

MTC 1396-7385

DECLARATION SUBMITTING
THE HARBOR ISLES GOLF COURSE CONDOMINIUM
TO CONDOMINIUM OWNERSHIP

THIS DECLARATION, pursuant to the provisions of the Oregon Condominium Act, is made and executed this 2nd day of November, 1994, by TRENDWEST, a division of JELD-WEN, INC., an Oregon corporation ("Declarant").

Declarant proposes to create a condominium to be known as "The Harbor Isles Golf Course Condominium", which will be located in the City of Klamath Falls, Klamath County, Oregon. The purpose of this Declaration is to submit The Harbor Isles Golf Course Condominium to the condominium form of ownership and use in the manner provided by the Oregon Condominium Act.

NOW, THEREFORE, Declarant does hereby declare and provide as follows:

ARTICLE 1

DEFINITIONS

When used in this Declaration the following terms shall have the following meanings:

1.1 "Association" means the association of unit owners established pursuant to Article 13 below.

1.2 "Bylaws" means the Bylaws of the Association of Unit Owners of The Harbor Isles Golf Course Condominium adopted pursuant to Section 13.4 below as the same may be amended from time to time.

1.3 "Condominium" means all of that property submitted to the condominium form of ownership by this Declaration plus any additional property annexed to the project pursuant to Article 14 below.

1.4 "Declarant" means Trendwest, a division of Jeld-Wen, Inc., an Oregon corporation, and its successors and assigns.

1.5 "Mortgage" and "Mortgages" mean, respectively, a recorded mortgage, trust deed or contract of sale which creates a lien against a unit, and the holder, beneficiary or vendor of such a mortgage, trust deed or contract of sale.

Return to: Trendwest inc
803 Main St.
Suite 300
attn: Judy Urbach
Klamath Falls Oregon 97601

1.6 "Site Plan" means the projected site of the entire Harbor Isles Golf Course Condominium plan including all potential future stages.

1.7 "Stage 1 Plat" means the plat of stage 1 of the Harbor Isles Golf Course Condominium recorded simultaneously with the recording of this Declaration.

1.8 Incorporation by Reference. Except as otherwise provided in this Declaration, each of the terms defined in ORS 100.005, a part of the Oregon Condominium Act, shall have the meanings set forth in such section.

ARTICLE 2

SUBMISSION OF PROPERTY TO CONDOMINIUM STATUTE

The property submitted to the Oregon Condominium Act by this Declaration is held by Declarant and conveyed by Declarant in fee simple estate. The land submitted is located in the City of Klamath Falls, Klamath County, Oregon, and is more particularly described in the attached Exhibit A. The property submitted includes the land so described, all buildings, improvements and structures, all easements, and rights and appurtenances located on, belonging to or used in connection with such land.

ARTICLE 3

NAME OF CONDOMINIUM

The name by which the Condominium shall be known is "The Harbor Isles Golf Course Condominium."

ARTICLE 4

UNITS

4.1 General Description of Buildings. Stage 1 contains two buildings. Each of such buildings contains one story, without basement. The buildings are being constructed with wood frame construction with four inch vertical cedar siding and tile roofs.

4.2 General Description, Location and Designation of Units. Stage 1 consists of a total of 1 units. The dimensions, designation and location of each unit are shown in the Stage 1 Plat, which is being recorded simultaneously with this

Declaration. The approximate area of each unit is 1547 sq. ft.

4.3 Boundaries of Units.

Living area and garage area: Horizontally, each unit shall consist of an area bounded by the interior side of the framework of the exterior walls of the building. Vertically, each unit shall consist of the space between the underside framework of the roof and the topside of the subfloor in the living area, and between the underside framework of the roof and the top side of the finished floor in the garage area.

ARTICLE 5

GENERAL COMMON ELEMENTS

The general common elements consist of the following:

5.1 The land, fences, sprinklers, and all grounds except those grounds which are designated as limited common elements by Article 6 below.

5.2 Roofs, foundations, bearing walls, perimeter walls, beams, columns, trusses and girders to the interior surfaces thereof.

5.3 All central and appurtenant installations of services such as electricity, telephone, gas, water, sewer, and cable television, including all pipes, meters, conduits, wires and other utility and communications installations which are located outside the physical perimeter of each building shall be common elements. All pipes, conduits, wires, furnaces, hot water heaters, lights, electrical fixtures and bulbs, appliances, sinks, bathtubs and the like, from the exterior siding in - whether located within common element space or unit boundary space - are excluded from general common elements and are part of the unit. The air conditioning unit located outside each unit is also excluded from the general common elements and is part of the unit.

ARTICLE 6

LIMITED COMMON ELEMENTS

The following shall constitute limited common elements, the use of which shall be restricted to the units to which they pertain:

6.1 All walkways, patios, porches, driveways, garbage can enclosure pads, and exteriors of doors, each of which shall pertain to the unit which it adjoins as shown on the Plat.

