

BYLAWS
OF THE
ASSOCIATION OF UNIT OWNERS OF
HIGHLANDS CONDOMINIUM

ARTICLE I
Plan of Condominium Ownership

- 1.1 Name and Location.** These are the Bylaws of the Association of Unit Owners of Highlands Condominium (herein “Association”. Highland Condominium (herein “Condominium”) is located in Lane County, Oregon, and has been submitted to the provisions of the Oregon Condominium Act (ORS 100.005 et seq.) by a Declaration filed simultaneously herewith.
- 1.2 Purposes.** The Association is formed under the provisions of the Oregon Condominium Act to serve as he means through which the unit owners may take action with regard to administration, management, and operation of the Condominium.
- 1.3 Applicability of Bylaws.** The Association, all unit owners, and all person using the Condominium property shall be subject to these Bylaws and to all rules and regulations, which may be promulgated hereunder.
- 1.4 Composition of the Association.** The Association shall be composed of all the unit owners of the Condominium, including the Katherine M. Bird Trust and its successors and assigns (herein “Declarant”), and the Association, itself; to the extent any of these own any unit or units of the Condominium.
- 1.5 Incorporation.** Upon approval of seventy-five percent (75%) of the unit owners, the Association may be incorporated under the Oregon Non-Profit Corporation Law. In such event, the Articles of Incorporation shall be consistent with the Declaration and these Bylaws, and these Bylaws shall constitute the Bylaws of the incorporated Association.
- 1.6 Definitions.** The definitions contained in or adopted by the Declaration shall be applicable to these Bylaws. In addition, all definitions as found in ORS 100.005 shall be applicable unless stated otherwise herein.

ARTICLE II

VOTING

2.1 Voting. Each residential unit shall be allocated one vote in the affairs of the Association, however, a garage unit shall be allocated no voting privileges. The Declarant shall be entitled to vote as the unit owners of any then existing residential units retained by Declarant, and the Board of Directors shall be entitled to vote on behalf of any residential unit which has been acquired by or on behalf of the Association; provided, however, that the Board of Directors shall not be entitled to vote such units in any election of directors.

2.2 Determination of Membership in the Association. Upon recordation of a conveyance or contract to convey a residential 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 said Association unit such time as such person's ownership ceases for any reason. Unit ownership shall be determined, for all purposes of the Condominium Declaration (herein "Declaration") and these Bylaws, and the administration of the property, from the record of unit ownership maintained by the property, from the record of unit ownership maintained by the Association. The record shall be established by the unit owner filing with the Association a copy of the deed or land sale contract for his unit, to which shall be affixed the certificate of the recording officer of Lane County, Oregon, showing the date and place of recording of such deed or contract. 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.

2.3 Proxies. A vote may be cast in person or by proxy. A proxy given by unit owner to any person who represents such owner at meetings of the Association shall be in writing and signed by such owner and shall be in writing and signed by such owner and shall be filed with the secretary. No proxy shall be valid after the meeting for which it was solicited, unless otherwise expressly stated in the proxy, and every proxy shall automatically cease upon sale of the unit by its owners. A unit owner may pledge or assign his voting rights to a mortgagee shall give written notice of such pledge or assignment to the Board of Directors. Any first mortgagee may designate a representative to attend all or any meetings of the Association.

2.4 Fiduciaries and Joint Owners. An executor, administrator, guardian, or trustee may vote in person or by proxy, at any meeting of the Association with respect to any unit owned or held by him in such capacity, whether or not the same shall have been transferred to his name; provided, that he shall satisfy, the secretary that his 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 Associations, the vote of such a 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- disregarded completely in determining the proportion of votes given with respect to such matter.

2.5 Landlords and Contract Vendors. Unless otherwise expressly stated in the rental agreement or lease all voting rights allocated to a unit shall be exercised by the landlord if the rental agreement or lease has an original term of ten (10) years or less, or by the tenant if the rental agreement or lease ha an original term of more than ten (10) years. Unless otherwise stated in the contract, all voting right allocated to a unit shall be exercised by the vendee of any land sale contract on the unit.

2.6 Quorum of Unit Owners. At any meeting of the Association, members holding fifty percent (50%) of the voting rights present in person or by proxy, shall constitute a quorum. The subsequent joiner of a unit owner, in the action taken at a meeting by signing and concurring in the minutes hereof, shall constitute the presence of such person for the purpose of determining a quorum. When a quorum is once present to organize a meeting it cannot be broken by the subsequent withdrawal of a unit owner of owners. If any meeting of members cannot be organized because of a lack of quorum, the members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present.

2.7 Majority Vote. The vote of the holders of more than fifty percent (50%) of the voting rights present, in person, or by proxy, at a meeting at which a quorum is constituted shall be binding upon all unit owners for all purposes except where a higher percentage vote is required by law, by the Declaration, or by these Bylaws.

ARTICLE III

MEETINGS OF THE ASSOCIATION

3.1 Place of Meeting. The Association shall hold meetings at such suitable place convenient to the unit owners as may be designated by the Board of Directors from time to time.

3.2 Transitional Committee. Within seven (7) years after the Declarant has submitted the first stage of the Condominium and adopted these Bylaws as owner of all the units, or within sixty (60) days after the Declarant has sold to persons other than the Declarant fifty person (50%) of the units, whichever is earlier, and unless a turnover meeting pursuant to Section 3.3 thereof has been held, the Declarant shall call, pursuant to the provisions of Section 3.6 hereof,

a meeting of the unit owners for the purpose of forming a transitional committee. The committee shall include two members selected by the unit owners (other than the Declarant) and one representative of the Declarant.

