

EXHIBIT B

**THE BYLAWS OF
INNISFREE PATIO HOME
CONDOMINIUM ASSOCIATION**

MADE PURSUANT TO THE OREGON CONDOMINIUM ACT



**EXHIBIT B
BYLAWS OF THE
INNISFREE PATIO HOME CONDOMINIUM ASSOCIATION**

THESE BYLAWS, to be effective upon their recording in Lincoln County, Oregon, pursuant to the provisions of the Oregon Condominium Act, are made and executed this 1st day of October, 2003, by Innisfree Patio Home Condominium Association, a nonprofit mutual benefit corporation organized under the laws of the State of Oregon (hereinafter "Association").

1. GENERAL PROVISIONS

1.1 Identity.

These are the Bylaws of the Association. The Articles of Organization for the Association (the "Articles") were filed with the Oregon Secretary of State on November 28, 2001. The Association has been organized for the purpose of administering the operation and management of Innisfree Patio Home Condominium (the "Condominium"). The Condominium was established by Halvorson-Mason Corporation, an Oregon corporation (the "Declarant"). The Condominium was established in accordance with the provisions of ORS Chapter 100 (the "Act"). The Condominium is located upon property in Lincoln County, Oregon, the location of which is described in the Innisfree Patio Home Condominium Declaration (the "Declaration") to which these Bylaws are attached as Exhibit "B". Each Owner, including Declarant, shall be a member of the Association, provided that if a Unit has been sold on a recorded installment land sale contract, that contract vendee shall exercise the rights of the Owner for purposes of the Association, except as otherwise provided in the contract and except as hereinafter limited. Ownership of a Unit shall be the sole qualification for membership in the Association.

1.2 Bylaws Subject to Other Documents.

The provisions of these Bylaws are applicable to said Condominium, and are expressly subject to the terms, provisions and conditions contained in the Articles of Incorporation of the Association, and subject to the terms, provisions and conditions contained in the Declaration of Innisfree Patio Home Condominium, which is being recorded simultaneously herewith in the records of Lincoln County, Oregon.

1.3 Applicability.

Declarant, its successors and assigns, all Owners, tenants and occupants, their agents, invitees, licensees and employees that use the Condominium, or any part thereof, are subject to these Bylaws, and all rules and regulations thereunder as promulgated from time to time.

1.4 Office.

The office of the Association shall be at 5 Mount Jefferson Terrace, Lake Oswego, Oregon 97035, or at any other place designated by the Association.

1.5 Definitions.

Unless otherwise specified, all terms shall have the same meaning in these Bylaws as such terms have in the Declaration.

2. MEETINGS OF OWNERS

2.1 Initial Meeting.

The initial meeting of the Association shall be held within sixty (60) days after the recording of these Bylaws. The Declarant shall call the meeting by written notice to each of the Owners stating the exact time and place of the initial meeting and the purpose thereof. The notice shall be in accordance with the requirements of section 2.7 of these Bylaws, except that the Declarant shall fulfill the role of President or Secretary.

2.2 Transitional Committee.

Unless the turnover meeting (see Section 2.3) has been held, the Declarant shall call a meeting of the Owners within sixty (60) days of the conveyance to persons other than the Declarant of fifty-one percent (51%) of all Units which may be created or annexed under ORS.100.125 or 100.150, whichever is applicable. Notice of the meeting shall be given (as provided in Section 2.7) to each 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 the meeting is not called by the Declarant within the time specified, the meeting may be called and notice given by any Owner. If at the meeting the Owners, other than the Declarant, fail to select a transitional committee, the Declarant shall have no further responsibility to form such a committee. The committee shall be advisory only and shall consist of two or more members selected by Owners other than Declarant and shall not include more than one representative of Declarant. The committee members shall serve until the turnover meeting, and the committee shall function to ease the transition from control of the administration of the Association by the Declarant to control by the Owners. The requirement for a transitional committee shall not apply once the turnover meeting has been held.

2.3 Turnover Meeting.

A turnover meeting shall be called by the Declarant within ninety (90) days from the earlier of (a) seven (7) years from the date of conveyance of the first Unit; (b) the date of conveyance to persons other than Declarant of 75% of the Units in the Condominium which may be created or annexed under ORS 100.125 or 100.150, whichever is applicable; or (c) the date on which Declarant elects to relinquish permanently its control, whichever date first occurs. The Declarant shall give notice (as provided in Section 2.7) of the turnover meeting to each 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 the meeting is not called by Declarant, the meeting may be called and notice given by any Owner or by any first Mortgagee of a Unit. At the turnover meeting, the Declarant shall relinquish control of the Association to the Owners and the latter shall assume control. The Owners shall elect a Board of Directors as set forth in these Bylaws and Declarant shall deliver to the Association the items specified in ORS 100.210. During the three (3) month period following the turnover meeting, a representative of the Declarant shall be available to meet with the Board on at least three mutually acceptable dates to review the documents delivered, pursuant to ORS 100.210.

2.4 Annual Meetings.

In the first quarter of the calendar year following the calendar year in which the turnover meeting is held, the first annual meeting of Owners shall be held. At such meeting, the incumbent directors elected at the turnover meeting to serve until the first annual meeting shall resign and new directors shall be elected by the Owners as provided herein. Thereafter, annual meetings shall be held in the same month or in the month following, at such hour and on such date as the Board may designate, or if they should fail to designate such date by the last day of the first month in which the meeting may be held, then the meeting shall be held on the second Wednesday of the second month in which the meeting may be held, unless such day shall be a legal holiday, in which event the meeting shall be held on the next succeeding business day. At such meetings, the Owners shall elect directors to fill vacancies or to succeed retiring directors as provided in Section 3 of these Bylaws and shall also transact such other business of the Association as may properly come before the meeting.

2.5 Place of Meetings.

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

2.6 Special Meetings.

Special meetings of the Association may be called at any time by the chairperson of the board of directors, a majority of the board of directors or thirty percent (30%) of owners for the purpose of considering matters which, by the terms of the Act, the Declaration or these Bylaws, require the approval of all or some of the Owners, or for any other reasonable purpose. Such meetings shall be called by written notice of the President if so directed by the Board Chairman, by resolution of the Board of Directors or upon a petition signed and presented to the Secretary by the Owners of not less than thirty percent (30%) of the Units stating the purpose of the meeting. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof.

2.7 Notice.

The President or Secretary shall give written notice of each Owners' meeting at least ten (10) days but not more than fifty (50) days prior to the date set for such meeting. The notice shall state the purpose thereof and the time and place where it is to be held. Notice shall be given

to each Owner of record, and to any first Mortgagee of record requesting such notice, at the address of such Owner as listed on the books of the Association, or at such other address as such Owner shall have designated by notice in writing to the President or Secretary, at least ten (10) days prior to the giving of such notice of meeting. The giving of a notice in the manner provided in these Bylaws shall be considered notice properly served. Proof of the giving of such notice, whether by mail or personal delivery, shall be given by the affidavit of the person giving the notice. Notice of a meeting may be waived by any Owner before or after the meeting. 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.

2.8 **Voting.**

The total voting power of all Owners shall be one hundred percent (100%). Each Owner shall be entitled to one (1) vote for each Unit owned. Co-owners of a Unit shall have only a single vote. Any Co-ownership must be approved in advance by the LWC Association. An Owner's votes shall be voted in a single block and may not be split. The voting representative shall be designated by the Owner or Owners of each Unit by written notice to the Board and need not be an Owner. The designation may be revoked and changed at any time by actual written notice to the Board from a party having an ownership interest in a Unit, or by actual written notice of the death or judicially-declared incompetence of any party with an ownership interest in the Unit. The power of designation and revocation may be exercised by the trustee, receiver, guardian, or conservator of an Owner and the administrator or executor of an Owner's estate. The Declarant shall be entitled to vote as the Owner of any then existing Units retained by the Declarant, and the Board shall be entitled to vote on behalf of any Unit which has been acquired by or on behalf of the Association; provided, however, that the Board shall not be entitled to vote such Units in any election of directors. Any person, on becoming an Owner, shall furnish to the managing agent or Board a photocopy of the certified copy of the recorded instrument by which ownership of the Unit was obtained, which instrument shall remain in the files of the Association. An Owner shall not be deemed to be in good standing nor shall an Owner be entitled to vote at any annual or special meeting of Owners unless this requirement is first met. An executor, administrator, guardian, or trustee may vote in person, by absentee ballot, 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 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, in the absence of protest by a co-owner. In the event of such protest no one co-owner shall be entitled to vote without the approval of all co-owners. In the event of disagreement among the co-owners the vote of such Unit shall be disregarded completely in determining the proportion of votes given with respect to such matter. Any valid court order shall be controlling over anything to the contrary herein regarding the authority of a co-owner to vote on behalf their Unit.

