Certain Cases. If a Mortgagee reasonably believes that the Association has failed to maintain the common elements so as to prevent excessive wear and tear, such Mortgagee may attend a meeting of the Association and may cast the vote of the Mortgagor of the Unit on which such Mortgagee holds a Mortgage if the proposal under consideration concerns painting or otherwise maintaining the common elements, including imposing special assessments necessary to pay for such maintenance. Provided, however, such

right shall arise only in the event the Mortgagee reasonably believes the Association has failed to maintain the common elements in sufficient manner to prevent excessive wear and tear.

12.10 Right to Examine Documents. The Association shall make available to Unit owners, lenders and Mortgagees current copies of the Declaration, the Bylaws, the Articles of Incorporation, other rules concerning the Condominium, and the books, records and financial statements of the Association. The Association shall have the right to impose a reasonable charge for any copies requested by owners, lenders or Mortgagees.

12.11 Right to Receive Annual Reports. The holder of any Mortgage on a Unit in the Condominium shall be entitled to have an audited financial statement prepared at their expense if such statement is not otherwise available. The Association and its officers, directors and manager (if any), shall cooperate with such Mortgage holders and their auditors to facilitate the necessary auditing and review process. Such financial statement shall be furnished within a reasonable time following request.

12.12 Right to Receive Written Notice of Meetings. Upon a Mortgagee's written request, the Association shall give all Mortgagees written notice of all meetings of the Association, and such Mortgagees shall be permitted to designate a representative to attend all such meetings.

12.13 List of Mortgagees. The Association shall maintain at all times a list of Mortgagees who have given the Association notice on any matter described in Section 12 of this Declaration, which list shall include their names, addresses, the Units and mortgagors affected, and the matters with respect to which such Mortgagees have requested notice, provided that such information has been furnished to the Association by the owners or their Mortgagees.

13. Amendments to Declaration. Except where a larger percentage of approval is required by law, this Declaration may be amended from time to time by approval of Unit owners holding seventy-five percent (75%) or more of the voting rights as otherwise set forth in this Declaration. Provided, however, that this Declaration shall not be amended to reduce or eliminate the rights of any Mortgagee without all such Mortgagees' prior written consent.

13.1 Declarant's Approval Required. The Declarant's prior written consent shall be required for any amendment to the Declaration until the expiration of the period of developer control as provided by ORS 100.200 and Section 3.3 of the Bylaws. Provided, however, that even thereafter, no amendment may limit or reduce any of the Declarant's special rights, whether reserved herein or otherwise provided by law. Except with respect to permitted Supplemental Condominium Declarations annexing additional property to the Condominium, no amendment may change the size, location, percentage of interest in the common elements, method of determining liability for common expenses, right to common profits or voting power of any Unit(s) unless such amendment has been approved by the owners and the Mortgagees of the affected Unit(s).

13.2 Recordation/County Assessor and Commissioner Approval Required. An amendment to the Declaration shall be effective upon recordation in the Deed Records of Multnomah County, Oregon, certified to by the chairperson and secretary of the Association and

approved by the County Assessor and the Real Estate Commissioner. Approval by the Commissioner shall not be required for an amendment to a declaration transferring the right of use of a limited common element pursuant to ORS 100.515(5).

13.3 Supplemental Declarations. At the Declarant's sole option, the Declarant may execute and record one or more Supplemental Condominium Declarations, the provisions of which are consistent with Section 3.4 above, without the consent or approval of the Board of Directors, the Association, the Unit owners, or any Mortgagee(s).

14. Subdivision. No Unit may be subdivided into divisions of any nature.

15. Relocation of Boundaries. The owner or owners of any two (2) adjoining Condominium Units may apply to the Board of Directors of the Association for permission to change the sizes of their Units by adjusting the common boundary between the two (2) Condominium Units or to consolidate the two (2) Condominium Units into one (1) Unit by deleting the common boundary. Any such application shall identify the Condominium Units involved, state any reallocations of the affected Unit's interest in common elements, or of Unit owners' voting rights, liability for common expense, and right to receive common profits. The Board of Directors shall approve such an application unless it determines that the proposed reallocations are unreasonable or that the proposed relocation or deletion would impair the structural integrity or mechanical systems of the condominium or would reduce the support of any portion of the Condominium. If approved, a proposed change would become effective upon recording in the appropriate records of Multnomah County, Oregon, of an amendment to this Declaration and of a floor plan, both setting forth the proposed change, executed by the owners and Mortgagees of the affected Condominium Units and certified to by the chairperson and secretary of the Association, together with any governmental approvals required by law. All costs in connection with such amendments shall be paid by the applicants.

16. Authority to Grant Easements, Rights-Of-Way, Licenses and Other Similar Interests/Encroachments.

16.1 General. The Association and/or the Board of Directors shall have the authority to execute, acknowledge, deliver and record easements, rights-of-way, licenses and other similar interests affecting the general common elements and to consent to vacation of roadways within or adjacent to the Condominium as provided by ORS 100.405(6). An instrument granting any such interest or vacating any such roadway shall be executed by the chairperson and secretary of the Association, shall be acknowledged in the manner provided for acknowledgment of such instruments by such officers, and shall state that such grant was approved by the minimum required vote of the owners or Board of Directors required by ORS 100.405(6).