This committee shall be advisory only and shall have no administrative authority in the Condominium. Its purpose shall be to aid in the smooth transition of control of the Association from the Declarant to the unit owners. This committee shall have access to all records, which the Declarant must turn over to the unit owners as set forth in Section 3.3.

If the meeting, required hereunder, is to be called by the Declarant within the time specified, any unit owner may call the meeting by giving proper notice as set forth herein. If no owners other than the Declarant appear to select members for this committee, the Declarant shall be absolved of all liability or responsibility to form the committee.

3.3 Turnover Meeting. Within ninety (90) days of the time Declarant has sold and conveyed seventy-five percent (75%) of the residential units in the Condominium, the Declarant shall call, pursuant to the provisions of Section 3.6 thereof, a turnover meeting of the unit owners to organize the Association and to elect directors.

If the turnover meeting is not called within the time specified, the meeting may be called and notice given by any unit owner of first mortgage of a unit. At the turnover meeting:

- (a) The Declarant shall relinquish control of the administration of the association of unit owners and the unit owners shall assume the control:
- (b) The unit owners shall elect a Board of Directors in accordance with the Bylaws of the Condominium; and
- (c) The Declarant shall deliver to the Association all property of the unit owners and association of unit owners held or controlled by the Declarant including, but not limited to, the following items if applicable:
 - (1) The original or a photocopy of the recorded Declaration and Bylaws of the Condominium and any supplements and amendments thereto.
 - (2) A copy of the Articles of Incorporation.
 - (3) The minute books, including all minutes and other books and records of the Association.
 - (4) Any rules and regulations, which have been promulgated.

- (5) Resignation of officers and members of the interim Board of Directors.
- (6) A report of the present financial condition of the association of unit owners. The report shall consist of a balance sheet and an income and expense statement for the preceding twelve (12) month period or the period following the recording of the Declaration, whichever period is less.
- (7) The Association's funds or control thereof, including, but not limited to, any bank signature cards.
- (8) All tangible personal property that is property of the Association and an inventory of such property.
- (9) A copy of the following, if available:
 - (a) The as-built architectural structural, engineering, mechanical, electrical, and plumbing plans.
 - (b) The original specifications indicating thereon all material changes.
 - (c) The plans for underground site service, site grading, drainage, and landscaping together with cable television drawings.
 - (d) Any other plans and information relevant to future repair or maintenance of the property.
- (10) Insurance policies.
- (11) Copies of any occupancy permits which have been issued for the Condominium.
- (12) Any other permits issued by governmental bodies applicable to the Condominium in force of issued within one (1) year prior to the date the unit owners assume control of the administration of the association of unit owners.
- (13) A list of the general contractor and subcontractors responsible for construction or installation of the major plumbing, electrical, mechanical, and structural components of the common elements.

- (14) A roster of unit owners and their addresses and telephone numbers, if known, as shown on the records of the Declarant.
- (15) Leases of the common elements and any other leases to which the Association is a party.
- (16) Employment of service contracts in which the association is one of the contracting parties; or service contracts in which the Association or the unit owners have an obligation or responsibility, directly or indirectly, to pay some or all of the fee or charges of the person performing the service.
- (17) Any other contracts to which the Association is a party.

(d) In order to facilitate an orderly transition during the three (3) month period following the turnover meeting, the Declarant or an informed representative shall be available to meet with the Board of Directors on at least three (3) mutually acceptable dates to review the documents delivered under subsection 3 of this section.

(e) If the Declarant otherwise has sufficient voting right as a unit owner to control the Association, the Declarant shall be relieved of any further responsibility for the administration of the Association except as unit owner of any unsold unit.

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

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

3.6 Notice of Meetings. Notice of all meetings of the Association stating the time and place and the objects for which the meeting is being called, shall be given by the chairman or secretary. If no Association has been formed, notice of the meeting called to form the transitional committee and notice of the turnover meeting shall be given by the Declarant.

All notices shall be in writing and mailed to each unit owner at his address as it appears on the books of the Association and to any mortgagee requesting such notice not less than ten (10) days nor more than fifty (50) days prior to the date of the meeting. Proof of such mailing shall be given by the affidavit of the person giving the notice. Notice of the meetings may be waived by any unit owner before or after meetings. When a meeting is adjourned for less than thirty (30) days, no notice of the adjourned meeting need be given other than by announcement at the meeting at which such adjournment takes place.

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

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

ARTICLE IV

BOARD OF DIRECTORS

4.1 Number and Qualification. The affairs of the Association shall be governed by a Board of Directors composed of three (3) persons. At such time that the Association consists of fifty (50) or more units the number of directors shall be increased to five (5). All directors must be a unit owner or the co-owner of a unit. Provided, however, owners of the same unit may not serve as directors simultaneously.