2.9 Proxies.

A vote may be cast in person, by absentee ballot or by proxy. A proxy given by an Owner to any person who represents such Owner at meetings of the Association shall be in writing, signed by such Owner, shall run to a person or persons of legal age, and shall be filed with the Secretary. An Owner may revoke a proxy by actual notice of revocation to the person presiding over a meeting of the Association or to the Board if a vote is being conducted by written ballot in lieu of a meeting. 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 Owner. An Owner may pledge or assign voting rights to a Mortgagee. In such case, the Mortgagee or its designated representative shall be entitled to receive all notices to which the Owner is entitled and to exercise the Owner's voting rights from and after the time that the Mortgagee shall give written notice of such pledge or assignment to the Board. Any first Mortgagee may designate a representative to attend all or any meetings of the Association.

2.10 Fiduciary, Corporate and Joint Owners.

An executor, administrator, conservator, guardian or trustee may vote, in person or by proxy, at any meeting of the Association with respect to any Unit owned or held in such capacity, whether or not the same shall have been transferred to such person's name; provided, that such person shall satisfy the Secretary that the person is the executor, administrator, conservator, guardian or trustee, holding such Unit in such capacity. Any person voting on behalf of a Unit owned by a corporation or other entity shall provide the Secretary with written evidence, satisfactory to the Secretary, that such person is the duly constituted representative thereof. 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 disagreement among the co-Owners, the vote of such Unit shall be disregarded completely in determining the proportion of votes given with respect to such matter.

2.11 Voting by Mail.

The Board may elect to hold any election or vote by mail in accordance with the following procedure:

2.11.1 In the case of election of Board members by mail, the existing Board members shall advise the Secretary in writing of the names of proposed Board members sufficient to constitute a full board and of a date at least fifty (50) days after such advice is given by which all votes are to be received. The Secretary, within five (5) days after such advice is given, shall give written notice of the number of Board members to be elected and of the names of the nominees to all Owners. The notice shall state that any such Owner may nominate an additional candidate or candidates, not to exceed the number of Board members to be elected, by giving written notice of such nomination to the Secretary on or before a specified date which shall be fifteen (15) days from the date after the notice was given by the Secretary. Within five (5) days after such specified date, the Secretary shall give written notice to all Owners,

stating the number of Board members to be elected, stating the names of all persons nominated by the Board and by the Owners on or before the deadline, stating that each Owner may cast a vote by mail and stating the deadline established by the Board by which such votes must be received by the Secretary at the address of the principal office of the Association, which shall be specified in the notice. Votes received after that date shall not be effective. All persons elected as Board members pursuant to such an election by mail by receipt of the number of votes required by applicable law shall take office effective on the deadline specified in the notice for receipt of such votes.

2.11.2 Any action that may be taken at any annual, regular or special meeting of the Board, may be taken without a meeting if the association delivers a written ballot to every association member who is entitled to vote on the matter. This action may not substitute for the turnover meeting or the annual meeting of the association if more than a majority of the units are the principal residences of the occupants. A written ballot shall set forth each proposed action and provide an opportunity to vote for or against each action. The Board must provide owner's with at least ten (10) days prior notice before distributing the ballots to the Owners. If, at least three (3) days before the ballots are mailed or 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. The notice shall give the general subject matter of the vote; the right of owners to request secrecy procedures; the date the ballots may be distributed; the date and time by which any petition must be received by the board requesting secrecy procedures; and the address where any petition must be delivered. If the Owners petition the Board for secrecy procedures, the ballots 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.

2.11.3 In the case of a vote by mail relating to any other matter, the Secretary shall give written notice to all Owners, which notice shall include a written resolution setting forth a description of the proposed action, and shall state that each Owner may cast a vote by mail and state the deadline established by the Board by which such votes must be received by the Secretary at the address of the principal office of the Association, which shall be specified in the notice. Votes received after the deadline shall not be effective. Any such proposal shall be adopted if approved by the affirmative vote of not less than a majority of the votes entitled to be cast on such question, unless a greater or lesser voting requirement is established by the Declaration or Bylaws for the matter in question.

2.11.4 In the case of any vote my mail relating to any matter, the Board must provide all Owners with at least ten (10) days' prior notice before distributing the ballots to the Owners. If, at least three days before the ballots are scheduled to be mailed or delivered to the Owners, a group comprised of at least 10 percent of the Owners petition the Board for secrecy procedures, the ballots 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.

2.11.5 The Board shall allow at least twenty (20) days after the date of any vote-by-mail notice for the return of votes to the Secretary. Delivery of a vote in writing to the principal office of the Association shall be the equivalent to the receipt of a vote by mail at such address for the purpose of Section 2.11. Written ballots that are returned in secrecy envelopes may not be examined or counted before the deadline for returning ballots has passed.

2.12 Quorum.

At any meeting of the Association, the presence, in person or by proxy, of Owners representing a majority of the votes shall constitute a quorum. The subsequent joinder of an Owner in the action taken at a meeting by signing and concurring in the minutes thereof shall constitute the presence of such person for the purpose of determining a quorum. When a quorum is once present to organize a meeting, it cannot be broken by the subsequent withdrawal of an Owner or Owners. If any meeting of 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.

2.13 Binding Vote.

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

2.14 Order of Business.

- (a) The order of business at annual meetings of the Association shall be.
 - (b) Calling of the roll and certifying of proxies;
 - (c) Proof of notice of meeting or waiver of notice;
 - (d) Reading of minutes of preceding meeting;
 - (e) Reports of officers;
 - (f) Reports of committees, if any;
 - (g) Election of directors;
 - (h) Unfinished business;
 - (i) New business; and
 - (j) Adjournment.
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3. BOARD OF DIRECTORS

3.1 Number, Term and Qualification.

The affairs of the Association shall be governed by the Board, which shall consist of either three (3) or five (5) persons as determined from time to time by the Owners. Until the turnover meeting (as provided for in Section 2.3 of these Bylaws) shall have been held, the Board shall consist of the directors named in the Articles of the Association. At the turnover meeting, if three (3) directors are elected, one director shall be elected for a term of one (1) year, one director for a term of two (2) years and one director for a term of three (3) years. If five (5) directors are elected, one director shall be elected for a term of one year, two directors shall be elected to serve for a term of two years and two directors shall be elected for a three year term. Election shall be by plurality vote of the Owners. At the expiration of the initial term of office of each director, the successor shall be elected to serve for a term of three (3) years. The director shall hold office for the term herein fixed and until the director's successors have been qualified and elected. There shall be no limit on the number of successive terms a director may serve on the Board, if elected as herein provided. After the turnover meeting, all directors shall be Owners except for the Declarant. Subsequent to the turnover meeting, no director shall continue to serve on the Board after ceasing to be an Owner. For purposes of this Section 3.1, the officers of any corporation, the trustees of any trust, or the partners of any partnership which owns a Unit shall be considered co-Owners of any such Unit.

3.2 Powers and Duties.

The Board shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts except such acts which by law, the Declaration, or these Bylaws may not be delegated to the Board by the Owners. Such powers and duties of the Board shall include, without limitation (except as limited elsewhere herein) the following.

3.2.1 Operation, care, upkeep and maintenance of the portions of the Condominium that are the responsibility of the Association such as the staining of Units and landscape maintenance of General Common Elements and front yards between each Unit and Tract A.

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

3.2.3 Collect common expenses from Owners.

3.2.4 Provide for the designation, hiring and removal of employees and other personnel, including lawyers and accountants, to engage or contract for the services of others, and to make purchases for the maintenance, repair, replacement, administration, management and operation of the Condominium and to delegate any such powers to the manager or managing agent (and any such employees or other personnel as may be employees of the managing agent).