16.2 Utility Easements; Dedications. Anything in this Declaration to the contrary notwithstanding, the Declarant shall have the right to execute, deliver and record on behalf of the Association and the Unit owners such documents as may be required to grant easements, rights-of-way and licenses over the common elements for the installation, maintenance and repair of public utilities serving the Condominium or adjacent property. The Declarant shall also have the right to execute, deliver and record on behalf of the Association and

the Unit owners such deeds and other documents as may be required to convey, dedicate, or grant such easements, rights-of-way or licenses over common elements, as may be required by any government or governmental agency in order to complete development of the Condominium. To effect the intent of this Section 16.2, each Unit owner, by acceptance of a deed or contract to a Unit, whether or not it shall be expressed in such deed or contract, for himself and his successors in interest, irrevocably appoints Nick Stearns of Portland, Oregon, or his nominee, as his lawful attorney-in-fact for the purpose of executing any and all documents required or permitted to be executed hereunder. The power of attorney and the rights under this Section shall expire at such time as the Declarant no longer owns a Unit or three (3) years from the date this Declaration or any Supplemental Declaration is recorded, whichever is earlier.

16.3 Encroachments. There shall be an easement for any encroachment of the common elements on any Unit or an encroachment of any Unit on the common elements or another Unit arising from the original construction, reconstruction, authorized repair, shifting, settling or other movement of any portion of the condominium improvements. Such easements shall exist indefinitely and may be terminated only by the voluntary act of the party who benefits from the easement(s).

16.4 Blanket Easement Benefiting Individual Owners. Each owner in the condominium shall have an easement through and over the general common elements for the purposes of constructing a concrete pad and locating a heat pump or similar equipment to provide heating ventilation and air-conditioning services to the Unit. Such installation may only penetrate common elements immediately adjacent to the Unit and shall be located under the deck or immediately next to the building in which the Unit is located. The owner shall be responsible for maintenance, repair and replacement and the ultimate removal of the installed system and the pad. If the owner fails to maintain the system in a reasonable manner, the Association may do so to remove the system and charge the expense to the owner as a reimbursement assessment. If the Unit is located in an area other than under the deck, it shall be appropriately screened with landscaping material. The actual location of the pad and system shall in each case be subject to prior approval of the Board of Directors which approval shall not be unreasonably withheld.

17. Declarant's Special Rights. The Declarant shall have the following special rights:

17.1 Sales Office and Model. The Declarant shall have the right to maintain sales and/or rental offices and/or sales or rental models in one or more of the Units that the Declarant owns. The Declarant, its agents and prospective purchasers shall have the right to park automobiles on the common elements and to use and occupy the sales and/or rental office and models during reasonable hours any day of the week.

17.2 "For Sale" and "For Rent" Signs. The Declarant may maintain a reasonable number of "For Sale" and/or "For Rent" signs at reasonable locations on the Condominium property.

17.3 No Capital Assessments Without Consent. Neither the Association nor the Board of Directors shall make any assessments for new construction, capital improvements, acquisition or otherwise without the prior written consent of the Declarant, as long as the period

for annexing Units has not expired or as long as the Declarant owns the greater of two (2) Units or five percent (5%) of the total number of Units in the Condominium. Nothing contained in this Section 17.3 shall be construed to limit the Declarant's obligation to pay assessments for common expenses on Units owned by the Declarant pursuant to requirements of the Oregon Condominium Act.

17.4 Common Element Maintenance by the Association. The Association shall maintain all common elements in a clean and attractive condition. If the Association fails to do so, the Declarant may perform such maintenance at the expense of the Association.

17.5 Declarant's Easements. The Declarant and its agents and employees shall have an easement on and over the common elements for the completion of any portion of the Condominium, including the furnishing and decoration of any Unit, sales office or model, and the right to store materials on the common elements at reasonable places and for reasonable lengths of time.

17.6 Declarant's Other Special Rights. The rights reserved to the Declarant in this Section 17 shall in no way limit any other special rights that the Declarant, as a declarant, may have, whether pursuant to the Oregon Condominium Act or otherwise. Upon the expiration of any or all such special rights, the Declarant shall have the same rights as any other owner in the Condominium with respect to such ownership.

17.7 Assignment of Declarant's Rights. The Declarant shall have the right to assign any and all of its rights, including, without limitation, Declarant's special rights, as set forth in this Section 17, or to share such rights with one (1) or more other persons exclusively, simultaneously, or consecutively.

17.8 Expiration of Declarant's Special Rights. Unless otherwise provided, the Declarant's special rights, as reserved in this Section 17, shall expire upon the conveyance by the Declarant of the last Unit owned by the Declarant or seven (7) years after the first conveyance of a Unit in the Condominium, whichever is earlier.

18. Cross Easements. The following cross easements are hereby declared over the common elements of the Condominium for the benefit of Tract A and the Declarant:

18.1 Access. The Declarant, for itself and its successors and assigns hereby reserves an easement over all roadways and driveways now existing or in the future constructed on the general common elements and to construct and maintain new roadways and driveways on such real property if none exist sufficient to serve as a means of ingress and egress to Tract A all for the benefit of Tract A, or any portion thereof. Such easement shall run with the land and shall continue, until the entirety of Tract A is reclassified.