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 be responsible for the following matter:

- (a) Care, upkeep, and supervision of the Condominium and the general common elements and the limited common elements, if any; and assigning, supervising assignments or approving any assignment of the use of any common element, general or limited, as may be required by the Declaration.
- (b) Designation and collection of monthly assessments from the owners in accordance with these Bylaws, the Declaration, and the Oregon Condominium Act.
- (c) Payment of all common expenses of expenses of the Association and institution and maintenance of a voucher system for payment, which shall require a sufficient number of signatories thereon as may be reasonably necessary to prevent any misuse of the Association's funds.
- (d) Designation and dismissal of the personnel necessary for the maintenance and operation of the Condominium, the general common elements, and the limited common elements, if any.
- (e) Subject to the limitations of the Oregon Condominium Act, leasing subleasing, or hypothecation in any manner of the general common elements, if any, of the Condominium, which have or may have any income producing potential.
- (f) Promulgation and enforcement of rules of conduct for unit owners, employees and invitees which shall be consistent with the restrictions set out in Article VII, Section 7.3 of these Bylaws.

4.4 Management Agent. The Board of Directors may employ a management agent, to be compensated in an amount established by the Board of Directors, to perform such duties and services as the Board of Directors shall authorize including, but not limited to, the duties listed in Section 4.3 of this Article.

4.5 Interim Directors. Upon the filing of the Declaration submitting the Condominium to the Oregon Condominium Act, the Declarant hereby appoints the following interim board of three (3) directors, who shall service until replaced by the Declarant or their successors have been elected by the unit owner as provided below:

Brandt Bunting
Howard McCulloch
Tom Clarey

- 4.6 Election and Term of Office.** At the turnover meeting called by the Declarant, pursuant to Section 3.3 of these Bylaws, the interim directors shall resign and five (5) successors shall be elected; three to service until the next annual meeting and two to serve until the second annual meeting after their election. Thereafter, at the expiration of the initial term of office of each respective director, his successor shall be elected to serve for a term of two years so that the term of not less than one-third of the directors shall expire annually. Directors shall hold office until their respective successors have been elected by the unit owner. Election shall be by plurality.
- 4.7 Vacancies.** Vacancies on the Board of Directors, caused by any reason other than the removal of director by a vote of the Association, shall be filled for the balance of the term of each directorship by vote of a majority of the remaining directors even though they may constitute less than a quorum; and each person so elected shall be a director until a successor is elected upon expiration of the term for which such person was elected by the other directors to serve.
- 4.8 Removal of Directors.** At any legal annual or special meeting, other than a meeting by ballot, any one or more of the directors may be removed, with or without cause, by a majority of the 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 may be given an opportunity to be heard at the meeting.
- 4.9 Organizational Meeting.** The first meeting of a newly-elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the directors at the meeting at which such directors were elected and no notice shall be necessary to the newly elected directors in order to legally hold such meeting providing a majority of the newly elected directors are present.
- 4.10 Regular and Special Meetings.** Regular meeting of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the directors. Special meetings of the Board of Directors may be called by the chairman and must be called by the secretary at the written request of at least two (2) directors. Notice of any special meeting shall be given to each director, personally or by mail, telephone, or telegraph at least three (3) days prior the day named for such meeting and shall state the time, place, and purpose of such meeting. All meetings of the Board of Directors shall be open to unit owners. Such meetings may be conducted by telephonic communication, except that if a majority of the units are principal residences of the occupants, then: (a) for other than emergency meetings notice of each Board of Directors meeting shall be posted at a place of places on the property at least three (3) days prior to the meeting, or notice shall

be provided by a method otherwise reasonably calculated to inform the unit owners of such meeting; and (b) only emergency meetings of the Board of Directors may be conducted by telephonic communication.

- 4.11 Board of Directors Quorum.** At all meetings of the Board of Directors a majority of the existing directors shall constitute a quorum for the transaction of business and the acts of the majority of the directors shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, they're by less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting any business, which might have been transacted at the meeting as originally call may be transacted without further notice.
- 4.12 Compensation of Directors.** No director shall be compensated in any manner, except for out-of-pocket expenses, unless such compensation is approved by a vote of the unit-owners.
- 4.13 Liability and Indemnification of Directors, Officers, Manager, or Managing Agent.** The directors and officers shall not be liable to the Association for any mistake of judgment, negligence, or to otherwise except for their own willful misconduct or bad faith. The Association shall indemnify and hold harmless each director and officer and the manager or managing agent, if any against all contractual liability to others arising out of contracts made by the Board of Directors, officer, manager, or managing agent on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provision of the Declaration or of these Bylaws. Each director and officer and the manager or managing agent, if any shall be indemnified by the Association against all expenses and liabilities, including attorneys' fees reasonable incurred or imposed upon them in connection with any proceeding to which they may be a party or which they may become involved, by reason of being or having been a director, officer manager or managing agent and shall be indemnified upon any reasonable settlement thereof; providing, however, there shall be no indemnity if the director, officer, manager, or managing agent is adjudged guilty of willful nonfeasance, misfeasance, or malfeasance in the performance of this duties.
- 4.14 Fidelity Bond.** The Board of Directors shall require any person or entity, including, by not limited to, employees of any professional manager who handles or is responsible for Association fund, to furnish such fidelity bond as the Board of Directors deem adequate. The premiums on such bonds shall be paid by the Association.

4.15 Insurance. The Board of Directors shall obtain the insurance required in article VIII of these Bylaws. In addition, the Board of Directors, in its discretion, may obtain such other insurance as it deems necessary to protect the interests of the Association or unit owners. The Board of Directors shall conduct an annual insurance review, which, if appropriate, shall include an appraisal of all improvements contained in the Condominium.

ARTICLE V **OFFICERS**

5.1 Designation. The principal officers of the Association shall be a chairman, a secretary, and a treasurer, all of whom shall be elected by the directors. The directors may appoint an assistant treasurer, 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 of any Board of Directors' meeting thereafter and shall hold office at the pleasure of the Board of Directors.