3.2.5 Adoption and amendment of reasonable Rules and Regulations pursuant to Section 7.7 of these Bylaws.

3.2.6 Maintain all Association funds in bank accounts within the State of Oregon on behalf of the Association and designate required signatories.

3.2.7 The acquisition of any and all goods and services necessary for the operation of the Condominium or for enforcement of the Declaration and these Bylaws consistent with Board-approved budgets or specially approved by the Board.

3.2.8 Pay any amount necessary to discharge any lien or encumbrance which is claimed to or may, in the opinion of the Board, constitute a lien or encumbrance against the Common Elements as opposed to a particular Owner's Unit. Where one or more Owners are responsible for the existence of such a lien, they shall be jointly and severally liable for the cost of discharging it, and any costs and expenses (including court costs and attorneys' fees, both at trial and on appeal) be specially assessed against the Owners and the Units responsible, to the extent of their responsibility.

3.2.9 Subject to Board approval, obtain and review bonds and insurance the Board deems necessary such as liability for personal injury and property damage, fidelity of Association officers' and other employees, and Directors' and Officer's liability, for the Association and the Condominium, including the Units, pursuant to the provisions of the Declaration or Bylaws.

3.2.10 Subject to the limitations set forth in Section 3.4, make repairs, replacements, additions and improvements to, or alterations of, both the general and limited Common Elements and repairs to and restoration of the Common Elements in accordance with the Declaration or Bylaws after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings or settlement under the threat thereof; provided, that if for any reasons such repairs or restorations are provided for the Limited Common Elements appurtenant to any particular Unit, or otherwise for the benefit of particular Units or their Owners, the cost thereof shall be specially assessed against the Owners of such Units.

3.2.11 Subject to the limitations set forth in Section 3.4, borrow money on behalf of the Association when required in connection with the operation, care, upkeep, and maintenance of the Common Elements; provided, however, that no lien to secure repayment of any sum borrowed may be created on any Unit or its appurtenant interest in the Common Elements without the consent of the Owner of such Unit. The Association shall have no power to encumber the Common Elements to secure repayment of borrowed funds without the written consent of all the Owners.

3.2.12 Subject to the limitations contained in Section 9.4 of these Bylaws, adjust and settle claims under insurance policies and execute and deliver releases on settlement of such claims on behalf of all Owners, all holders of Mortgages or other liens on the Units and all Owners of any other interest in the Condominium.

3.2.13 File all appropriate income tax returns and the Annual Report with the Oregon Real Estate Agency.

3.2.14 Enforcement by legal means of the provisions of the Act, the Declaration, these Bylaws and any Rules and Regulations adopted hereunder.

3.2.15 Within 90 days after the end of the fiscal year, prepare an annual financial statement consisting of a balance sheet and income and expenses for the preceding fiscal year for distribution to all unit owners.

3.3 Activities for Profit Prohibited.

Nothing herein contained shall be construed to give the Board authority to conduct an active business for profit on behalf of all of the Owners or any of them.

3.4 Limitation.

The Board's powers enumerated in these Bylaws shall be limited in that the Board shall have no authority to. (1) acquire and pay for out of the maintenance fund any structural alterations, capital additions to, or capital improvements of the Common Elements (other than for purposes of repairing, replacing or restoring portions of the Common Elements, subject to all the provisions of these Bylaws) requiring an expenditure in excess of an amount or amounts, aggregated for the calendar year in question, exceeding three percent (3%) of the estimated total budget of the Association for such calendar year, or (2) enter into agreements not to be performed within two years, except agreements specifically authorized in these Bylaws, without in each case the prior approval of Owners representing more than fifty percent (50%) of the votes of the Owners, present in person or by proxy at a duly called meeting for such purpose at which a quorum is constituted.

3.5 Organizational Meeting.

Within fourteen (14) days following the annual meeting of the Association, or following any meeting at which an election of Directors has been held, the Board shall hold an organizational meeting at such place and time as shall have been fixed by the Directors at the meeting at which the election was held.

3.6 Regular and Special Meetings.

Regular meetings of the Board 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 may be called by the President and must be called by the Secretary at the written request of at least one Director. Notice of any special meeting shall be given to each Director, personally or by mail, telephone or other generally accepted means of communication at least seven (7) days prior to the day named for such meeting, and shall state the time, place and purpose of such meeting. All meetings of the Board shall be open to 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 meeting shall be posted at a place or 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 Owners of such meeting; and (b) only emergency meetings of the Board may be conducted by telephonic communication. Although all meetings of the board of directors of the association of unit owners shall be open to unit owners, in the discretion of the board the following matters may be considered in executive session: (a) Consultation with legal counsel concerning the rights and duties of the association regarding existing or potential litigation, or criminal matters; (b) Personnel matters, including salary negotiations and employee discipline; and (c) The negotiation of contracts with third parties. Except in cases 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 and, as precisely as possible, when and under what circumstances the deliberations can be disclosed to owners. The meeting and notice requirements hereof may not be circumvented by chance or social meetings or by any other means.

3.7 Waiver of Notice.

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

3.8 Quorum.

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

3.9 Removal.

At any regular or special meeting of Owners, any one or more of the Board members may be removed with or without cause by a majority of the Owners and a successor may then and there or thereafter be elected to fill the vacancy thus created. The notice of any such meeting shall state that such removal is to be considered, and any Director whose removal has been proposed shall be given an opportunity to be heard at the meeting.

3.10 Resignation.

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

3.11 Vacancies.

Vacancies in the Board caused by any reason other than the removal of a member thereof by a vote of the Owners shall be filled by vote of a majority of the remaining members at a special meeting of the Board held for that purpose promptly after the occurrence of any such vacancy, even though the members present at such meeting may constitute less than a quorum. Each person so elected shall be a member of the Board for the remainder of the term of the member creating such vacancy and until a successor shall be elected at the next annual meeting of the Owners.

3.12 Compensation.

No Director shall receive any compensation from the Association for acting as such, but shall be reimbursed for reasonable out-of-pocket expenses.

3.13 Liability and Indemnification of Directors, Officers, Manager or Managing Agent.

The Directors and officers shall not be liable to the Association or the Owners for any mistake of judgment, negligence, or 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 on behalf of the Association unless such contract shall have been made in bad faith or contrary to the provisions 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, reasonably 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; provided, 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 their duties.

3.14 Fidelity Bonds.

The Board shall require that any person or entity, including, but not limited to, employees of any professional manager, who handles or is responsible for Association funds, shall furnish a fidelity bond as the Board deems adequate. The premiums on such bonds shall be paid by the Association.

3.15 Insurance.

The Board of Directors shall comply with the insurance requirements in Section 9 of these Bylaws. In addition, the Board, in its discretion, may obtain such other insurance as it deems necessary to protect the interests of the Association, Board or Owners. Upon the request of the Owners of at least two Units, the Board shall cause the managing agent to conduct a full insurance review, estimate the full replacement value of the improvements contained in the Condominium, and modify the insurance coverage, as needed, if it has been more than 12 months since the last such review.

3.16 Special Committees.

The Board by resolution may designate one or more special committees, each committee to consist of two (2) or more Owners which, to the extent provided in said resolution, shall have and may exercise the powers set forth in said resolution. Such special committee or committees shall have such name or names as may be determined from time to time by the Board. Such special committee or committees designated shall be appointed by the Board or the President. The Board or the President may appoint Owners to fill vacancies on each of said special committees occasioned by death, resignation, removal, or inability to act for any extended period of time.

4. OFFICERS

4.1 Designation.

The principal officers of the Association shall be the President, Secretary, and Treasurer, each of whom shall be elected by the Board. The Board may appoint a Vice President, Assistant Treasurer, Assistant Secretary and such other officers as in its judgment may be desirable. Only the President and Vice President need be Owners, or members of their family, fiduciaries, beneficiaries or Mortgagees (and in the case of Units owned by corporations or partnerships, the offices may be held by directors, officers, shareholders, partners or employees of such organizations).