18.2 Access Easement Unrestricted. The easements reserved in Section 18.1 may be used by Declarant, its successors and assigns as a means of ingress and egress to Tract A for any purposes, including, without limitation, access for construction and service vehicles and access by residents to Condominium Units constructed on all or part of Tract A in the future.

18.3 Utility Easements. Easements for utility services of all kinds now customarily available or which may become available in the future are reserved over all portions of the common elements, excepting those portions covered by the Condominium buildings for the benefit of the Tract A.

18.4 Repair of Damaged Property. Notwithstanding any other expense apportionment set forth in this Section 18, any party damaging any utility installation or roadway/driveway improvement within an easement area shall be responsible for the cost to repair such damage.

18.5 Assignments. The Declarant may assign in whole or in part the reserved easements described in this Section 18 when the Declarant transfers title to such real property or any part thereof.

18.6 Easements Run With the Land. All of the easements reserved in this Section 18 shall run with the land and shall continue until all portions of Tract A have been reclassified.

18.7 No Amendment Without Declarant's Consent. As provided in Section 13.1, the easements reserved in this Section 18 shall not be extinguished or restricted without the written consent of the Declarant and its successors and assigns.

19. General Provisions.

19.1 Interpretation. The rights and obligations of all members of the Association and any person dealing with the Association or any of its members with respect to matters pertaining to the Declaration, any Supplemental Declaration, the Articles of Incorporation, or the Bylaws shall be interpreted in accordance with and governed by the laws of the State of Oregon.

19.2 Severability. Each provision of the Declaration, any Supplemental Declaration, the Articles of Incorporation, and the Bylaws shall be independent and severable. The invalidity or partial invalidity of any section thereof shall not affect any of the remaining portions of that or any other provision of this Declaration or the Bylaws.

19.3 Waiver of Rights. The failure of the Association, the Board of Directors, an officer or a Unit owner to enforce any right, provision, covenant or condition provided in the Declaration, any Supplemental Declaration, the Articles of Incorporation, or the Bylaws shall not constitute a waiver of the right of any such party to enforce such right, provision, covenant or condition in the future.

19.4 Legal Proceedings. Failure to comply with any of the terms of the Declaration, any Supplemental Condominium Declaration, the Articles of Incorporation, the Bylaws and any rules or regulations adopted thereunder shall be grounds for relief, which may include, without limitation, fining the noncomplying owner, bringing an action to recover money due, damages or a suit for injunctive relief, or an action to foreclose a lien, or any combination thereof. Relief may be sought by the Association, Board of Directors, an officer, a professional manager or management firm, or, if appropriate, by an aggrieved Unit owner.

19.5 Costs and Attorneys' Fees. In any proceeding arising because of an alleged failure by a Unit owner to comply with the terms and provisions of this Declaration (as amended or supplemented), the Bylaws (as amended), Articles of Incorporation, rules and regulations adopted under the Bylaws or the Oregon Condominium Act, the prevailing party shall be entitled to recover the cost of the proceedings and such reasonable attorneys' fees as may be determined by the trial court in any trial or by the appellate court in any appeal thereof. In addition, the Association shall be entitled to recover costs and attorneys fees incurred by it to collect delinquent assessments, or fines or to enforce the terms of the Declaration, Supplemental Declaration, Articles of Incorporation, Bylaws, or any rules or regulations promulgated thereunder, whether or not any collection or foreclosure action or suit is filed.

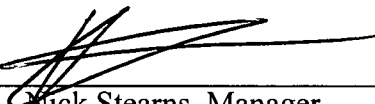
19.6 Compliances. Each Unit owner shall comply with the provisions of the Declaration, any Supplemental Condominium Declaration and the Bylaws and with the administrative rules and regulations adopted thereunder, and with all other applicable covenants, conditions and restrictions of record. Failure to comply therewith shall be grounds for suit or action, maintainable by the Association or any Unit owner, in addition to other sanctions that may be provided by the Bylaws or by any existing administrative rules and regulations.

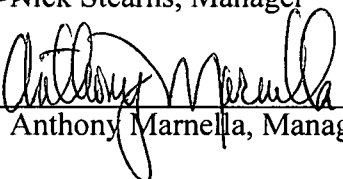
19.7 Conflicting Provisions. In the event of a conflict between or among the provisions of the Declaration, Articles of Incorporation, the Bylaws and any administrative rules and regulations, the provisions of the Declaration shall be paramount to those of the Bylaws and the rules and regulations, and those of the Articles of Incorporation shall be paramount to those of the Bylaws, and the Bylaws shall be paramount to the rules and regulations. For purposes of this Section 19.7, the term "Declaration" shall include all amendments and supplements to this Declaration, and the term "Bylaws" shall include all amendments to the Bylaws.

19.8 Section and Paragraph Captions. Section and paragraph captions shall not be deemed to be a part of this Declaration unless the context otherwise requires. In construing this Declaration, if the context so requires, the singular shall be taken to mean and to include the plural, the masculine shall be taken to mean and to include the feminine and the neuter and, generally, all grammatical changes shall be made, assumed and implied to make the provisions hereof apply equally to individuals, trusts, estates, personal representative, trustees and corporations.

The undersigned Declarant of the subject property has caused this Declaration to be executed this 6th day of March, 2006.