6.2 The side yard area accessed from the side door of each unit shall be a limited common element reserved for the exclusive use of the unit to which it pertains.

ARTICLE 7

ALLOCATION OF UNDIVIDED INTERESTS IN COMMON ELEMENTS

Each unit will be entitled to an undivided ownership interest in the common elements determined by the ratio of one divided by the total number of units completed at any given time. Such allocation will change if additional stages are added to the Condominium as is more particularly described in Section 14.4 below.

ARTICLE 8

ALLOCATION OF COMMON PROFITS AND EXPENSES

The common profits and common expenses of the Condominium shall be allocated to the owner of each unit according to the allocation of undivided interest of such unit in the common elements. Except upon termination of the Condominium or as otherwise provided in the Bylaws with respect to damage, destruction or condemnation, any such common profits shall be used solely for the purpose of maintaining, repairing and replacing the common elements or for other expenses or reserves of the Association.

ARTICLE 9

SERVICE OF PROCESS

The designated agent to receive service of process in cases provided in ORS 100.50 (1) is named in the Condominium Information Report which has been filed with the Secretary of State in accordance with ORS 100.250 (1)(a).

ARTICLE 10

USE OF PROPERTY

Each unit is to be used for residential purposes as described in the Bylaws. Additional limitations on use are contained in the Bylaws and the rules and regulations adopted pursuant to the Bylaws. Each unit owner shall be bound by each of such documents. (See Article 7.5 of the Bylaws)

ARTICLE 11

RESPONSIBILITY FOR MAINTENANCE

11.1 Responsibility for Maintenance of Common Elements. All maintenance, repairs and replacements to the Common Elements of the condominium shall be made by the Board of Directors and be charged to all the condominium unit owners as a Common Expense, with the following exceptions.

The limited common elements of driveways, walkways, patios, and side yards - all of which pertain to such owner's unit - shall be the responsibility of the unit owner to maintain in a neat, clean and sanitary condition on a regular basis as described in Article 7.1(a & b) of the Bylaws. The unit owner's responsibility in regards to these limited common areas is limited to sweeping, cleaning and general upkeep and not to landscape maintenance or major repairs or replacements necessitated by defect or normal wear and tear over time. The washing, maintenance and replacement of glass surfaces shall also be the responsibility of the condominium owner in whose unit the glass is located as described in Article 7.1(a) of the Bylaws.

In the event that the need for maintenance, repair or replacement is caused through a willful or negligent act, misuse or neglect of the condominium unit owners, his family or guests or invites, the cost of such maintenance or repairs shall be added to and become part of the assessment to which such condominium unit is subject. (See article 7.3(c) of the Bylaws)

11.2 Responsibility for Unit Maintenance. Except for maintenance of and repairs to any Common Elements, all maintenance, repairs and replacements to any Condominium Unit, structural or nonstructural, ordinary or extraordinary, shall be made by the owner of such Condominium unit.

11.1 Responsibility for Maintenance of Hanks Street. Hanks Street between Scott Street and Harbor Isles Blvd., will not be developed according to City of Klamath Falls width requirements, but rather to a private street standard in order to create a "country lane" style of roadway. As such, this section of Hanks street, will be maintained by the homeowners association and will be assessed along with all other common element expenses and shall be allocated in the same manner.

ARTICLE 12

EASEMENTS

12.1 In General. Each unit has an easement in and through the common elements for all support services required to effectuate and continue proper operation of the Condominium. In addition, each unit and all the common elements and limited common elements are specifically subject to easements as required to inspect, maintain, repair or replace electrical wiring, plumbing, and other services such as gas, water, sewer, phone, cable TV, lawn sprinklers & mowing, etc., for each unit. The specific mention or reservation of any easement in this Declaration does not limit or negate the general easement for common elements reserved by law.

12.2 Easements for Declarant. Declarant and Declarant's agents, successors and assigns shall have an easement over and upon the common elements as may be reasonably necessary for the purpose of constructing additional stages and completing or making repairs to existing structures, for the purpose of carrying out sales activities including, without limitation, the right to use the units owned by Declarant as model units and the right to use a unit as a sales office, and for the purpose of discharging any other obligation of Declarant or exercising any other special Declarant right, whether arising under the Oregon Condominium Act or reserved in this Declaration or the Bylaws.

12.3 Reservation of Easements for Future Development. Declarant hereby reserves (a) an easement for the maintenance and use of all existing utility lines and systems within the Condominium property, including without limitation water, gas, sprinklers, sewer, electrical, telephone and cable television systems, and (b) an easement for the installation, maintenance and use of new utility lines and systems upon the general common element land of the Condominium. Such easements shall be for the

benefit of and shall run with the ownership of the entire remainder of the proposed site plan, and each and every portion thereof, whether or not such property is annexed to the Condominium as provided in Article 14 below.