4.2 Election.

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

4.3 Removal.

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

4.4 President.

The President shall be the chief executive officer of the Association. The President shall preside at all meetings of the Owners and of the Board and shall have all of the general powers and duties which are usually incident to the office of the chief executive officer of an association, including, but not limited to, the power to appoint committees from time to time as may, in the President's discretion, be appropriate to assist in the conduct of the affairs of the Association.

4.5 Vice President.

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

4.6 Secretary.

The Secretary shall keep minutes of all proceedings of the Board and minutes of all Association meetings. The Secretary shall attend to the giving and serving of all notices to the Owners and Directors and other notices required by law. Association records shall be kept by the Secretary, except for those of the Treasurer. The Secretary shall perform all other duties incident to the office of secretary of an association and as may be required by the directors or the President. In addition, the Secretary shall act as Vice President, taking the place of the President and performing such duties whenever the President is absent or unable to act, unless the directors have appointed another Vice President.

4.7 Treasurer.

The Treasurer shall be responsible for Association funds and securities and shall be responsible for supervising the managing agent and causing the same to keep full and accurate financial records and books of account showing all receipts and disbursements necessary for the preparation of all required financial statements. The Treasurer shall review the reports and statements provided by the managing agent with respect to the deposit of all funds and other valuable effects in such depositories as may from time to time be designated by the Board, and the disbursement of Association funds in accordance with the approved Association budget and any special authorizations from the Board for unbudgeted items. The Treasurer shall in general perform all other duties incident to the office of treasurer of an association and such other duties as may be assigned by the Board.

4.8 Execution of Instruments.

All agreements, contracts, deeds, leases and other instruments of the Association, except checks, shall be executed by such person or persons as may be designated by general or special resolution of the Board and, in the absence of any general or special resolution applicable to any such instrument, then such instrument shall be signed by the President. All checks may be signed by the managing agent or any duly elected officer of the Association.

4.9 Compensation of Officers.

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

5. BUDGET, EXPENSES AND ASSESSMENTS

5.1 Budget; Allocation by Category of Use.

The Board shall from time to time, but in no event less frequently than once every twelve months, prepare a budget for the Association, estimate the common expenses expected to be incurred, less any previous over-assessment, and assess the common expenses to each Owner in the method as set forth below. The budget shall reflect comparable figures for the prior year as to all items therein. Except as otherwise provided herein, the Board shall advise each Owner in writing of the amount of common expenses payable by that Owner, and furnish copies of each budget and amended budget on which such common expenses are based to all Owners and, if requested, to their Mortgagees, at least fourteen (14) days prior to the annual meeting of the Association. Failure to deliver a copy of any budget or amended budget to each Owner shall not affect the liability of any Owner for any such assessment. Nothing herein contained shall be construed as restricting the right of the Board to, at any time, in their sole discretion, levy any additional assessment in the event that the budget originally adopted shall appear to be insufficient to pay costs and expenses of operation and management, or in the event of emergencies.

5.2 Determination of Common Expenses.

Except as otherwise provided herein, common expenses shall include but not be limited to.

- 5.2.1 Expenses of administration.
- 5.2.2 Cost of insurance or bonds obtained in accordance with these Bylaws.
- 5.2.3 A general operating reserve.
- 5.2.4 Reserve for replacement of Common Elements as required by the Oregon Condominium Act and as more fully described in Section 5.3.2 of these Bylaws.
- 5.2.5 Any deficit in common expenses for any prior period, and any accrued interest or late charges thereon.
- 5.2.6 Utilities for the Common Elements and other utilities not separately metered or charged.

5.2.7 Expenses, if any, of any services of any person or firm to act on behalf of the Owners in connection with any matter where the respective interests of the Owners are deemed by the Board to be similar and non-adverse to each other.

5.2.8 Fees for professional management services.

5.2.9 Cost of staining the exterior of the Units, which shall be specially assessed against the Owners of such Units.

5.2.10 Cost of maintenance, repair and replacement of the Common Elements, provided that if such repairs, maintenance, or replacement are for Limited Common Elements appurtenant to any particular Unit, or otherwise for the benefit of particular Units or their Owners, the cost thereof shall be specially assessed against the Owners of such Units. The Board shall have the exclusive right and duty to acquire the same for the Common Elements.

5.2.11 Any other materials, supplies, labor, services, maintenance, repairs, alterations or assessments which the Board is required to secure or pay for, pursuant to the terms of the Declaration or these Bylaws or which in its opinion shall be necessary or proper for the maintenance and operation of the Condominium or for the enforcement of these restrictions, and which the Board determines should be assessed to the Owners under Section 5.3.

5.2.12 The discharge of any lien or encumbrance against the Common Elements, as opposed to a particular Owner's Unit. Where one or more Owners are responsible for the existence of such lien or encumbrance, they shall be jointly and severally liable for the cost of discharging it, which cost shall be specifically assessed to the responsible Owners.

5.2.13 Any other items properly chargeable as an expense of the Association.

5.2.14 Assessment of Common Expenses. All Owners shall be obliged to pay on a monthly basis in advance common expenses assessed to them by the Board on behalf of the Association pursuant to these Bylaws and the Declaration. Assessments may not be waived due to limited or nonuse of Condominium Common Elements. The Declarant shall be assessed as the Owner of any unsold Unit from the date of conveyance of the first Unit except with respect to Units created or annexed by supplemental declaration thereafter in which case the assessment shall accrue from the date of the supplemental declaration. The Declarant's assessment obligations shall be prorated to the date of sale of each Unit. The Declarant shall be allowed to accrue the portion of any such assessments applicable to the reserve fund described in Section 5.3.2 with respect to each Unit until the earlier of (a) the date the Unit is conveyed, (b) the date of the turnover meeting, or (c) the date when the Owners other than the Declarant assume administrative control of the Association. The Declarant shall maintain a record of the amount it owes for such accrued reserve assessments as a part of the financial books and records of the Association. 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 Owner shall make the initial contribution to the working capital and the reserve fund (described in Section 5.3.2) of the Association equal to two (2) months of Association expense assessments for the Unit. In addition, the Owner shall pay all accrued assessments for the reserve fund, if any. As provided in the Act, the Declarant may elect to defer commencement of all or part of the common expense assessments (other than for required reserve assessments) as to all Units and pay the common expenses directly as they accrue to the Condominium until the date of the turnover meeting or 10 days after notice from the Declarant that assessments will commence, whichever is first to occur. The Board, on behalf of the Association, shall assess the common expenses against the Owners from time to time, and at least annually, and shall take prompt action to collect from an Owner any common expense due which remains unpaid by an Owner for more than thirty (30) days from the due date for its payments except as provided otherwise with respect to reserve assessments on Units owned by the Declarant. A Unit Owner shall be personally liable for all assessments imposed on the Unit Owner or assessed against the Unit by the Association. Multiple Owners shall have joint and several liability for all assessments.

5.3 Reserve Funds and Special Assessments.

5.3.1 Reserve Fund for Replacing Common Elements. Declarant may establish, in the name of the Association, a reserve fund for major repairs and replacements of Common Elements and assets of the Association. As required by ORS 100.175, a reserve fund shall be established for the replacement of any Common Elements, all or part of which will normally require replacement in more than three (3) and less than thirty (30) years. The reserve fund shall not include the cost of staining the Units since the reserve is only for Common Elements and Unit staining costs will be specially assessed to each Owner's Unit. The common expenses under Section 5.2 shall be calculated on the basis of expected repair and replacement costs and life expectancy of the items comprising the Common Elements and the assets of the Association such that the amount of the reserve fund is reasonably calculated to provide sufficient funds for major repair and replacement of Common Elements and assets of the Association. The Association shall administer the reserve fund and shall adjust at regular intervals, but in no event less frequently than once every year, the amount of the periodic payments into it to recognize changes in current replacement costs over time. Following the second year after the turnover meeting, future assessments for the reserve fund may be reduced, eliminated or increased by an affirmative vote of the holders of not less than 75% of the votes of the Association. Any funds set up for any of the purposes mentioned in this Section shall be deemed to be a reserve fund notwithstanding that may not be so designated by the Board. The amount of the reserve fund shall constitute an asset of the Association and shall not be distributed to any Owner except on termination of the Condominium and the Association. The reserve fund may be used to provide for any capital or extraordinary obligations determined by the Association provided the requisite Owner approval of the assessments is obtained. Reserve funds shall not be used for the payment of repair or replacement of any unique limited common elements, the cost of which shall be specially assessed to the Owner pursuant to Section 5.3.5.