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 elected at any regular or special meeting of the Board of Directors.

5.4 Chairman. The chairman shall be the chief executive officer of the Association. He shall preside at all meetings of the association and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of president of an association, including but not limited to the power to appoint committees from among the owners from time to time, as he may in his discretion decide is appropriate, to assist in the conduct of the affairs of the Association. The only in case of a tie vote at any such meeting and his vote shall be final.

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 paper 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 shall have responsibility for the Association's funds and situations 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 VI

BUDGET, EXPENSES AND ASSESSMENTS

6.1 Budget. The Board of Directors shall, from time to time and at least annually, prepare a budget for the Association; estimate the common expenses suspected to be incurred, less any previous over assessment; and assess the common expenses to each unit owner in the proportion set forth in the Declaration.

6.2 Determination of Common Expenses. Common expenses shall include:

- (a) Expenses of administration;
- (b) Expenses of maintenance, repair, or replacement of common elements;
- (c) Cost of insurance or bonds obtained in accordance with these Bylaws;
- (d) A general operating reserve;
- (e) Reserve for replacements and deferred maintenance as set forth in Section 6.4;
- (f) Any deficit in common expenses for any prior period;
- (g) Utilities for the common elements and other utilities with a common meter or commonly billed, such as trash collection, water, and sewer; and
- (h) Any other items properly chargeable as an expense of the Association.

6.3 Assessment of Unit Owners. All unit owners shall be obliged to pay common expenses assessed to them by the Board of Directors on behalf of the Association pursuant to these Bylaws and the Declaration. Assessments may not be waived due to limited or nonuse of common elements. The Declarant shall be assessed as the unit owner of any unsold unit, by such assessment shall be prorated to the date of sale of the unit. Assessments shall commence upon closing of the first sale of a unit in the Condominium. At the time of closing of the initial sale of each unit the purchaser shall make an initial contribution to working capital of the Association equal to three (3) months

of the Association's assessments for the unit. Said initial contribution is applicable to the first owners of a unit only, and is not refundable. The sum constitutes the assessment (equal to two months' assessment) to help fund the initial Association budget. The Board of Directors, on behalf of the Association, shall assess the common expenses against the unit owners, from time to time and at least annually, and shall take prompt action to collect from a unit owner any common expense due which remains unpaid by him for more than thirty (30) days from the due date for its payment. Assessments shall be due and payable monthly.

6.4 Reserves. A portion of the common expense collected from each unit owner shall be placed in an account separate from the general operating account of the Association in accordance with ORS 100.175. This separate account is to be used as a reserve account for major maintenance and replacement of those common elements all or part of which would normally require replacement in more than three (3) or less than thirty (30) years from the time the budget is determined by the Board of Directors.

Following the second year after the turnover meeting, described in Section 3.3 hereof, future assessments for the reserve account may be reduced, eliminated, or increased by an affirmative vote of not less than seventy-five percent (75%) of the unit owners.

The assessment shall accrue from the time of conveyance of the first unit to an owner other than the Declarant. The Declarant, however, may elect to defer payment of the accrued reserve portion of the common assessment until conveyance to a purchaser.

The reserve account shall be used only for purposes outlined in this section; provided, however, that after the turnover meeting set forth in Section 3.3 the Board of Directors may borrow funds from the reserve account to meet high seasonal demands on the regular operating funds or to meet other temporary expenses which will later be paid from special assessments or maintenance fees. The reserve account may be invested by the Board of Directors subject to normal prudent investment standards.

Assessments paid into the reserve account shall be the property of the Association and are not refundable to sellers of units. Sellers of units may treat their outstanding share of the reserve account as a separate item in any agreement for the sale of their units.

6.5 Special Assessments-Capital Improvements. In the case of any duly authorized capital improvement to the common elements, the Board of Directors may, by resolution, establish separate assessments for the same which may be treated as capital contributions by the unit owners and the

proceeds of which shall be used only for the specific capital improvements described in the resolution.

6.6 Default in Payment of Common Expenses. In the event of default by any unit owner in paying to the Association the assessed common expenses, such unit owner shall be liable for late payment charge at the rate of twelve percent (12%) per annum on such common expenses from the due date thereof or at such greater rate as may be established by the Board of Directors, from time to time, together with all expenses incurred by the Association in collecting such unpaid expenses including attorneys' fees (whether of not suit is instituted, and at trial or any appeal there from). The Board of Directors shall have the right and duty to recover for Association such common expenses together with such charges, interest, and expenses of the proceeding, including attorneys' fees, by an action brought against such unit owner or by foreclosure of the lien upon the unit granted by the Oregon Condominium Act. The Board of Directors shall notify the holder of any first mortgage upon a unit of any default not cured within thirty (30) days of the date of default.

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

6.8 Statement of Common Expenses. The Board of Directors shall advise each unit owner in writing of the amount of common expenses payable by him and furnish copies of each budget, on which such common expenses are based to all unit owners and, if requested, to their mortgagees. The Board of Directors shall promptly provide any unit owner who makes a request in writing with a written statement of his unpaid common expenses.

6.9 Priority of Lien: First Mortgages.

6.9.1 Any lien of the Association against a unit for common expenses shall be subordinate to tax and assessment liens and any prior mortgage of record.