MATTHEW FRANK, LLC,
an Oregon limited liability company

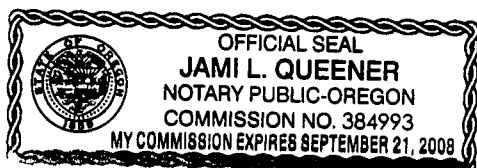
By: 
Nick Stearns, Manager

By: 
Anthony Marnella, Manager

STATE OF OREGON)
County of Multnomah)ss.

March 6, 2006

Personally appeared Nick Stearns and Anthony Marnella who, being duly sworn, did say that they are the Managers of Matthew Frank, LLC, a limited liability company, and that the foregoing instrument was signed in behalf of said company by authority of its members; and they acknowledged said instrument to be its voluntary act and deed.



Jami L. Queener
NOTARY PUBLIC FOR OREGON

The foregoing Declaration is approved pursuant to ORS 100.110 this 30th day of March, 2006 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.

for by Laurie Steelman
Scott W. Taylor,
Real Estate Commissioner

The foregoing Declaration is approved pursuant to ORS 100.110 this 18th day of APRIL, 2006.

COUNTY ASSESSOR

By: [Signature]

EXHIBIT "A"

LEGAL DESCRIPTION

LOTS 1-8, BLOCK 12, LOTS 1-4 AND LOTS 7-8, BLOCK 13, "P.T. SMITH'S ADDITION TO ST. JOHNS", (BOOK 151, PAGE 90, MULTNOMAH COUNTY PLAT RECORDS) AND LOTS 5, 6, AND 9-13 "SUBDIVISION OF PART OF BLOCK 13, LOTS 5 AND 6, P.T. SMITH'S ADDITION TO ST. JOHNS" (BOOK 414, PAGE 88, MULTNOMAH COUNTY PLAT RECORDS), ALONG WITH A PORTION OF VACATED N. LEONARD STREET, BEING LOCATED IN THE SOUTHEAST 1/4 AND THE SOUTHWEST 1/4 OF SECTION 1, AND THE NORTHWEST 1/4 AND THE NORTHEAST 1/4 OF SECTION 12, TOWNSHIP 1 NORTH, RANGE 1 WEST, WILLAMETTE MERIDIAN, CITY OF PORTLAND, MULTNOMAH COUNTY, OREGON, AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST EASTERLY CORNER OF LOT 8, BLOCK 13, "P.T. SMITH'S ADDITION TO ST. JOHNS"; THENCE ALONG THE NORTHWESTERLY RIGHT OF WAY LINE OF N. LEAVITT AVENUE SOUTH $24^{\circ}34'21''$ WEST 483.52 FEET TO A FOUND BRASS SCREW WITH 3/4 INCH DIAMETER BRASS WASHER STAMPED "LS 2264" AT THE MOST SOUTHERLY CORNER OF LOT 1, BLOCK 12, "P.T. SMITH'S ADDITION TO ST. JOHNS"; THENCE ALONG THE NORTHEASTERLY RIGHT OF WAY LINE OF NORTH KELLOGG STREET NORTH $65^{\circ}23'30''$ WEST 200.03 FEET TO A FOUND BRASS SCREW WITH 3/4 INCH DIAMETER BRASS WASHER STAMPED "LS 2264" AT THE MOST WESTERLY CORNER OF LOT 4, BLOCK 12, "P.T. SMITH'S ADDITION TO ST. JOHNS"; THENCE ALONG THE SOUTHEASTERLY RIGHT OF WAY LINE OF N. BURLINGTON AVENUE NORTH $24^{\circ}36'00''$ EAST 563.59 FEET TO A FOUND 5/8 INCH DIAMETER IRON ROD WITH YELLOW PLASTIC CAP STAMPED "PARIS & ASSOC. PLS 2264" AT THE MOST NORTHERLY CORNER OF LOT 13, "SUBDIVISION OF PART OF BLOCK 13, LOTS 5 AND 6, P.T. SMITH'S ADDITION TO ST. JOHNS"; THENCE ALONG THE SOUTHWESTERLY RIGHT OF WAY LINE OF NORTH CENTRAL STREET SOUTH $43^{\circ}33'21''$ EAST 215.26 FEET TO THE POINT OF BEGINNING.

EXHIBIT "B"

<u>Unit No.</u>	<u>Square Footage Area</u>	<u>Assessment Index</u>	<u>Percentage Ownership in Common Elements as of Stage 1</u>
1-1	1,260 + 217 (garage)	1.20	4.1667
1-2	1,653 + 217 (garage)	1.60	5.5556
1-3	728	.80	2.7777
1-4	728	.80	2.7777
1-5	1,657 + 217 (garage)	1.60	5.5556
1-6	1,264 + 217 (garage)	1.20	4.1667
2-1	1,264 + 217 (garage)	1.20	4.1667
2-2	1,657 + 217 (garage)	1.60	5.5556
2-3	728	.80	2.7777
2-4	728	.80	2.7777
2-5	1,653 + 217 (garage)	1.60	5.5556
2-6	1,260 + 217 (garage)	1.20	4.1667
3-1	1,264 + 217 (garage)	1.20	4.1667
3-2	1,658 + 217 (garage)	1.60	5.5556
3-3	728	.80	2.7777
3-4	728	.80	2.7777
3-5	1,658 + 217 (garage)	1.60	5.5556
3-6	1,264 + 217 (garage)	1.20	4.1667
4-1	1,264 + 217 (garage)	1.20	4.1667
4-2	1,657 + 217 (garage)	1.60	5.5556
4-3	728	.80	2.7777
4-4	728	.80	2.7777
4-5	1,657 + 217 (garage)	1.60	5.5556
4-6	1,264 + 217 (garage)	<u>1.20</u>	<u>4.1667</u>
TOTAL		28.80	100.0000