5.3.2 Reserve Study. The Board shall, on an annual basis, conduct a study or review an existing study to determine appropriate reserve fund requirements. The reserve study shall include the following elements:

5.3.2.1 Identification of all items for which reserves are to be established;

5.3.2.2 The estimated remaining useful life of each item as of the date of the study;

5.3.2.3 An estimated cost of maintenance, repair, or replacement of each item at the end of its useful life; and

5.3.2.4 A 30-year plan with regular and adequate contributions, adjusted by estimated inflation and interest earned on reserves, to meet the maintenance, repair, and replacement schedule.

5.3.3 Contingency Fund. The Board may also build up and maintain a reasonable reserve for contingencies and replacements not covered by subparagraph 5.3.2 above. Extraordinary expenditures not originally included in the annual estimate which may become necessary during the year may be charged against such reserve. If the estimated cash requirement proves inadequate for any reason, including non-payment of any Owner's assessment, the Board may at any time levy a further assessment of common expenses. The Board shall serve notice of such further assessment on all Owners by a statement in writing giving the amount and reasons therefore, and such further assessments shall be effective with the first quarterly assessment of common expenses which is due more than ten (10) days after the delivery or mailing of such notice of further assessment.

5.3.4 Unit and Limited Common Element Expenses. The expense of any action by the Association to enforce and fulfill the requirements of these Bylaws or the Declaration with respect to any Unit and its associated Limited Common Elements, shall be charged to said Owner as a special assessment. Any such special assessment shall be a lien against the Owner's Unit with the same force and effect as if the charge were a part of the ordinary assessments of common expenses attributable to the Owner's Unit. Any unmetered services provided to Units pursuant to Section 3.2 of these Bylaws shall be specially assessed to the Units on a fee for service basis.

5.4 Default in Payment of Common Expenses.

In the event of default by any Owner in paying to the Association the assessed common expenses (including but not limited to reserve assessments or any other special assessments), such Owner shall be obligated to pay interest on such common expenses from the due date thereof, together with all expenses, including attorneys' fees, incurred by the Association in any proceeding brought to collect such unpaid expenses, or any appeal therefrom. No interest or late charges will be assessed on common expenses paid within fifteen (15) days after the due date thereof. Delinquent payments of common expense assessments shall bear a late charge of five percent (5%) of the assessment plus interest from the due date thereof at the rate of eighteen percent (18%) per annum or the maximum legal rate of interest permitted by Oregon law, whichever is less, from the due date thereof, together with all expenses, including attorneys' fees, whether or not legal proceedings are commenced and both at trial and on appeal incurred by the Association in collecting such unpaid expenses. The Board shall have the right and duty to recover for the Association such common expenses, together with interest thereon, late charges, and expenses of the proceeding, including attorneys' fees, by an action brought against such Owner or by foreclosure of the lien upon the Unit granted by the Act, provided that the Board may in its discretion waive such amounts in whole or in part as reasonably determined necessary or desirable based upon the circumstances in any particular instance. The Board shall notify the holder of any first Mortgage upon a Unit of any default not cured within thirty (30) days of the date of notice of default.

5.5 Foreclosure of Liens for Unpaid Common Expenses.

In any action brought by the Association to foreclose a lien on a Unit because of unpaid common expenses, the 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, 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. An action to recover a money judgment for unpaid common expenses shall be maintainable without foreclosing any lien securing the same. The remedies provided herein are cumulative, and the Association may pursue any of them, as well as any other remedies which may be available under law, although not expressed herein.

5.6 Statement of Common Expenses.

The Board shall within 10 days of an Owner's written request provide any Owner a written statement of that Owner's due and unpaid assessments as of the time the request was received including but not limited to (a) regular and special assessments, (b) fines and other charges, (c) accrued interest and the method used to calculate it, and (d) late payment charges and the method used to calculate it. The Association need not provide such a statement if any litigation is pending as of the date of the Owner request, and in any event the Association. Upon request of an Owner or an Owner's agent, for the benefit of a prospective purchaser, the Board shall provide a written statement of unpaid assessments, fines and other charges effective through a date specified in the statement. Upon the sale of the Unit, the escrow agent or title insurance company may rely on the written statement and is not liable for paying the Association in closing any amount in excess of the amount set forth in the written statement.

5.7 Lien Priority.

Any lien of the Association against a Unit for common expenses shall have the priority provided in the Act in relation to other tax and assessment liens, and any prior Mortgage or Trust Deed of record.

5.8 Violation by Owners; Remedies.

Subject to any limitations contained in the Declaration, the violation of any Rule or Regulation adopted by the Board, or the breach of any covenant or provision contained in the Declaration or the Bylaws shall give the Board the rights set forth in the Declaration and the right. (1) to enter upon that part of the Condominium where such violation or breach exists and summarily abate and remove, at the expense of the defaulting Owner, any structure, thing or condition that may exist thereon contrary to the intent and meaning of the provisions hereof, and the Board or its agents shall not thereby be deemed guilty in any manner of trespass and (2) to enjoin, abate or remedy by appropriate legal proceedings the continuance of any breach. All expenses of the Board in connection with such violation and such action or proceedings, including engineering, architectural and other professional fees and costs, court costs and attorneys' fees and any other fees and expenses, and all damages, liquidated or otherwise,

together with interest thereon until paid at the rate provided in Section 5.5 of these Bylaws, shall be charged to and assessed against such defaulting Owner and shall be added to and deemed part of that Owner's respective share of the common expenses. The Board shall have a lien for all of the same upon the Unit of such defaulting Owner and upon all of his additions and improvements thereto and upon all personal property in that Owner's Unit or located elsewhere in the Condominium. Any and all of such rights and remedies may be exercised at any time and from time to time, cumulatively or otherwise, by the Board. Any violations by an Owner of the Declaration, Bylaws, or Rules and Regulations which are deemed by the Board to be a hazard to public health or safety may be corrected immediately as an emergency matter by the Association, and the cost thereof shall be charged to the offending Owner as a specific item, which shall be a lien against the offending Owner's Unit with the same force and effect as if the charge was a part of the normal common expenses attributable to such Unit. Any violation or breach by an Owner's tenant, occupant, agent, invitee, licensee or employee shall be deemed a violation or breach of the owner.

5.9 Liability of Owners.

An Owner shall be liable for the expenses of any Common Element maintenance, repair or replacement rendered necessary by that Owner's act, neglect or carelessness or by that of any member of the Owner's family, or the Owner's guests, employees, invitees, agents or lessees, but only to the extent that such expense is not met by the proceeds of insurance carried by the Association. Nothing herein contained, however, shall be construed so as to modify any waiver by insurance companies of rights of subrogation. The expense of any maintenance, repair or replacement required, as provided herein, shall be charged to said Owner as a specific item, which shall be a lien against such Owner's Unit with the same force and effect as if the charge was a part of the normal common expenses attributable to such Owner's Unit.

5.10 No Waiver.

The failure of the Association or of an Owner to enforce any right, provisions, covenant or condition, which may be granted by any of the provisions of the Declaration, the Bylaws, or any Rules or Regulations shall not constitute a waiver of the right of the Association or Owner to enforce such right, provision, covenant or condition in the future. The receipt by the Board of payment of any assessment from an Owner, with knowledge of any such violation or breach, shall not be deemed a waiver of such violation or breach; and no waiver by the Board or any provision hereof shall be deemed to have been made unless expressed in writing and signed by the Board. This section also extends to the Declarant or Declarant's managing agent exercising the power of the Board during the initial period of operation of the Association and the Condominium.

6. RECORDS AND AUDITS

6.1 General Records.

The Board and managing agent shall keep detailed records of the actions of the Board and managing agent and minutes of Board and Association meetings. The Board shall maintain a list of Owners entitled to vote at Association meetings and a list of all Mortgagees of Units.