6.9.2 Notwithstanding the above, and pursuant to ORS 100.450(7) the priority established for a lien for unpaid assessments and interest due to Association shall also be prior to the lien of any prior mortgage of trust deed of record for the unit and the undivided

interest in the common elements if:

- (a) The Association has given the lender under the mortgage of trust deed ninety (90) days prior written notice that the owner of the unit is in default of payment of an assessment. The notice shall contain:
 - (1) Name of borrower;
 - (2) Recording date of trust deed or mortgage;
 - (3) Recording information;
 - (4) Name of condominium, unit owner and identification; and
 - (5) Amount of unpaid assessment.
- (b) The notice under paragraph (a) of this subsection shall set forth the following in ten-point type: NOTICE: The lien of the Association may become prior to that of the lender pursuant to ORS 100.450.
- (c) The lender has not initiated judicial action to foreclosure the mortgage of request issuance of a trustee's notice of sale under the trust deed or accepted a deed in lieu of foreclosure in the circumstances described in ORS 100.465 prior to the expiration of ninety (90) days following the notice by the Association.
- (d) The Association has provided the lender, upon request, with copies of any liens filed on the unit, a statement of the assessments and interest remaining unpaid on the unit and other documents which the lender may reasonable request.
- (e) The borrower is in default under the terms of the mortgage or trust deed as to principal and interest.
- (f) A copy of the notice described in paragraph (a) of this subsection has been verified, filed and recorded.

6.9.3 Subject to the foregoing section 6.9.2, where the purchaser or mortgagee of a unit obtains title to the unit as a result of foreclosure of a first mortgage or by deed in lieu of foreclosure, such purchaser or mortgagee, his successors and assign, shall not be liable for any of the common expenses chargeable to the unit, which became due prior to the acquisition of title by the purchaser of mortgagee in the following circumstances:

- (a) Written notice has been given to the Association, addressed to the individual authorized to accept service of process sent by first class mail, return receipt requested, notifying the Association of the mortgagee or beneficiary's intent to accept a deed in lieu of foreclosure and stating that the lien of the Association may be extinguished in the circumstances specified in this subsection; and
- (b) The deed in lieu of foreclosure is recorded not later than thirty (30) days after the date the notice is mailed to the Association.

ARTICLE VII
MAINTENANCE AND USE OF THE CONDOMINIUM PROPERTY

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

- (a) **Units.** All maintenance of and repairs to any unit shall be made by the owner of such unit; who shall keep the same in good order, condition, and repair; and shall do all redecorating painting, and staining which at any time may be necessary to maintain the good appearance and condition of his unit. In Addition, each unit owner shall be responsible for the maintenance, repair, or replacement of window and doors and any plumbing heating, or air conditioning fixtures, telephones, water heater, fans, lighting fixtures and lamps, fireplaces, chimneys, refrigerators, dishwashers, ranges, or other appliances and accessories that may be in or connected with his unit.
- (b) **Common Elements.** All maintenance, repairs, and replacements to the general and limited common elements shall be made by the Association and shall be charged to all the unit owners as common expense. Each unit owner, however, shall keep the limited common elements, which pertain to his unit in a neat, clean, and sanitary condition.

7.2 Additions, Alteration, or Improvements.

- (a) A unit owner may make any improvements or alteration to his unit that does not impair the structural integrity or mechanical systems of the Condominium or lessen the support of any portion of the Condominium.
- (b) After acquiring an adjoining unit, or an adjoining part of an adjoining unit, a unit owner may submit written request to the Board of Directors for permission to remove or alter any

Intervening partition or to create apertures therein-even if the partition, in whole or in part, is a common element. The Board of Directors shall approve the change unless it determines within forty-five (45) days that the proposed change will impair the structural integrity or mechanical systems of the Condominium or lessen the support of any portion of the Condominium. The Board of Directors may require the unit owner, at his own expense, to submit an opinion of a registered architect or registered professional engineer that the proposed change will not impair the structural integrity or mechanical systems of the Condominium or less the support of any portion of the Condominium. Removal of partition or creation of apertures under this paragraph is not an alteration of boundaries. Expenses incurred in amending the Declaration, plat, and floor plans in conjunction with an alteration as set forth therein shall be borne by the affected unit owners.

- (c) A unit owner shall make no repair or alternation to perform any other work on his unit which would jeopardize the soundness or safety of the property, reduce its value, impair any easement or hereditament, or increase the common expenses of the Association unless the consent of all other unit owners affected is first obtained.
- (d) A unit owner may not change the appearance of the common elements or the exterior appearance of a unit without permission of the Board of Directors.

7.3 Restrictions and Requirements Respecting Use of the Condominium Property. The following restriction and requirement are in addition to all other restrictions and requirements contained in the Declaration and these Bylaws:

- (a) No commercial activities of any kind shall be carried on in any unit or in any other portion of the Condominium without the consent of the Board of Directors of the Association or manager except activities relating to the rental or sale of unit. The provision, however, shall not be construed so as to prevent or prohibit a unit owner from maintaining his professional personal library; keeping his personal business or professional records or accounts; handling his personal business or professional telephone calls; or conferring with business or professional association, clients, or customers, in his unit.