12.4 Easement for Harbor Links Golf Course. The Harbor Links Golf Course shall have a non-exclusive easement for maintenance and operation of the golf course on, over, and across the rear lot common elements, extending from the back of each unit's rear wall, or rear patio/deck, to the boundary of the condominium property. The portion of each lot so encumbered shall be designated as Golf Course fairway and rough and shall be fixed in location upon recordation of a map or plat designating such area. Within such easement area, the grantees may conduct any and all activities (including, but not limited to, construction or maintenance of the Golf Course and/or retrieval of golf balls, and similar related activities) as are usual and proper for the construction, maintenance, operation and use of the Golf Course. Golf balls landing in the common areas may be retrieved by the golfer, but are considered out of bounds and shall be returned in bounds before striking. Occasionally however, some golfers may disobey course protocol and strike a ball on condominium property. It is recognized that certain activities relating to the use and maintenance of the golf course may impose some inconvenience on the property and residents.

12.5 Granting of Easements by Association. The Association, upon prior approval of 75 percent of the voting power of the unit owners, may execute, acknowledge, deliver and record on behalf of the unit owners leases, easements, rights-of-way, licenses, and similar interests affecting the common elements and consent to vacation of roadways within and adjacent to the Condominium. Any such instrument shall be executed by the chairman and secretary of the Association. No such interest may be granted with regard to a limited common element unless the owners and mortgagees of the units having the right to use such limited common element join in the instrument granting the interest.

ARTICLE 13

ASSOCIATION OF UNIT OWNERS; VOTING

13.1 Organization. Upon the recording of this Declaration and in conformance with the bylaws concerning declarant control, an association of unit owners shall be organized to serve as a means through which the unit owners may take action with regard to the

administration, management and operation of the Condominium. The name of this association shall be "The Harbor Isles Golf Course Condominium Association, Inc." and the Association shall be an Oregon nonprofit corporation.

13.2 Membership: Board of Directors. Each unit owner shall be a member of the Association. The affairs of the Association shall be governed by a board of directors as provided in the Bylaws.

13.3 Powers and Duties. The Association shall have such powers and duties as may be granted to it by the Oregon Condominium Act, including each of the powers set forth in ORS 100.405(1), together with such additional powers and duties afforded it by this Declaration or the Bylaws.

13.4 Adoption of Bylaws, Declarant Control of Association. Upon the execution and the recording of this Declaration, Declarant shall adopt Bylaws for the Association, which Bylaws are attached as Exhibit B. At the same time, Declarant will appoint an interim board of directors of the Association, which directors shall serve until their successors have been elected as provided in Section 3.4 of the Bylaws. In addition, Declarant shall have the right to consent to any amendment to the Declaration or the Bylaws as provided in Section 15.2 below and Section 9.2 of the Bylaws.

13.5 Allocation of Voting Rights. Each unit owner shall be entitled to one vote for each unit owned. The method of voting shall be as specified in Article 2.6 of the Bylaws.

ARTICLE 14

PLAN OF DEVELOPMENT

The Condominium may be developed in up to twenty-two stages. By recording this Declaration, Declarant hereby submits Stage 1 to the Condominium form of ownership. Declarant reserves the right to add twenty-one additional stages to the Condominium and to annex such additional stages by recording supplements to this Declaration pursuant to ORS 100.120, together with a plat of the stage being annexed bearing a completion certificate as required by ORS 100.120 and 100.125. Any such additional stage shall be of comparable quality, size and range of unit value to Stage 1. Additional stages shall also be similar in style, except for stages which incorporate duplex units which are two stories in height.

14.1 Maximum Number of Units and Stages. If fully developed, the Condominium shall contain not more than 40 units, and not more than twenty-two stages.

14.2 Termination Date. No additional stage may be added more than seven years after the recording of this Declaration. Such date may be extended for a period not to exceed two years by an amendment adopted pursuant to applicable Oregon state law relative to the Condominium Act.

14.3 Additional Common Elements. Declarant does not currently propose to include in future stages any common elements which would substantially increase the proportionate amount of the common expenses payable by owners of units in Stage 1.

14.4 Allocation of Interests in Common Elements. Each unit in Stage 1 shall have an equal undivided 1/2 interest in the common elements. Each unit's undivided interest in the common elements will be continually reduced as each subsequent stage is annexed to the condominium. The undivided ownership interest in common elements will be determined by dividing one by the total number of units completed at any given time. For instance, if all 40 units are built, then the allocation of interest in common elements of any one unit owner would be 1/40th.

14.5 Legal Description of Additional Stages. A legal description of the property upon which the additional stages would be located is included in the attached Exhibit C.