6.2 Records of Receipts and Expenditures.

The Board or its designee shall keep detailed, accurate records in chronological order of receipts and expenditures affecting the Common Elements, itemizing maintenance and repair expenses of the Common Elements and any other expenses incurred. Such records and the budgets authorizing the payments shall be available for examination by the Owners and Mortgagees during normal business hours and upon request, made available for duplication.

6.3 Assessment Roll.

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

6.4 Common Expense Payment Records.

The managing agent shall pay all budgeted common expenses without further authorization by the Association. Any unbudgeted common expenses shall require the President's signature on a written authorization to the managing agent before payment of the same by the managing agent. Unless requested more frequently, the managing agent shall be required to provide quarterly reports of the payments made by it on behalf of the Association.

6.5 Annual Reports and Audits.

An annual financial statement of the Association, consisting of at least a balance sheet and income and expense statement for the preceding fiscal year, shall be rendered by the Board and delivered to all Owners and to all Mortgagees of Units who have requested the same, within ninety (90) days after the end of each fiscal year. The Treasurer of the Association shall file required state and federal tax returns based upon the annual financial statements. An Annual Report shall be filed each year with the Oregon Real Estate Agency as required under ORS 100.415(13), 100.250(b) and 100.260(2). At any time any Owner or Mortgagee may, at their own expense, cause an audit or inspection to be made of the books and records of the Association.

6.6 Notice of Sale, Mortgage, Rental or Lease.

Immediately upon the closing of any sale, mortgage, rental or lease of any Unit, the Owner shall promptly inform the Secretary or managing agent of the name and address of the purchaser, mortgagee, lessee, or tenant. The foregoing notification requirement is in addition to that set forth in Section 8 of the Declaration regarding notification to the Board of any contemplated sale or lease of a Unit.

6.7 Association Documents.

The Board shall maintain, at the office of the Association, a copy suitable for duplication of the following. The Declaration, the Bylaws, any Rules and Regulations, any architectural standards and guidelines, any amendments to such documents, the most recent annual financial statement of the Association, the current operating budget of the association, the reserve study and any other documents required by the Act to be so maintained. Such documents shall be made reasonably available for inspection and duplication by Owners, Mortgagees, and prospective purchasers of Units upon written request therefrom. All Association documents and records shall be maintained within the State of Oregon at all times. Proxies and ballots must be retained for one year from the date of determination of the vote. The Board may adopt reasonable rules governing the frequency, time, location, notice and manner of examination and duplication of association records and a reasonable fee for furnishing copies of any documents, information or records. Records may be withheld from examination and duplication to the extent the records concern: personnel matters or medical records; contracts, leases and other business transactions that are under negotiation; communications with legal counsel that relate to personnel or contracts, leases and other business transactions under negotiation; documents, correspondence or reports compiled for Board executive sessions held in compliance with ORS 100.420; or files of individual owners kept by the association.

7. OCCUPATION AND USE

7.1 Generally.

Innisfree Patio Home Condominium shall be used in a manner appropriate to maintain and preserve its status as a first class residential condominium. The Units shall be used only as single-family residences, on an ownership, rental, or lease basis, and for social, recreational, or other reasonable purposes normally incident to residential use. Units may be used for accessory home businesses subject to Association approval of the business as compatible with the residential character of the Condominium, such approval to not be unreasonably withheld, conditioned or delayed. There shall be no restrictions on the transfer or ownership of Units other than those described in the LWC Declaration. Units of the Condominium may be used for the purposes of operating the Association and for management of the Condominium.

7.2 Sales Facilities of Declarant.

Notwithstanding any provision in Section 7.1, Declarant, its agents, employees, and contractors shall be permitted to maintain, during the period of sale and construction of the Condominium Units, upon such portion of the Condominium as Declarant may own and upon the Common Elements, such facilities as in the sole opinion of Declarant may be reasonably required, convenient, or incidental to the construction, sale, or rental of Condominium Units and interests, including, but not limited to, a business office, storage area, signs, modeled units, sales office, construction office, and parking areas for all prospective tenants or purchasers of Declarant. The special Declarant rights set forth in the Declaration shall be controlling over any conflicting restrictions in these Bylaws.

7.3 Limited Common Elements.

Limited Common Elements are for the sole and exclusive use of Unit Owners to which the Limited Common Elements are reserved or assigned. Watercraft, trailers and recreational vehicles may be parked on Limited or General Common Elements only while being prepared for travel, limited to 48 hours prior to leaving and 48 hours after return to Innisfree Patio Home Condominium. Subject to the preceding sentence, parking of boats, watercraft, trailers, recreational vehicles, trucks, campers, motorcycles, similar equipment and anything being in excess of three-quarters of a ton in weight shall not be allowed on general or limited common elements, but may be parked inside of the garage portion of a Unit.

7.4 Effect on Insurance.

Nothing shall be done or kept in or on the Common Elements which will increase the rate of insurance on the Common Elements without the prior written consent of the Board. No Owner or Purchaser shall permit anything to be done or kept in or on the Common Elements which will result in the cancellation of insurance on the Common Elements or which would be in violation of the law.

7.5 Offensive Activity.

No noxious or offensive activity shall be carried on in any Unit or Common Elements, nor shall anything be done therein which may be or become an annoyance or nuisance to other owners.

7.6 Common Element Alterations.

Nothing shall be altered or constructed in or removed from the Common Elements or facilities except upon the written consent of the Board and after any procedures required under these Bylaws or by law.

7.7 Association Rules and Regulations.

The Board is empowered to pass, amend or revoke detailed administrative Rules and Regulations necessary or convenient from time to time to insure compliance with the

general guidelines of this Section and the other provisions of these Bylaws. Such Rules and Regulations shall be binding upon all Owners upon adoption by the Board. In the event of any conflict with these Bylaws or the Declaration, the Rules and Regulations shall be controlled thereby. Rules and Regulations shall not be effective until provided to the Owners in writing and may be revoked by a majority vote of the Owners at an Owners' meeting.

8. MAINTENANCE OF CONDOMINIUM PROPERTY AND RELATED MATTERS

8.1 Maintenance and Repair.

Except as otherwise provided herein for damage or destruction caused by casualty.

8.1.1 Units.

All maintenance of, and repairs to, any Unit shall be made by and at the sole expense of the Owner of such Unit, who shall keep the same in good order, condition and repair, except for exterior staining, which shall be specially assessed against the Owner.

8.1.2 Common Elements.

All maintenance, repairs and replacements to the General Common Elements shall be made by the Association and shall be charged to all the Owners as a common expense, provided, that if such has been necessitated by acts or omissions of an Owner by reason of which the Owner is legally responsible for all or a portion of the costs thereof, such shall be charged solely to the Owner so responsible. All maintenance, repairs, or replacements for Limited Common Elements shall be made by each Owner except that front yard landscaping shall be done by the Association, the cost of which shall be specially assessed against the Owners of the Units. Should actual collection of such from the responsible Owner within a reasonable period of time prove impossible after reasonable collection efforts, however, the uncollected portion may be charged to all Owners as a common expense, subject to reimbursement of any amounts later collected from the responsible Owner.

8.2 Additions, Alterations or Improvements.

No Owner shall make any exterior alterations to the Owner's Unit, or make any change to an installation upon the Common Elements, or decorate, alter or repair any part of the Common Elements except for maintenance of those parts of the Common Elements which the Owner has the duty to maintain, without the prior consent in writing of the LWC Association Architectural Committee as required by the LWC Declaration and Bylaws.

8.3 **Damage or Destruction by Casualty.** In the event of any damage or destruction to Limited Common Elements and Units, the Owners of the damaged Units shall bear the sole risk of loss and the cost of repairing any such damage and restoring their Units to the extent the loss is not insured. The Association shall be responsible for repairing and restoring any damage or destruction to the General Common Elements.