- (b)** Nothing shall be done or kept in any unit or in the common elements, which will increase the cost of insurance of the common elements. No owner shall permit anything to be done or kept in his unit or in the common elements, which will result in cancellation of, insurance on any unit or any part of the common elements.
- (c)** No animals, livestock, or poultry or any kind may be raised, bred, or kept in any unit except dogs and cats (one dog or two cats per unit), or other household pets provided that they are not kept, bred, or maintained for any commercial purpose. The owner of any dog or cat must keep said dog or cat on a leash or kept it confined in the residential unit or its assigned limited common elements and no cat or dog shall be allowed to run free in the common elements.
- (d)** No part of the properties may be used or maintained as a dumping ground for rubbish, trash, garbage, or any other waste. No garbage, trash, or other waste may be kept or maintained on any part of the property except in a sanitary hidden from public view. All such waste and garbage must be promptly and periodically removed.
- (e)** No noxious, offensive, or unsightly conditions are permitted upon any portion of the property; nor may anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood.
- (f)** No car parts, appliances, immobilized, or immobile vehicles shall be placed or stored upon any limited or general common element of the properties. Any such property so described will be removed after seventy-two (72) hours at the owner's expense.
- (g)** No clotheslines, clothes racks, or other apparatus on which clothes, rags, or similar items are exposed for the purpose of drying or airing shall be located on the property except in the rear yard area.
- (h)** No resident of a unit shall post any advertisement or poster of any kind in or upon the properties except as authorized by the Association.
- (i)** Residents shall exercise extreme care about making noises or the use of musical instruments, radios, televisions and amplifiers that may disturb other residents.
- (j)** No garments, rugs, rags, laundry, or other clothing or materials shall be allowed to hang from the windows or from any of the

facades of the properties or in open carports.

- (k) No person will dust rugs or clean rugs from the windows or by beating them upon the exterior part of the properties.
- (l) No owner, resident, lessee, or person shall install wiring for electrical or telephone in installation, television or radio antenna, machines, or air conditioning units on the exterior of the properties or that protrude through the walls or the roof of any unit or building on the properties except as authorized by the Association.
- (m) Parking of boats, trailers, motorcycle, trucks, truck campers, and like equipment on the properties, except within an area approved by the Board of directors, is prohibited.
- (n) The parking spaces designated as general common elements in the Declaration are intended for use of automobiles of the owners and guests. The directors may make such rules necessary to govern the use of any general or any limited common element parking areas by which all owners and other users shall be bound.
- (o) At no time shall parking be allowed within the Condominium except within the garage units and clearly marked parking spaces as shown on the plat.
- (p) Vehicular traffic on the parking areas and driveway on the Condominium property shall be limited to five (5) miles per hour as a safety precaution. This speed limit shall apply to bicycles, motor scooters, motorcycles, automobiles, and trucks.
- (q) No unit may be lease or rented for less than thirty (30) days.

7.4 Association Rules and Regulations. In addition, the Board of Directors, from time to time, may adopt the amendment, adoption, modification, or revocation or rules and regulations governing the conduct of persons and the operation and use of the units and common elements, as it may deem necessary or appropriate in order to assure the peaceful and orderly use and enjoyment of the Condominium property. Such adoption shall become effective upon a majority vote of the Board of Directors. The Association, with a vote of not less than seventy-five percent (75%) of the unit owners, present in person or by proxy, at any meeting duly called for such purpose may revoke any such adoption, modification, or revocation or rules and regulation adopted by the Board of Directors. A copy of the rules and regulation, upon adoption and a copy of each amendment,

modification, or revocation there of shall be delivered by the secretary promptly to each unit owner shall be binding upon all unit owners and occupants of all units from the date of delivery.

7.5 Abatement and Enjoining of Violations. The violation of any rule or regulation adopted pursuant to these Bylaws or the breach of any Bylaw contained herein or of any provisions of the Declaration shall give the Board of Directors, acting on behalf of the Association, the right in addition to any other rights set forth in these Bylaws:

- (a) To enter the unit in which or as to which such violation exists and to summarily abate and removed, at the expense of the defaulting unit owner, any structure, thing, or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board of Directors shall not thereby be deemed guilty of any manner of trespass, however, judicial proceedings must be instituted before any items of construction can be altered or demolished; or
- (b) To enjoin, abate, or remedy such thing or condition by appropriate legal proceedings; or
- (c) To levy reasonable fines after giving notice and an opportunity to be heard. Such fines shall be treated in the same manner as common assessments.
- (d) To deny use of common facilities or services until such thing or condition has been remedied.

Any expense incurred by the Association in remedying the default, damage incurred by the Association or unit owners, or fines so levied shall be assessed against the offending unit as a common expense and enforced as provided in Article VI. In addition, any aggrieved unit owner may bring an action to recover damages or to enjoin, abate, or remedy such thing or condition by appropriate legal proceedings.

ARTICLE VIII **INSURANCE**

8.1 Insurance. For the benefit of the Association and unit owners the Board of Directors shall obtain and maintain at all times and shall pay for out of common expense funds the following insurance:

- (a) Property insurance covering loss or damage from occurrences

including, but not limited to, fire, vandalism, and malicious mischief with extended coverage endorsement; and such other coverage, which the Association may deem desirable, for not less than the full insurable replacement value of the units and common elements. Such policy or policies shall name the Declarant, the Association, and the unit owners as insured as their interest may appear and shall provide for a separate loss payable endorsement in favor of the mortgagee or mortgages of each unit, if any.