After Recording Return To:
Landye Bennett Blumstein LLP
3500 Wells Fargo Center
1300 SW Fifth Avenue
Portland, Oregon 97201

**BYLAWS OF
MATTHEW FRANK CONDOMINIUM**

Exhibit "C" to Condominium Declaration for Matthew Frank Condominium

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**BYLAWS
OF
MATTHEW FRANK CONDOMINIUM**

Exhibit "C" to Condominium Declaration for Matthew Frank Condominium

**ARTICLE 1
PLAN OF UNIT OWNERSHIP**

1.1 Unit Ownership. The condominium, located in the City of Portland, Multnomah County, Oregon, known as Matthew Frank Condominium, is submitted to the provisions of ORS 100.005 et seq., the Oregon Condominium Act, by the Condominium Declaration for Matthew Frank Condominium ("Declaration"), and these Bylaws.

1.2 Bylaws Applicability. The provisions of these Bylaws are applicable to the Condominium Association ("Association") and the entire management structure thereof. (The term "Condominium" as used herein shall include the land.)

1.3 Personal Application. All present or future owners, tenants or their employees, or any other person that might use the facilities of the Condominium in any manner are subject to the regulations set forth in these Bylaws. The acquisition, occupancy or rental of any of the Units of the Condominium or the mere act of occupancy of any such Units will constitute acceptance and ratification of these Bylaws and agreement to comply with all 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 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 Multnomah, Oregon, showing the date and place of recording of such deed or contract. No person shall be recognized as a Unit owner unless a copy of the deed or contract 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. 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 forty percent (40%) or more of the outstanding votes in the Condominium, as defined in Section 2.2 hereof, shall constitute a quorum. Provided, however, that the quorum at any adjourned meeting, as described in Section 3.8, shall be reduced to twenty-five percent (25%) of the outstanding votes in the Condominium.

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. 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. 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. Procedures for meetings by ballot shall comply with the Oregon Condominium Act as may be amended from time to time and Section 3.9 of these Bylaws. Proxies and ballots must be retained by the Association for one year from the date of determination of the vote.

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 or more persons jointly according to the records of the Association, the vote of such Unit may be exercised by any one of the owners then present, in the absence of protest by a co-owner. In the event of such protest, no one co-owner shall be entitled to vote without the approval of all co-

owners. In the event of 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 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 ballot meeting where the number of owners casting written ballots constitutes a quorum.

ARTICLE 3 ADMINISTRATION

3.1 Association Responsibilities. The owners of the Units constitute the members of the Association which, through its Board of Directors, 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 incorporated as 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 ten (10), nor more than fifty (50), days before the meeting. If such meeting is not called by the Declarant within the time specified, the meeting may be called and notice given by a Unit owner.

At the turnover meeting the Declarant shall relinquish control of the administration of the Association and the Unit owners shall assume such control and shall elect a board of directors ("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. The turnover meeting may not be conducted by written ballot.

3.4 Transitional Committee. Within not less than sixty (60) days of conveyance to persons other than the Declarant of fifty percent (50%) of the total number of Units which the Declarant may create (unless the turnover meeting has been held), the Declarant shall hold a meeting of the Unit owners for the purpose of forming a transitional committee in accordance with the Oregon Condominium Act and these Bylaws. The transitional committee shall be advisory only and shall consist of two (2) or more members selected by Unit owners other than the Declarant and may include not more than one (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 the Bylaws. At such meetings, new members of the Board of Directors shall be elected by the owners in accordance with the requirements of Section 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. Annual meetings of the Association may not be conducted by written ballot.

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%) 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 therefor, 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.

3.7 Notice of Meetings. The Secretary shall mail by first class or certified mail, or shall hand deliver, a notice of each annual or special meeting, stating the purpose thereof and the time and place where it is to be held, to each owner of record at least ten (10), but not more than fifty (50), days prior to such meeting or the date when ballots for a ballot meeting are required to be returned. The Secretary shall hand deliver, or mail by first class or certified mail, written ballots for ballot meetings to each owner of record not less than twenty (20) days prior to the date on which such ballots must be received by the Association in order to be counted. The mailing shall be to the owner's address last given to the Secretary in writing by the Unit owner or his vendee. If Unit ownership is split or the Unit has been sold on a contract, notice shall be sent to a single address, of which the Secretary has been notified in writing by such parties. If no address has been given to the Secretary in writing, then mailing to the Condominium Unit shall be sufficient. The mailing of a notice in the manner provided in this Section shall be considered notice served.