8.4 **Condemnation.**

8.4.1 **Consequences of Condemnation.**

If, at any time or times during the continuance of the condominium form of ownership pursuant to the Declaration, all or any part of the Condominium is taken by eminent domain or condemned by any public authority or sold or otherwise disposed of in lieu of or in anticipation thereof, all of which is hereinafter call "Condemnation", each Unit Owner shall be deemed to exclusively own the Limited Common Elements associated with their Unit such that they would be entitled to the Condemnation compensation and subject to the risk of loss from any such Condemnation. The Association shall have the sole authority to represent the Owners in any Condemnation proceedings or negotiations, settlements and agreements with the condemning authority as the attorney-in-fact of all the Owners and pursuant to such authority may accept any release and discharge of liability made by the Board on behalf of the Owners, but only with respect only to the General Common Elements of the Condominium. The Board's authority to act as attorney-in-fact of the Owners for such purpose is coupled with an interest and is irrevocable. The Board shall provide each Owner and each Mortgagee with a written notice of the commencement of any such Condemnation proceeding regarding the General Common Elements and of any proposed sale or disposition in lieu or in advance of such proceeding. All compensation, damages respecting the General Common Elements, or other proceeds therefrom, the sum of which is hereinafter called the "Condemnation Award", shall be payable to the Association. The net Condemnation Award, after the Association is reimbursed for all costs of representing the Owners, shall be apportioned among the Owners in an equitable manner.

9. **INSURANCE**

9.1 **Association Insurance Coverage.**

The Board shall obtain and maintain at all times as a common expense (a) commercial general liability insurance insuring the Association, Unit Owners, Board, Declarant, and managing agent against liability to the public or to individual Unit Owners. Such insurance shall include liability for water damage, liability for property of others, contractual liability, and non-owned automobile liability (and if applicable, owned automobile liability, elevator collision and garage keepers' liability). Such insurance shall not exclude liability resulting from the existence of methane gas. The liability under which insurance shall be determined by the Board after consultation with insurance consultants, but not less than One Million Dollars (\$1,000,000) covering all claims for personal injury and/or property damage arising out of a

single occurrence (such policy limits to be reviewed at least annually by the Board and increased in its discretion); and (b) such other insurance as the Board deems advisable.

9.2 Owner's Insurance Coverage.

Each Owner at their own expense shall be responsible for their own personal property and liability insurance covering their Unit and their associate Limited Common Elements. Each Owner is hereby required to file a copy of such individual policy or policies with the Board within thirty (30) days after purchase of such insurance, and the Board shall immediately review its effect with the Board's insurance broker, agent, or carrier.

10. AMENDMENTS TO BYLAWS

10.1 How Proposed.

Amendments to the Bylaws shall be proposed by either a majority of the Board or by the Owners holding at least twenty-five percent (25%) of the votes in the Association. The proposed amendment must be in writing and shall be included in the notice of any meeting at which action is to be taken thereon.

10.2 Adoption.

A resolution adopting a proposed amendment may be proposed by either the Board or Owners and may be approved by the Owners at a meeting called for this purpose. Owners not present at the meeting considering such amendment may express their approval in writing or by proxy delivered to the Board at or prior to such a meeting. Subject to the provisions of the Declaration and these Bylaws otherwise, any resolution shall be approved by Owners holding at least fifty-one percent (51%) of the votes of the Units, except for amendments changing voting requirements and age, occupancy, or rental and leasing restrictions which shall require approval by Owners holding at least seventy-five percent (75%) of the votes in the Association. In any event, no amendment shall be effective to impair, reduce or terminate any special Declarant rights provided in these Bylaws or the Declaration without the consent of the Declarant so long as the Declarant has the right under the Declaration to create additional Units or is the Owner of an unsold Unit.

10.3 Execution and Recording.

An amendment shall not be effective until certified by the President and Secretary of the Association as being adopted in accordance with these Bylaws, approved by the Oregon Real Estate Commissioner if required by law, and recorded as required by law.

11. ARBITRATION

11.1 Generally.

Every Owner and the Association shall have the right to enforce the provisions of the Declaration, these Bylaws and any Rules and Regulations by submitting disputes to

nonbinding mediation, and if the mediation is unsuccessful, to arbitration according to the rules of the American Arbitration Association.

11.2 By Less than All Owners.

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

11.3 Complaints Against Association and Its Agents.

Complaints brought against the Association, the Board or the officers, employees, or agents thereof, in their respective capacities as such or the Condominium as a whole, shall be directed to the Board, which shall promptly give written notice thereof to the Owners and any Mortgagees. Such complaints shall be defended by the Board, and the Owners and Mortgagees shall have no right to participate in such defense other than through the Board. Complaints against one or more, but less than all Owners, shall be directed to such Owners, who shall promptly give written notice thereof to the Board and to the Mortgagees affecting such Units, and shall be defended by such Owners.

12. MISCELLANEOUS

12.1 Notices.

All notices to the Association or Board 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 may hereafter designate from time to time by written notice thereof to each Owner. All notices to any Owner shall be sent to such address as may have been designated by that Owner from time to time, in writing, to the Board, or if no address has been designated, then to the Owner's Unit.

12.2 Waiver.

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

12.3 Invalidity; Number; Captions.

The invalidity of any part of the 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 provisions of these Bylaws.

12.4 Action Without a Meeting.

Any action which the Act, Declaration or Bylaws require or permit the Owners or Board to take at a meeting may be taken without a meeting if a consent in writing setting forth the action so taken is signed by all 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 Board, shall be filed in the Association minutes.

12.5 Conflicts or Order.

Robert's Rules of Order (latest edition) shall govern the conduct of Association and Board proceedings when not in conflict with the Declaration, the Articles, these Bylaws or Oregon law. A decision of the Association or its Board may not be challenged because the appropriate rules of order were not used unless a person entitled to be heard was denied the right to be heard and raised an objection at the meeting in which the right to be heard was denied. A decision of the Association or its Board is deemed valid without regard to procedural errors related to the rules of order one year after the decision is made unless the error appears on the face of a written instrument memorializing the decision.

12.6 Liability Survives Termination.

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

DATED this 1st day of October, 2003, being hereby adopted by the undersigned Declarant on behalf of the Association.

DECLARANT:

Halvorson-Mason Corporation, an Oregon corporation

By: Kristi Halvorson
Its: President

STATE OF OREGON)
) ss
County of Multnomah)

The foregoing instrument was acknowledged before me this 1st day of October 2003, by Kristi Halvorson, as President of Halvorson-Mason Corporation, an Oregon corporation.

DATED this 1st day of October, 2003.

Jessica Cole

Notary Public for Oregon
My Commission Expires: Feb. 18, 2007



I, Dana W. Jenkins, County Clerk, in and for said county, do hereby certify that the within instrument was received for record, and recorded in the Book of Records of said county at Newport, Oregon. WITNESS my hand and seal of said office affixed.


DANA W. JENKINS, Lincoln County Clerk



Doc : 200810096
Rect: 806846 46.00
08/25/2008 10:03:47am

After Recording, Return to:

Halvorson-Mason
P.O. Box 1547
Lake Oswego, Oregon 97035

**FOUENTEENTH SUPPLEMENTAL DECLARATION
INNIFREE PATIO HOME CONDOMINIUM
RECLASSIFICATION OF STAGE TWO
NONWITHDRAWABLE VARIABLE PROPERTY TRACTS
MADE PURSUANT TO THE OREGON CONDOMINIUM ACT**

This **FOURTEENTH SUPPLEMENTAL DECLARATION OF THE RECLASSIFICATION OF STAGE TWO**, to be effective upon its recording in Lincoln County, Oregon, pursuant to the provisions of the Oregon Condominium Act, is made and executed this 7th day of May, 2008, by Halvorson-Mason Corporation, an Oregon corporation (hereinafter "Declarant").

By document dated October 1, 2003, entitled "DECLARATION of CONDOMINIUM OWNERSHIP for INNIFREE PATIO HOME CONDOMINIUM" Declarant created a condominium known as Innisfree Patio Home Condominium, which is located in the Little Whale Cove Development in Depoe Bay, Oregon. The purpose of this Supplemental Declaration is to reclassify certain variable property in the first stage of the Condominium as described in the Declaration of Condominium Ownership for Innisfree Patio Home Condominium to Units and Common Elements in the manner provided by the Oregon Condominium Act.

1. DEFINITIONS AND INTERPRETATION

1.1 **Definitions.** As used in this Supplemental Declaration, unless the context otherwise requires, the following definitions shall prevail:

1.1.1 "**Declaration**" means that instrument dated October 1, 2003 and recorded November 6, 2003, at Recording No. 200318991.1 in the real estate records of Lincoln County, Oregon.