- (b) A policy or policies insuring the Declarant, the Association, the Board of Directors, unit owners, and managing agent against liability to the public to the owners of unites and of common elements and their invitees or tenants incident to the ownership or use of the property. There may be excluded from such policy or policies coverage of a unit owner (other than as a member of the Association or the Board of Directors) for liability arising out of acts or omission of such unit owner and liability incident to the ownership and/or use of the part of the property as to which such unit owner has the exclusive use of occupancy. Limits of liability under such insurance shall not be less than One Million Dollars (\$1,000,000) on a combined single limit basis. Such policy or policies shall be issued on a comprehensive liability basis and shall provide cross liability endorsement wherein the rights or named insured under the policy or policies shall not be prejudiced as respects his, her or their action against another named insured; and
- (c) Worker's compensation insurance to the extent necessary to comply with any applicable laws.

Each unit owner shall be responsible for obtaining, at his own expense, insurance covering his property not insured under paragraph (a) above and against his liability not covered under paragraph (b) above, unless the Association agrees otherwise.

8.2 Policies. Insurance obtained by the Association shall be governed by the following provision:

- (a) All policy shall be written with the State of Oregon or a company licensed to do business in the State of Oregon and holding a Commissioner's rating of "A" and a size rating of "AAA" or better by the Best's Insurance Reports, current at the time the insurance is written or to the turnover meeting of the Association, one acceptable to the Declarant.
- (b) All losses under polices hereafter in force regarding the property

shall be settled exclusively with Board of directors or its authorized representative. Proceeds of the policies shall be paid to the Association as trustee for the unit owners, or upon demand or any mortgage, to an insurance trustee acceptable to the Association and mortgagees of units.

- (c) Each unit owner shall be required to notify the Board of Directors of all improvements made by the owner to his unit, the value of which is in excess of Five Hundred Dollars (\$500). Nothing in this paragraph shall permit an owner to make improvements with first obtaining the approval of the Board of Directors pursuant to Section 7.2.
- (d) All owners shall be required to carry a personal effects fire and comprehensive personal liability and premises medical coverage policy. A copy of each such policy shall be filed with the Association within thirty (30) days after purchase.

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

- (a) A waiver of subrogation with respect to fire insurance coverage by the insurer as to any claims against the Board of Directors, manager, unit owners and their respective servants, agents, and guests.
- (b) A provision that the master policy on the Condominium cannot be cancelled, invalidated, or suspended on account of any one of more individual owners.
- (c) A provision that the master policy on the Condominium conduct be cancelled, invalidated, or suspended of any officer on the account of any officer or employee of the Board of Directors or the manager without prior demand in writing that the Board of Directors or manager cure the defect.
- (d) A provision that any “no other insurance” clause in the master policy exclude individual owners’ policies form consideration, and a waiver of the usual proration clause with respect to such policies.
- (e) A provision that the insurer issue sub policies specifying the portion of the master policy earmarked for each owner’s interest and that until the insurer furnishes written notice and a grace period to the mortgage, insured under the loss payable clause thereof, the mortgagee’s coverage is neither jeopardized by the conduct of the

unit mortgager-owner, the Association, or other unit owners, nor cancelled for nonpayment of premiums.

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

ARTICLE IX

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. Reconstruction of the damaged or destroyed buildings, as used in this paragraph, means restoring the buildings to substantially the same condition in which they existed prior to the fire, casualty, or disaster with each unit; and the common elements having the same vertical and horizontal boundaries as before. Such reconstruction shall be accomplished under the direction of manager or the Board of Directors.

9.2 Insurance Proceeds Insufficient to Cover Loss. If the insurance proceeds are insufficient to reconstruct the damaged the insurance proceeds are insufficient to reconstruct the damaged or destroyed building, the damage to or destruction of such building shall be promptly repaired and restored by the manager or the Board of Directors using the proceeds to insurance, if any, on such buildings for that purpose; and all the unit owners shall be liable for assessment for any deficiency for such reconstruction, such deficiency to take into consideration as the owner's contribution any individual policy insurance proceeds provided by such owner. Provided, however, if three-fourths (3/4) or more in value of all the buildings are destroyed or substantially damaged and if the owner of at least three-fourths (3/4) of the units do not, voluntarily within sixty (60) days after such destruction or damage make provision for reconstruction, the manager or the Board of Directors shall record with the County Recorder a notice setting forth such fact and the recording of such notice.

- (a) The Condominium property shall be deemed to be owner in common by the owners.
- (b) The respective interest of each unit owner in the property shall be determined by the provisions of ORS 100.610, which are in effect on the date the Condominium Declaration is recorded.
- (c) Any liens affecting any of the units shall be deemed to be transferred in accordance with the existing priorities to the undivided interests of the owners in the project.
- (d) The Condominium shall be subject to an action for partition at the suit of any owner. If a decree of partition orders the sale of the Condominium property, the net proceeds of sale, together with the net proceeds of the policies of insurance on the Condominium, if any, shall be considered as one fund and shall be divided among all of the owners in proportion to their respective undivided interest 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.

Notwithstanding all other provisions hereof, the owners may, subject to the Oregon Condominium Act, by an affirmative vote of sufficient owners to amend these Bylaws, cause an amendment to be made to the Condominium documents so as to facilitate architectural changes that the owners affected thereby and the Association deem desirable; if, and only if, the partial or total destruction of the Condominium or any buildings thereof, by fire, casualty, or any other disaster is so great as to require the substantial reconstruction of the whole of the Condominium documents shall be valid only upon (1) the recording thereof with the recording officer of Lane County; and (2) the recording, with that recording officer, of the approval thereof of each mortgagee and each other lien holder of record having a lien against any part of the project of building affected by such amendment.