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

3.9 Ballot Meetings. Unless prohibited or limited by the Articles of Incorporation of the Association, any action that may be taken at any annual or special meeting of the Unit owners may be taken without a meeting if the Association delivers a written ballot to every Unit owner entitled to vote on the matter. Such ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action. A proposed action shall be deemed to be approved by written ballot when the number of votes cast by ballot equals or exceeds any quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. The Board must provide owners with at least ten (10) days' notice as required by ORS 100.425(2)(c) before written ballots are mailed or otherwise delivered. If, at least three (3) days before written ballots are scheduled to be mailed or otherwise distributed, at least ten percent (10%) of the owners petition the Board 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 making 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.

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

- 3.10.1** Roll call.
- 3.10.2** Proof of notice of meeting or waiver of notice.
- 3.10.3** Reading of minutes of the preceding meeting.
- 3.10.4** Reports of officers.
- 3.10.5** Reports of committees.
- 3.10.6** Election of inspectors of election.
- 3.10.7** Election of directors.
- 3.10.8** Unfinished business.
- 3.10.9** New business.

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, if any, the general common elements, 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 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 and the Units and the administration of the Association, including a fine schedule 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 within the State of Oregon 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 of the Association 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. Further, the Board of Directors shall cause to be maintained and kept current the information required to enable the Association to comply with ORS 100.480(7).

4.3.10 Causing the Association to file an Annual Report with the Oregon Real Estate Agency, 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.

4.3.12 Establishing and maintaining a current mailing address for 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 penalty upon ninety (90) days' written notice. Any management contract entered into by the Declarant before the turnover meeting may be canceled 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. 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, e-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, e-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 present at any meeting of the Board, no notice to Directors shall be required and any business may be transacted at such meeting.

4.13 Board of Directors' Quorum. At all meetings of the Board of Directors, a majority of the existing Directors shall constitute a quorum for the transaction of business, and the acts of a majority of the Directors shall be the acts of the Board of Directors. A majority of those present may adjourn a meeting of the Board of Directors at which less than a quorum is present. At any such adjourned meeting, any business that might have been transacted at the meeting as originally called may be transacted without further notice.

4.14 Board of Directors' Meetings Open to All Association Members. Except as provided in Section 4.15, all meetings of the Board of Directors shall be open to all members of the Association. No Association member shall have a right to participate in the Board of Directors' meetings unless such member is also a member of the Board of Directors. The Chairperson shall have authority to exclude any Association member who disrupts the proceedings at a meeting of the Board of Directors.

4.15 Executive Session. At the discretion of the Board, the following matters may be considered in executive sessions:

- (a) Consultation with legal counsel concerning rights and duties of the Association regarding existing or potential litigation or criminal matters;
- (b) Personnel matters, including salary negotiations and employee discipline;
- (c) Negotiations of contracts with third parties;

- (d) Collection of assessments; and
- (e) Any other matters for which the Oregon Condominium Act permits.

Except in the case of an emergency, the Board of Directors shall vote in an open meeting whether to meet in executive session. If the Board of Directors votes to meet in executive session, the presiding officer of the Board of Directors shall state the general nature of the action to be considered, as precisely as possible, when and under what circumstances the deliberations can be disclosed to owners. The statement, motion or decision to meet in executive session must be included in the minutes of the meeting. A contract or an action considered in executive session does not become effective unless the Board of Directors, following the executive session, reconvenes in open meeting and votes on the contract or action, which must be reasonably identified in the open meeting and included in the minutes.

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

4.17 Emergency Meetings. In the event of an emergency, Board of Directors meetings may be conducted by telephonic communication or by the use of means of communication that allows all Board members participating to hear each other simultaneously or otherwise to be able to communicate during the meeting. No notice to either Directors or Association members shall be required for such meetings of the Board of Directors to be held for any emergency action. Provided, however, that no such meeting shall occur unless at least seventy-five percent (75%) of the Board of Directors participate in the same and after an attempt has been made to reach each Director.

4.18 Compensation of Directors. No Director shall be compensated in any manner, except for out-of-pocket expenses, unless such compensation is approved by a majority vote 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 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 ("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 Assessments. All owners shall be obligated to pay assessments imposed by the Association to meet all the Condominium's 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 assessments may be made payable semi-annually, quarterly or monthly. An annual 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.

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 and Association property, if any.

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 or satellite television 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 Board of Directors of the Association annually shall conduct a reserve study which includes a maintenance plan, 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 for the maintenance, repair and replacement of the common elements with regular and adequate contributions, adjusted by estimated inflation and interest earned on reserves, to meet the maintenance, repair and replacement schedule.

The Board of Directors and the Declarant shall, within thirty (30) days after conducting the reserve study, provide to every owner a written summary of the reserve study and of any revisions to the thirty (30) year plan adopted by the Board of Directors or the Declarant as a result of the reserve study. 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 and maintain a general operating reserve account by allocation and payment thereto monthly of an amount determined by the Board of Directors. This account shall be used to pay expenses which exceed budgeted amounts. The 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.