ARTICLE 15

AMENDMENT

15.1 How Proposed. Amendments to the Declaration shall be proposed by either a majority of the board of directors or by unit owners holding thirty percent (30%) or more of the voting rights. The proposed amendment must be reduced to writing and shall be included in the notice of any meeting at which action is to be taken thereon or attached to any request for consent to the amendment.

15.2 Approval Required. Except as may otherwise be provided in this Declaration or by the Oregon Condominium Act, this Declaration may be amended if such amendment is approved by unit owners holding 75 percent of the voting rights of the Condominium Association. Declarant's prior written consent shall also be required until the later of the annexation of the last stage of

the Condominium or the Declarant's conveying away more than 75% of the units in the Condominium, but no such consent shall be required after seven years from the date of conveyance of the first unit to a person other than Declarant. Except as provided in Article 14, no amendment may change the size, location, allocation of undivided interest in the common elements, method of determining liability for common expenses, right to common profits, or voting rights of any unit unless such amendment has been approved by the owners of the affected unit. Any amendment which would limit or diminish any special Declarant rights established in the Declaration, including the right of Declarant to annex additional stages under Article 14, shall require the written consent of Declarant.

15.3 Recordation. The amendment shall be effective upon recordation in the Dead Records of Klamath County, Oregon, of the Declaration as amended or of the amendment thereto, certified to by the chairman and secretary of the Association as being adopted in accordance with this Declaration and the provisions of the Oregon Condominium Act, and approved by the county assessor and the Real Estate Commissioner if such approvals are required by the Oregon Condominium Act.

ARTICLE 16

SEVERABILITY

Each provision of this Declaration and the Bylaws shall be deemed independent and severable, and the validity or partial invalidity of any provision shall not affect the validity or enforceability of the remaining part of that or any other provision of this Declaration or the Bylaws.

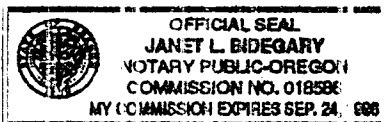
IN WITNESS WHEREOF, Declarant has caused this Declaration to be executed this 2nd day of NOVEMBER, 1994.

TRENDWEST, a division of
JELD-WEN, INC., an Oregon corporation

By Steph L. Smith
Its Special Projects Manager

STATE OF OREGON)
 County of KLAMATH) ss.

The foregoing instrument was acknowledged before me this 2ND day of NOVEMBER, 1994, by STEPHEN L. COOK of TRENDWEST, a division of JELD-WEN INC., an Oregon corporation, on behalf of the corporation.



Janet L. Bidegary
 Notary Public for Oregon
 My commission expires: 9/24/96

The foregoing Declaration is approved this 28th day of DECEMBER, 1994.

ASSESSOR AND TAX COLLECTOR
 FOR KLAMATH COUNTY

By Carolyn Taylor

The foregoing Declaration and Bylaws attached hereto are approved pursuant to ORS 100.110 this 9th day of November, 1994.

Morella Larsen
 Real Estate Commissioner

By Steven J. Mansfield

DIRECTORY OF EXHIBITS

EXHIBIT A - Legal Description of Stage 1 - Harbor Isles Golf Course Condominium

EXHIBIT B - Bylaws of the Harbor Isles Golf Course Condominium

EXHIBIT C - Legal Description of Stage 2 through 22

EXHIBIT A

A PARCEL OF LAND SITUATED IN SECTION 19, TOWNSHIP 38 SOUTH, RANGE 9 EAST OF THE WILLAMETTE MERIDIAN, KLAMATH COUNTY, OREGON, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE INITIAL POINT, MARKED BY A 5/8" X 30" IRON PIN WITH PLASTIC CAP MARKED "ADKINS CONSULT ENGRS" FROM WHICH THE CENTER 1/4 CORNER OF SECTION 19 BEARS N48°06'19"E 2123.07 FEET; THENCE S13°42'49"W 120.08 FEET TO A POINT ON THE NORTHERLY RIGHT OF WAY LINE OF BISMARCK STREET; THENCE ALONG SAID NORTHERLY RIGHT OF WAY LINE N76°30'29"W 128.20 FEET; THENCE LEAVING SAID RIGHT OF WAY LINE N13°42'49"E 120.05 FEET; THENCE S76°31'25"E 128.20 FEET TO THE POINT OF BEGINNING.

EXHIBIT B

BYLAWS OF THE HARBOR ISLES GOLF COURSE

CONDOMINIUM ASSOCIATION, INC.