ARTICLE X
CONDEMNATION

The Board of Directors shall have the sole authority to negotiate with any public or private body or person having the power of eminent domain; and to sue or defend in any litigation, involving such bodies or person 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 proceedings; provided, however,

nothing in this or any document or agreement relating to the Condominium shall be construed to give a unit owner or any party priority over the rights of the first mortgagees of any Condominium units in the case of a distribution to the unit owner of any such condemnation awards for losses to or a taking of a unit and/or the common elements.

ARTICLES XI

AMENDMENTS TO THE BYLAWS

11.1 How Proposed. Amendments to the Bylaws shall be proposed by either a majority of the Board of Directors or by unit owners holding thirty percent (30%) of the voting rights. The proposed amendment must be reduced to writing and shall be included in the notice of any meeting at which action is to be taken thereon.

11.2 Adoption. Amendments may be approved by the Association at a duly constituted meeting or ballot meeting conducted for such purpose. A vote of a majority of the unit owners is required for approval of any amendment except those items appearing in Section 11.3 below.

Any amendment must be approved by the Declarant so long as the Declarant owns twenty-five percent (25%) or more of the units in the Condominium; provided, however, that no such consent shall be required after five (5) years from the date these Bylaws are recorded.

11.3 Restricted Amendments. Any amendments which relate to pets of unit owners, occupancy restrictions relating to the age or number of occupants, and the rental of units by unit owners shall require the approval of seventy-five percent (75%) of the reasonable in light of all of the facts and circumstances as affect the Association at the time the amendment is made.

11.4 Execution and Recording. An amendment shall not be effective until certified by the chairman and secretary of the Association, approved by the Real Estate Commissioner, if required by the Oregon Condominium Act, and recorded as required by law.

ARTICLE XII

RECORDS AND AUDITS

12.1 General Records. The Board of Directors and managing agent or

manager, if any, shall keep detailed records of the actions of the Board of Directors and managing agent or manager; minutes of meetings of the Board of Directors; and minutes of the meeting of the Association. The Board of Directors shall maintain a Book of Resolutions containing the rules, regulation, and policies adopted by the Association, Board of Directors, and the manager. 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 unites.

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 normal business 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 Vouchers. The Treasurer shall pay all vouchers up to One Thousand Dollars (\$1,000) signed by the chairman, manager, or other person authorized by the Board of Directors. Any voucher in excess of \$1,000 shall require the signature of the chairman.

12.5 Reports and Audits. An annual report of the receipts and expenditures of the Association and a balance sheet showing assets and liabilities shall be rendered by the Board of Directors to all unit owners and to all mortgagees of units within ninety (90) days after the end of each fiscal year. From time to time the Board of Directors, at the expense of the Association, may obtain an audit of the books and records pertaining to the Association and furnish copies thereof to the owners and such mortgagees. At any time any owner of mortgagee may, at this own expense, 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, unit owner shall promptly inform the secretary or manager of the name and address of said vendee, mortgagee, lessee, or tenant.

12.7 Inspection of Records by Unit Owners. The Association shall maintain all of the documents delivered by the Declarant pursuant to Section 3.3. These and all other records of the Association shall be reasonably available for examination by a unit owner and any mortgagee of a unit. Upon written request, the Association shall make available for duplication any such records. The Association may charge a reasonable fee for furnishing copies of any documents, information, or records described in this section.

ARTICLE XIII **MISCELLANEOUS**

13.1 Notices. All notices to the Association or 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.

13.2 Waiver. No restriction, condition obligation, or provision contained these Bylaws or rules and regulations adopted pursuant hereto 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.

13.3 Action Without a Meeting. Any action which the Oregon Condominium Act, the Declaration, or these Bylaws require or permit the owners or directors to take at a meeting may be taken without a meeting if consent in writing, setting forth the action so taken, is signed by all of the owners or directors entitled to vote on the matter. The consent, which shall have the same effect as a unanimous vote of the owners or directors shall be filed in the record of minutes or the Association.

13.4 Reports. The Condominium Information report, the Annual Report and any amendments to either report, along with the fees associated therewith, shall be submitted to the Secretary of State by the Board of Directors when due.

13.5 Invalidity; Number; Captions. The invalidity or 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 and

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.

13.6 Conflicts. These Bylaws are intended to comply with the Oregon Condominium Act and the Declaration. In case of any irreconcilable conflict such statute and document shall control over these Bylaws or any rules and regulations adopted hereunder.

THEREFORE, Howard McCulloch, Trustee of the Katherine M. Bird Trust, hereby adopts these Bylaws on behalf of the Association of Unit Owners of Highlands Condominium and certifies that they will be recorded simultaneously with the Declaration, Plat, and Floor Plans for said Condominium in the Deed Records of Lane County after approval by the Real Estate Commissioner and the Lane County Assessor.

DATED this 27 day of August, 1990.

KATHERINE M. BIRD TRUST

By: Howard McCulloch, Trustee

STATE OF OREGON)
COUNTY OF LANE) ss.

On November 16, 1990, personally appeared the above name Howard McCulloch, Trustee of the Katherine M. Bird Trust, and being sworn, stated that he is the Trustee of said Trust and that these Bylaws are voluntarily signed on behalf of said Trust. Before me:

Arren N. Conrad
Notary Public-Oregon

State of Oregon
County of Lane-ss.

I, the County Clerk, in and for the said County, do hereby certify that the within instrument was received for record at

21 Nov 90 3:59
Reel 1665R

Lane County OFFICIAL Records
Lane County Clerk
By: John E. Faw
County Clerk