6.2.1 Contribution to Working Capital. At closing of each initial sale in Stage 1 and future stages and subsequent resale, each purchaser shall contribute to the Association a sum equal to one-sixth (1/6th) of the annual assessments, with respect to the Unit being purchased, as a contribution to the working capital of the Association. At turnover, or within sixty (60) days after annexation of units in stages that were not annexed as at the turnover date, whichever is later, 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 assessments 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 annual assessments 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 before 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 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 Subsequently Created Units on Tract A. The initial assessment for owners of Units created by reclassifying some or all of Tract A shall be an amount equal to the periodic assessment then in effect for similar Units in the Condominium, plus a prorated portion of the assessment for the assessment installment period during which such subsequently created Units are added to the Condominium. Thereafter, the owners of the subsequently created Units in such stage shall be assessed directly by the Association. The total initial assessment of Units subsequently created shall be collected by the Declarant and delivered to the Association within thirty (30) days after the date on which such Units are created. Upon the recordation of the Supplemental Declaration subsequently creating additional Units, 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 and 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 by vote of a majority of the Board;

6.4.4 To make capital acquisitions, additions or improvements costing less than \$5,000; or

6.4.5 To make capital acquisitions, additions or improvements costing \$5,000 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, 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 extend beyond the date of the turnover meeting.

6.6 Adoption of Budget; Filing Income Tax Returns.

6.6.1 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. Within thirty (30) days after adopting the annual budget, the Board shall provide a summary of the budget to all owners. Such budget shall constitute the basis for determining each Unit owner's assessment for the common expenses of the Condominium.

6.6.2 Failure to Prepare Budget. The failure of the Board of Directors to 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.

6.6.3 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.

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

6.6.5 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 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, at its option, may impose a late charge penalty on any assessment 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 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 in any provisions of these Bylaws or of the Oregon Condominium Act shall be deemed to be a default by the owner of any mortgage to which the owner is a party or to which the Unit is subject.

6.8 Statement of Assessments.

6.8.1 The Association shall provide, within ten (10) business days of receipt of a written request from an owner, a written statement that provides:

6.8.1.1 The amount of assessments due from the owner and unpaid at the time the request was received, including:

- (a) Regular and special assessments;
- (b) Fines and other charges;
- (c) Accrued interest; and
- (d) Late payment charges.

6.8.1.2 The percentage rate at which interest accrues on assessments that are not paid when due.

6.8.1.3 The percentage rate used to calculate the charges for late payment or the amount of a fixed charge for late payment.

6.8.2 The Association is not required to comply with Section 6.8.1 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.

6.9 Maintenance and Repair.

6.9.1 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, bath tub/shower and dishwasher overflow.

6.9.2 Owner's Expenses. All repairs of internal installations of each Unit, such as water, lights, gas, power, sewage, telephones, air conditioners, heaters, and 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.

6.9.3 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 the owner's and the Association's benefit. In such circumstances, the insurance obtained by the owner shall be deemed to be the primary coverage.

6.10 Right of Entry; Easements for Maintenance.

6.10.1 Association 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.

6.10.2 Easement for Maintenance. 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.

6.10.3 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 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.

6.11 Failure to Follow Maintenance Plan. If the Association fails to follow the maintenance and inspection requirements contained in the maintenance plan described in Section 6.1.2.1(d) 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 unit owners or other persons or entities for loss or damage resulting from such failure.

ARTICLE 7

USE AND OCCUPANCY RESTRICTIONS; RULES OF CONDUCT

The failure of an owner (his family, invitees or tenants) to comply with the rules of conduct and restrictions set forth herein, in the Declaration, 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, vendors 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 tenant to comply with the terms of such documents shall be a default under the lease. Leasing of units shall be governed by Section 7.12 of these Bylaws.

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 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 installation. 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 stairways or on the patios, decks, 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 per Unit shall be permitted. Any Unit owner 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 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 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, railings, doors, windows, walkways, patios, fences, 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. 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 rent in reasonable places on the Condominium property.

7.6 Nuisances. No nuisances or 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, railing, balcony or terrace of the Condominium or 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 tenant shall install wiring for electrical or telephone installation, 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 in writing by the Board of Directors, and, if the modification or installation would require an easement pursuant to the Declaration, then prior approval by the required percentage of Unit owners. No window guards, awnings or shades shall be installed without the prior written consent of the Board of Directors.

7.9 Satellite Dishes and Antennas. Except as otherwise provided by law or this section, no exterior antennas, satellite dishes, microwave, aerial, tower or other devices for the transmission or reception of television, radio or other forms of sound or electromagnetic radiation shall be erected, constructed or placed on any Unit or any common elements. Only exterior satellite dishes or antennas with a surface diameter of one (1) meter or less and antennas designed to receive television broadcast signals or multi-channel multi-point distribution (wireless cable), may be placed on a limited common element if it is securely mounted in such a manner that it may not become dislodged. Owners installing permitted satellite dishes or antennas in limited common element areas shall not penetrate into general common element areas. Any damage to the common elements caused by such owner shall be repaired at owner's sole cost and expense. Such cost shall be considered as an assessment and collectible as such as elsewhere provided in the Bylaws or Declaration. The Board may adopt reasonable rules and regulations governing the installation, safety, placement and screening of such antennas, satellite dishes and other transmission devices. This section and any rules adopted hereunder shall not unreasonably delay or increase the cost of installation, maintenance or use or preclude reception of a signal of acceptable quality.

7.10 Parking. There are no outdoor parking spaces on the Condominium Property. The two and three bedroom Units include garages. Occupants of one bedroom Units and all guests must park on the public street. Garages shall be used for parking the passenger vehicle of the occupant of the Unit where the garage is located and for no other purpose.