1.1.2 "**Supplemental Declaration**" means those instruments recorded subsequent and revising the Declaration, including: First Supplemental Declaration Innisfree Patio Home Condominium Reclassification of Stage One Non Withdrawable Variable Property recorded July 21, 2004, Document No. 200411058; Second Supplemental Declaration Innisfree Patio Home Condominium Reclassification of Stage One Non Withdrawable Variable Property recorded November 19, 2004, Document No. 200417686; Third Supplemental Declaration Innisfree Patio Home Condominium Reclassification of Stage One Non Withdrawable Variable Property recorded March 28, 2005, Document No. 200504484; Fourth Supplemental Declaration Innisfree Patio Home Condominium Reclassification of Stage One Non Withdrawable Variable Property

recorded July 22, 2005, Document No. 200511264; Fifth Supplemental Declaration Innisfree Patio Home Condominium Reclassification of Stage One Non Withdrawable Variable Property recorded February 15, 2006, Document No. 200602559; Sixth Supplemental Declaration Innisfree Patio Home Condominium Reclassification of Stage One Non Withdrawable Variable Property recorded August 8, 2006, Document No. 200612139; the Seventh Supplemental Declaration Innisfree Patio Home Condominium Annexation of Stage Two Non Withdrawable Variable Property recorded December 12, 2006; Eighth Supplemental Declaration Innisfree Patio Home Condominium Reclassification of Stage Two Non Withdrawable Variable Property recorded April 30, 2007 No. 200706205; Ninth Supplemental Declaration Innisfree Patio Home Condominium Reclassification of Stage Two Non Withdrawable Variable Property recorded May 3, 2007 No. 200706464; the Tenth Supplemental Declaration Innisfree Patio Home Condominium Reclassification of Stage Two Non Withdrawable Variable Property recorded May 25, 2007 No. 200707613; the Eleventh Supplemental Declaration Innisfree Patio Home Condominium Reclassification of Stage Two Non Withdrawable Variable Property recorded August 9, 2007 No. 200711446; the Twelfth Supplemental Declaration Innisfree Patio Home Condominium Reclassification of Stage Two Non Withdrawable Variable Property recorded September 10, 2007 No. 200713207 and the Thirteenth Supplemental Declaration Innisfree Patio Home Condominium Reclassification of Stage One Non Withdrawable Variable Property recorded March 17, 2008 No. 200803320 & 200803321.

1.1.3 **Incorporation by Reference.** Except as otherwise provided in this Supplemental Declaration, each of the terms herein shall have the same meaning as defined in the Original Declaration.

2. **PROPERTY SUBMITTED**

This Supplemental Declaration shall constitute an amendment to the Declaration for the purposes of reclassifying part of the Stage 2 variable tracts into Units and Common Elements, as described in Section 5 below and as shown on the Supplemental Plat. Pursuant to ORS 100.125, Declarant proposes to develop the Condominium with the maximum number of Units, the additional Common Elements, minimum allocation of undivided interest in the Common Elements and election dates as follows. Recording of the plat will be done concurrently with the recording of this Supplemental Declaration.

3. **ADOPTION BY REFERENCE**

Except as otherwise expressly provided in this Supplemental Declaration, each of the provisions of the Original Declaration and the Bylaws of Innisfree Patio Home Condominium Association shall apply to the Units and Common Elements created by this Supplemental Declaration the same as the original Units and Common Elements.

4. FLEXIBLE CONDOMINIUM PROVISIONS

The Declarant reserves the right to reclassify the variable tracts in Stage Two into a maximum of 17 Units with associated Limited and General Common Elements for a total of 17 Units in the second stage of the Condominium. The allocation of undivided interest in the Common Elements, liability for common expenses, right to common profits and allocation of voting rights for any such Units created by reclassification of a variable tract shall be the same as for all other Units in the Condominium. The variable tracts are nonwithdrawable, and such right of conversion and division shall expire seven years from the date of the conveyance of the first unit in Stage One in the condominium to a person other than the Declarant. There are no limitations upon the right of the Declarant to convert the variable tracts. Declarant shall record a supplemental declaration and supplemental plat as the means of such conversion containing the information required by the Act. The allocation of undivided interest in the Common Elements, liability for common expenses, right to common profits and allocation of voting rights for any such Units created by reclassification of a variable tract shall be the same as for all other Units in the Condominium. The variable tracts are nonwithdrawable, and such right of conversion and division shall expire seven years from the date of the conveyance of the first unit in the condominium to a person other than the Declarant. There are no limitations upon the right of the Declarant to convert the variable tracts. Declarant shall record a supplemental declaration and supplemental plat as the means of such conversion containing the information required by the Act. The plat shows the location and dimensions of the variable tracts which are labeled "NONWITHDRAWABLE VARIABLE PROPERTY." If by the termination date, all or a portion of the variable property designated as "nonwithdrawable variable property" has not been reclassified, such property shall automatically be reclassified as of such date as a general common element of the Condominium and any interest in such variable tracts held for security purposes shall be automatically extinguished by such classification. Notwithstanding the termination date, the association may, with respect to any variable tracts automatically reclassified, exercise any rights previously held by the Declarant. The exercise of any right shall first be approved by at least a majority of all voting rights. All other actions relating to such variable tract reclassified as general common elements shall be regulated and governed in like manner as other general common elements of the condominium. If a supplemental declaration and plat is required for any action, the plat shall be executed by the chairperson and secretary of the association and shall comply with the requirements of this chapter as to a supplemental declaration and the recording of plats.

5. UNITS

5.1 **Generally.** The Stage 2 variable tracts are hereby partially reclassified as shown on the Supplemental Plat to create five additional Units. The five (5) Units created by this Declaration is hereby designated as: Unit 37 at 1055 Morning Walk containing a floor area of 2,172 square feet; Unit 40 at 1034 Morning Walk containing a floor area of 1,636 square feet; Unit 45 at 1094 Morning Walk containing a floor area of 2,172 square feet; Unit 46 at 1122 Morning Walk containing a floor area of 2,290 square feet and Unit 47 at 1136 Morning Walk containing a floor area of 2,294 square feet. The

use of these new Units shall be the same as provided in the Declaration for the original Units.

5.2 **Supplemental Plat.** In the event of any conflict between the Supplemental Plat and this Supplemental Declaration, the latter shall be controlling. The approximate area, dimensions, designation and location of each Unit, the General Common and Limited Common Elements are shown on the Supplemental Plat.

6. **COMMON ELEMENTS**

The Common Elements for the new Units created by this Supplemental Declaration shall be as described in the Declaration for the original Units and as shown on the Plat.

7. **ALLOCATION OF INCOME AND EXPENSES**

The common income, if any, derived from and the common expenses of the Common Elements and any other common expenses must be allocated between all Condominium Units and charged to the Owner of each Unit according to each Owner's percentage interest in the Common Elements, which shall be an equal 1/10th undivided interest until such time as more Units are created by future supplemental declarations.

8. **VOTES**

Each Owner is entitled to one (1) vote for each Unit owned. In the event of co-owners there will be only one vote for the Unit.

IN WITNESS WHEREOF, Declarant has caused this Supplemental Declaration to be executed this 7th day of May, 2008.

HALVORSON-MASON CORPORATION
an Oregon corporation

By: *Kristi Halvorson*
Name: Kristi Halvorson, President

STATE OF OREGON)
ss)
County of Clackamas)

The foregoing instrument was acknowledged before me this 7th day of May, 2008, by Kristi Halvorson as the President of Halvorson-Mason Corporation, an Oregon corporation.



Masan Shaikh
NOTARY PUBLIC FOR OREGON
My Commission Expires: June 19, 2011

The foregoing Supplemental Declaration is approved pursuant to ORS 100.110 this 26th day of June, 2008, and in accordance with ORS 100.110(7), this approval shall automatically expire if this Supplemental Declaration is not recorded with two (2) years from this date.

By: 
Oregon Real Estate Commissioner

The foregoing Supplemental Declaration is approved this 25th day of August, 2008.

ASSESSOR AND TAX COLLECTOR FOR LINCOLN COUNTY

By: 
Assessor

By: 
Tax Collector