ARTICLE 1

PLAN OF CONDOMINIUM OWNERSHIP

1.1 Name and Location. These are the bylaws of THE HARBOR ISLES GOLF COURSE CONDOMINIUM ASSOCIATION, INC. (the "Association"). The Harbor Isles Golf Course Condominium (the "condominium") is located in the City of Klamath Falls, Klamath County, Oregon, and has been submitted to the Oregon Condominium Act by a declaration recorded simultaneously with these bylaws and by supplemental declarations, if any, annexing property to the condominium collectively ("the Declaration"). The location of the condominium is more specifically described in the Declaration.

1.2 Principal Office. The principal office of the Association shall be located at 803 Main Street, Suite 300, Klamath Falls, Oregon 97601 or such other address as may be designated by the board of directors from time to time.

1.3 Purposes. This Association is formed under the provisions of the Oregon Condominium Act to serve as the means through which the unit owners may take action with regard to the administration, management and operation of the condominium.

1.4 Applicability of Bylaws. The Association, all unit owners, and all persons using the condominium property shall be subject to these bylaws and to all rules and regulations which may be adopted pursuant to these bylaws.

1.5 Composition of Association. The Association shall be composed of all the unit owners of the condominium, including Trendwest, a division of Jeld-Wen Inc., an Oregon corporation, and its successors and assigns ("the Declarant"), and the Association, itself, to the extent any of these own any unit or units of the condominium.

1.6 Incorporation. The Association shall be incorporated under the Oregon Non-Profit Corporation Law. The Articles of Incorporation of the Association shall be consistent with the Declaration and these bylaws, and these bylaws shall constitute the bylaws of the incorporated association.

1.7 Definitions. The definitions contained in or adopted by the Declaration shall be applicable to these bylaws.

Article 2

MEETINGS OF ASSOCIATION

2.1 Place of Meetings. The Association shall hold meetings at such suitable place convenient to the unit owners as may be designated by the board of directors from time to time.

2.2 Organizational and Turnover Meeting. Within seven years after the date of conveyance of the first unit to a person other than the Declarant, or within ninety (90) days after Declarant has sold and conveyed seventy-five percent (75%) or more of the total number of units which Declarant may submit to the condominium, whichever is earlier, the Declarant shall call the first meeting of the unit owners to organize the Association and to elect directors. Notice of such meeting shall be given to all owners as provided in Section 2.5. If Declarant fails to call the meeting, the meeting may be called and notice given by any unit owner or mortgagee of a unit. The expense of giving notice shall be paid or reimbursed by the Association. At the meeting, Declarant shall deliver to the Association such information and documents as may be required by the Oregon Condominium Act. Nothing in this section shall be construed as preventing the Declarant from calling the organizational and turnover meeting prior to such date, or from calling informal, informational meetings of the unit owners.

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

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

2.5 Notice of Meetings. Notice of all meetings of the Association stating the time and place and the objects for which the meeting is being called shall be given by the chairman or secretary. Such notice shall be in writing and

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

2.6 Voting. Each unit owner shall have one vote for each unit of the condominium owned by such unit owner. The Declarant shall be entitled to vote as the unit owner of any then existing units retained by the Declarant, and as the unit owner of any future proposed units. The board of directors 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 of directors shall not be entitled to vote such units in any election of directors. In the event a unit is rented, unless otherwise expressly stated in the rental agreement or lease, all voting rights allocated to a unit shall be exercised by the unit owner.

2.7 Proxies. A vote may be cast in person or by proxy. A proxy given by a unit owner to any person who represents such owner at meetings of the Association shall be in writing and signed by such owner, and shall be filed with the secretary, at any time prior to the meeting. The presence of an owner at a meeting shall automatically revoke such owner's proxy for all matters which come before the meeting while the owner is present. 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. A unit owner may pledge or assign such owner's voting rights to a mortgagee. In such a case, the mortgagee or its designated representative shall be entitled to receive all notices to which the unit owner is entitled under these bylaws and to exercise the unit owner's voting rights from and after the time that the mortgagee shall give written notice of such pledge or assignment to the board of directors. Any first mortgagee may designate a representative to attend all or any meetings of the Association.

2.8 Fiduciaries and Joint Owners. An executor, administrator, guardian or trustee may vote, in person or by proxy, at any meeting of the Association with respect to any unit owned or held in such capacity, whether or not the same shall have been transferred to his or her name; provided, that such person shall satisfy the secretary that he or she is the executor, administrator, guardian or trustee, holding such unit

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

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2.8 Fiduciaries and Joint Owners. An executor, administrator, guardian or trustee may vote, in person or by proxy, at any meeting of the Association with respect to any unit owned or held in such capacity, whether or not the same shall have been transferred to his or her name; provided, that such person shall satisfy the secretary that he or she 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 or proxy of such unit may be exercised by any one of the owners then present, in the absence of protest by a co-owner. In the event of such protest, no one co-owner shall be entitled to vote without the approval of all co-owners. In the event of 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.