7.11 Vehicle Restrictions. 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.

7.12 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 agreements, 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, and Supplemental Declaration, 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 Fines. The Board of Directors may, after giving written notice and an opportunity to be heard, levy reasonable fines for violations of the Declaration, Bylaws and rules and regulations of the Association, provided that fine levied is based on a schedule previously adopted by Board resolution that is mailed to the mailing address of each Unit or mailed to the mailing address designated in writing by the owner(s).

7.14 Additional Rules. Rules and regulations concerning other use of the Condominium property, including a fine schedule for violation thereof, 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.

7.15 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:

Conditions and Restrictions contained in Ordinance No. 87358 of the City of Portland, a copy of which was

Recorded: June 15, 1943 in Book 1271, Page 48

Restrictive Covenant to Waive Remonstrance, pertaining to future grant of sewer easement, including the terms and provisions thereof

Recorded: November 29, 1951 in Book 1510, Page 452

Conditions and Restrictions contained in Ordinance No. 116056 of the City of Portland, a copy of which was

Recorded: November 15, 1962 in Book 2146, Page 435

Reservation of utilities in vacated street area and the right to maintain the same as set forth in Ordinance No. 116104, a copy of which was

Recorded: December 17, 1962 in Book 2147, Page 377

Easement, including terms and provisions contained therein:

Recording Information: October 18, 1963 in Book 2191, Page 484

In Favor of: Pacific Power and Light Company

For: Right of way

Modification and/or amendment by instrument:

Recording information: December 6, 1973 in Book 962, Page 26

Revocable permit to use dedicated street areas, including terms and provisions thereof

Recorded: June 10, 1999 as Fee No. 99116127

Conditions and Restrictions contained in Land Use Review File No. LUR 96-00974 AD

Recorded: March 5, 1997 as Fee No. 97032076

Covenants, conditions, restrictions and/or easements; but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, family status, or national origin to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes:

Recording Information: January 6, 2005 as Fee No. 2005-003257

Regulatory agreement (Homeownership – for profit), including terms and provisions thereof

Recorded: May 13, 2005 as Fee No. 2005-085942

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 (including cabinets, built-in appliances and plumbing fixtures), installations or additions comprising a part of the building within the unfinished interior surfaces of the

perimeter walls, floors and ceilings of the individual Condominium Units initially installed or replacement thereof, in accordance with the original Condominium plans and specifications, or installed by or at the expense of any Unit owner or owners.

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 either. Said policy or policies shall be issued on a comprehensive liability basis and shall provide cross liability endorsements wherein the rights of 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 holding a "Commissioner's rating" of "A+" and a size rating of "AAA, " or better, by Best's Insurance Reports, or as may be otherwise acceptable to all mortgagees and directors.

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 7.2.

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 canceled, 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 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.

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 common element or 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 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 any losses below 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 Unit 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 (3/4ths) or more in value of all the buildings is destroyed or substantially damaged and if the owners of at least sixty percent (60%) of the Units so vote, and upon written approval of holders of first mortgages that represent at least fifty-one percent (51%) of the votes of mortgaged 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 in writing by holders of first mortgages that represent at least fifty-one percent (51%) of the votes of Mortgaged 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 written approval by holders of first mortgages that represent at least fifty-one percent (51%) of the votes of mortgaged Units 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) recording thereof with the recording officer of Multnomah County; and (4) recording with that recording officer of the approval thereof of each first Mortgagee and each other lienholder 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. Such amendment so certified shall be recorded in the Deed Records of Multnomah 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 Mortgagees. 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, but no such consent shall be required after conveyance to owners other than the Declarant of seventy-five percent (75%) of the Units 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 as required by ORS 100.480. 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 to the Board by the owner or Mortgagee. Proxies and ballots must be retained by the Association for one year from the date of determination of the vote.

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 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 financial statement consisting of 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 within ninety (90) days after the end of each fiscal year. In the event the Association's annual assessments exceed \$75,000.00, the Board of Directors shall cause the financial statement to be reviewed within one hundred eighty (180) days after the end of the fiscal year by an independent certified public accountant licensed in the State of Oregon, in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. In the event the annual assessments are \$75,000.00 or less, the Board of Directors shall cause the most recent financial statement of the Association to be reviewed in the manner described above within one hundred eighty (180) days after the Board of Directors receives a petition requesting review signed by owners holding at least a majority of the voting rights in the Association. 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 purchaser, 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 act 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 (whether or not suit or action is commenced) incurred in connection with efforts to collect delinquent and unpaid assessments, fines 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)(j)(k)(l).

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

ARTICLE 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 Matthew Frank, LLC, Declarant of Matthew Frank Condominium, and will be recorded in the Deed Records of Multnomah County, together with the Condominium Declaration for said Condominium, after said Declaration and Bylaws are approved by the Assessor of said County.

DATED this 6th day of March, 2006.

MATTHEW FRANK, LLC,
an Oregon limited liability company

By: _____

Nick Stearns, Manager

By: _____

Anthony Marnella, Manager

STATE OF OREGON)
) ss.
County of Multnomah)

March 6, 2006

Personally appeared Nick Stearns and Anthony Marnella, who, being duly sworn, did say that they are the Managers of Matthew Frank, LLC, an Oregon limited liability company, and that the foregoing instrument was signed in behalf of said company by authority of its members; and they acknowledged said instrument to be its voluntary act and deed.

Jami L. Queener
Notary Public For Oregon