2.9 Quorum of Unit Owners. At any meeting of the Association, members holding fifty percent (50%) of the voting rights, present in person or by proxy, shall constitute a quorum. The subsequent joinder of a unit owner in the action taken at a meeting by signing and concurring in the minutes of the meeting shall constitute the presence of such person for the purpose of determining a quorum. When a quorum is once present to organize a meeting, it cannot be broken by the subsequent withdrawal of a unit owner 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.

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

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

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

2.12 Ballot Meetings. At the discretion of the board of directors, any matter which might come before the Association at a meeting, including election of directors, may be determined by proxy ballot, rather than at a formal gathering. Ballots shall be sent to all unit owners in the same manner as notice of meetings, with a specified deadline for return of ballots. Ballots for such meetings must be properly executed and returned in sufficient quantity to constitute a quorum, and determination of the matter presented shall be based upon the required percentage of ballots returned, unless approval of a specified percentage of all voting rights is required by law, the Declaration or these bylaws. The vote of a ballot meeting shall be determined by the board of directors within 48 hours of the deadline for return of ballots. Within 10 days after the ballots have been counted, each unit owner shall be notified by mail or other delivery of written notice of the results of the ballot meeting or that a quorum of ballots was not returned.

ARTICLE 3

BOARD OF DIRECTORS

3.1 Number and Qualification. The affairs of the Association shall be governed by a board of directors composed of three (3) to five (5) persons, as provided in Sections 3.2 and 3.4 of this Article. All directors, other than interim directors appointed by Declarant, shall be owners or co-owners of units of the condominium. For purposes of this section, the officers of any corporate owner and the partners of any partnership shall be considered co-owners of any units owned by such corporation or partnership.

3.2 Interim Directors. Upon the recording of the Declaration submitting the condominium to the Oregon Condominium Act the Declarant shall appoint an interim board of three (3) directors, who shall serve until replaced by Declarant or their successors have been elected by the unit owners as provided below.

3.3 Transitional Committee. Unless the organizational and turnover meeting described in Section 2.2 above has already been held, Declarant shall call a meeting of the unit owners for the purpose of forming a transitional committee. The meeting shall be called within sixty (60) days of conveyance to persons other than Declarant of fifty percent (50%) of the total number of units which Declarant may submit to the condominium. Declarant shall give notice of the meeting as provided in Section 2.5 above. The committee shall consist of two or more members elected by the unit owners other than

Declarant and not more than one representative of Declarant. The members shall serve until the organizational and turnover meeting. The transitional committee shall be advisory only and its purpose shall be to enable ease of transition from control of the administration of the Association by the Declarant to control by the unit owners. The committee shall have access to the information, documents and records which Declarant must turn over to the unit owners at the time of the organizational and turnover meeting. If Declarant fails to call the meeting to elect a transitional committee within the time specified, the meeting may be called and notice given by any unit owner.

3.4 Election and Term of Office. At the first organizational and turnover meeting called by Declarant pursuant to Section 2.2 of these bylaws, the interim directors shall resign and three (3) successors shall be elected, one to serve until the next annual meeting and two to serve until the second annual meeting after their election. Thereafter, at the expiration of the initial term of office of each respective director, his or her successor shall be elected to serve for a term of two years, so that the term of not less than one-third of the directors shall expire annually. Directors shall hold office until their respective successors have been elected by the unit owners. Election shall be by plurality. Upon a majority vote of the membership present in person or by proxy at a meeting called for such purpose, the number of directors may be increased to five (5) directors. Upon such increase, two additional directors shall be elected, one to serve until the next annual meeting and the other to serve until the second annual meeting after their election. Thereafter, each successor shall be elected to serve for a two-year term.

3.5 Vacancies. Vacancies in the board of directors caused by any reason other than the removal of a director by a vote of the Association shall be filled by vote of the majority of the remaining directors, even though they may constitute less than a quorum, or by a sole remaining director. Each person so elected shall be a director until a successor is elected to fill the unexpired term at the next annual meeting of the Association or the next special meeting of the Association called for that purpose. Vacancies in interim directors shall be filled by Declarant.

3.6 Removal of Directors. At any regular or special meeting of the Association duly called, any one or more of the directors, other than interim directors, may be removed with or without cause by a majority vote of the unit owners present in person or by proxy, and a successor shall be elected at that meeting 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 that meeting.

3.7 Powers and Duties. The board of directors shall have all of the powers and duties necessary for the administration of the affairs of the Association, except such powers and duties as by law or by the Declaration or by these bylaws may not be delegated to the board of directors by the unit owners. The powers and duties to be exercised by the board of directors shall include, but shall not be necessarily limited to the following:

(a) Operation, care, upkeep, maintenance, repair and replacement of the general common elements, the limited common elements and the section of Harris Street between Scott Street and Harbor Isles Blvd.

(b) Determination of the amounts required for operation, maintenance and other affairs of the Association, and the making of such expenditures.

(c) Adoption of an operating budget for the Association, and assessment and collection of the common expenses.

(d) Employment and dismissal of such personnel, vendors and suppliers as necessary for the efficient maintenance, upkeep and repair of the common elements.

(e) Employment of legal, accounting or other personnel for reasonable compensation to perform such services as may be required for the proper administration of the Association; provided, however, the board may not incur or commit the Association to incur legal fees in excess of \$500 for any specific matter unless the unit owners have enacted a resolution authorizing the incurring of such fees by a vote of seventy-five percent (75%) of the voting rights present in person or by proxy at a meeting at which a quorum is constituted. This limitation shall not be applicable to legal fees incurred in defending the Association and the board of directors from claims or litigation brought against them.

(f) Opening of bank accounts on behalf of the Association and designating the signatories required therefor.

(g) Preparing or causing to be prepared and filed any required income tax returns or forms for the Association.

(h) Purchasing units of the condominium at foreclosure or other judicial sales in the name of the Association, or its designee, on behalf of all the unit owners as provided in these bylaws.

(i) Selling, leasing, mortgaging, voting the votes appurtenant to (other than for the election of directors), or otherwise dealing with units of the condominium acquired by the Association or its designee on behalf of all the unit owners.

(j) Obtaining insurance or bonds pursuant to the provisions of these bylaws.

(k) Making additions and improvements to, or alterations of, the common elements; provided, however, that no such project may be undertaken by the board if the total cost will exceed the amount of \$1,000 unless the unit owners have enacted a resolution authorizing the project by a vote of seventy-five percent (75%) of the voting rights present in person or by proxy at a meeting at which a quorum is constituted. This limitation shall not be applicable to maintenance, repairs or replacement undertaken pursuant to paragraph (a) above.

(l) Designating one or more committees which, to the extent provided in the resolution designating the committee, shall have the powers of the board of directors in the management of the affairs of the Association. At least one member of each committee shall be a member of the board of directors.

(m) Enforcement by legal means of the provisions of the Oregon Condominium Act, the Declaration, these bylaws and any rules and regulations adopted hereunder.

(n) The filing of an Annual Report and any amendment with the Oregon Secretary of State in accordance with ORS 100.250.

3.8 Managing Agent or Manager. On behalf of the Association, the board of directors may employ or contract for a managing agent or a manager at a compensation to be established by the board of directors. Any such management agreement shall be terminable by the Association for cause upon 30 days' written notice thereof, and the term of any such agreement may not exceed one year, renewable by agreement of the parties for successive one-year periods. The board of directors may delegate to the managing agent or manager such duties and powers as the board of directors may authorize. In the absence of such appointment, the board of directors shall act as manager; provided, however, that the board of directors may not terminate professional management and assume self-management unless the decision to do so is approved by at least fifty-one percent (51%) of the total voting power of the Association.

3.9 Contracts Entered into by Declarant or Interim Board. Notwithstanding any other provision of these bylaws, any leases or contracts (including management contracts, service contracts and employment contracts) entered into by the Declarant or the interim board on behalf of the Association shall have a term not in excess of

three years. In addition, any such lease or contract shall provide that it may be terminated without cause or penalty by the Association or board of directors upon not less than 30 days' notice to the other party given at any time after election of the permanent board at the organizational and turnover meeting described in Section 2.2 of these bylaws.

3.10 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 of directors shall hold an organizational meeting at such place and time as shall have been fixed by the directors at the meeting at which the election was held.

3.11 Regular and Special Meetings. Regular meetings of the board of directors may be held at such time and place as shall be determined, from time to time, by a majority of the directors. Special meetings of the board of directors may be called by the chairman and must be called by the secretary at the written request of at least two directors. Notice of any special meeting shall be given to each director, personally or by mail, telephone or telegraph at least seven (7) days prior to the day named for such meeting, and shall state the time, place and purpose of such meeting.

3.12 Open Meetings. All meetings of the board of directors shall be open to unit owners. Such meetings may be conducted by telephonic communication, except that if a majority of the units are principal residences of the occupants, then: (a) for other than emergency meetings, notice of each board of directors' meeting shall be mailed to unit owners at least five (5) days prior to the meeting, or notice shall be provided by a method otherwise reasonably calculated to inform the unit owners of such meeting; and (b) only emergency meetings of the board of directors may be conducted by telephonic communication.

3.13 Waiver of Notice. Any director may, at any time, waive notice of any meeting of the board of directors in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the board shall constitute a waiver of notice by such director, except where the director attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. If all of the directors are present at any meeting of the board, no notice to directors shall be required and any business may be transacted at such meeting.

3.14 Quorum of Board of Directors. At all meetings of the board of directors, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the board of directors. If at any meeting

of the board of directors less than a quorum should be 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 to directors.

3.15 Compensation. No director shall receive any compensation from the Association for acting as such.

3.16 Liability and Indemnification of Directors, Officers, Manager or Managing Agent. A member of the board of directors or an officer of the Association shall not be liable to the Association or any member thereof for any damage, loss or prejudice suffered or claimed on account of any action or failure to act in the performance of his or her duties, except for acts of gross negligence or intentional acts. In the event any member of the board of directors or any officer of the Association is made a party to any proceeding because the individual is or was a director or officer of the Association, the Association shall indemnify such individual against liability and expenses incurred to the maximum extent permitted by law.

3.17 Insurance. The board of directors shall obtain the insurance required in Article 8 of these bylaws. In addition, the board of directors, in its discretion, may obtain such other insurance or bonds as it deems necessary to protect the interests of the Association or unit owners. The board of directors shall conduct an annual insurance review which, if appropriate, shall include an appraisal of all improvements contained in the condominium.

ARTICLE 4

OFFICERS

4.1 Designation. The principal officers of the Association shall be the chairman, the secretary and the treasurer, all of whom shall be elected by the board of directors. The directors may appoint a vice chairman, an assistant treasurer, an assistant secretary, and such other officers as in their judgment may be necessary. The chairman shall be a member of the board of directors, but the other officers need not be directors.

4.2 Election of Officers. The officers of the Association shall be elected annually, by the board of directors at the organization meeting of each new board and shall hold office at the pleasure of the board. If any office shall become vacant, the board of directors shall elect a successor to fill the unexpired term at any regular meeting of the board of directors, or at any special meeting of the board of directors called for such purpose.

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

4.4 Chairman. The chairman shall be the chief executive officer of the Association. He or she shall preside at all meetings of the Association and of the board of directors. The chairman shall have all of the general powers and duties which are usually vested in the chief executive officer of an association, including but not limited to the power to appoint committees from among the unit owners from time to time as the chairman may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Association.

4.5 Secretary. The secretary shall keep the minutes of all proceedings of the board of directors and the minutes of all meetings of the Association. He or she shall attend to the giving and serving of all notices to the unit owners and directors and other notices required by law. The secretary shall keep the records of the Association, except for those of the treasurer, and shall perform all other duties incident to the office of secretary of an association and as may be required by the directors or the chairman. In addition, the secretary shall act as vice chairman, taking the place of the chairman and performing the chairman's duties whenever the chairman is absent or unable to act, unless the directors have appointed another vice chairman.

4.6 Treasurer. The treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of required financial statements. He or she shall be responsible for the deposit of all moneys and other valuable effects in such depositories as may from time to time be designated by the board of directors, and shall disburse funds of the Association upon properly authorized vouchers. The treasurer shall perform all other duties incident to the office of treasurer of an association and such other duties as may be assigned to him or her by the board of directors.

4.7 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 of directors and, in the absence of any general or special resolution applicable to any such instrument, then such instrument shall be signed by the chairman. All checks shall be signed by the treasurer or in the absence or disability of the treasurer, by the chairman or any duly elected assistant treasurer.

4.8 Compensation of Officers. No officer who is a member of the board of directors shall receive any compensation from the Association for acting as an officer, unless such compensation is authorized by a resolution duly adopted by 75% or more of the unit owners. The board of directors may fix any compensation to be paid to any officers who are not also directors.

ARTICLE 5

BUDGET EXPENSES AND ASSESSMENTS

5.1 Budget. The board of directors shall from time to time, and at least annually, prepare a budget for the Association, estimate the common expenses expected to be incurred, less any previous overassessment, and assess the common expenses to each unit owner in the proportion set forth in the Declaration. The budget shall provide for an adequate reserve fund for maintenance, repairs and replacement of those common elements which must be replaced on a periodic basis.

5.2 Determination of Common Expenses. Common expenses shall include:

- (a) Expenses of administration.
- (b) Expenses of maintenance, repair or replacement of common elements or any other portions of the condominium required to be maintained by the Association pursuant to the Declaration or these bylaws.
- (c) Cost of insurance or bonds obtained in accordance with these bylaws.
- (d) A general operating reserve, including an amount sufficient to cover the deductible under the property damage insurance policy.
- (e) Reserve for replacements and deferred maintenance.
- (f) Any deficit in common expenses for any prior period.
- (g) Utilities for the common elements and other utilities with a common meter or commonly billed.
- (h) Any other items properly chargeable as an expense of the Association.

5.3 Assessment of Common Expenses.

(a) Obligation to pay. All unit owners shall be obligated to pay common expenses assessed to them by the board of directors on behalf of the Association pursuant to these bylaws and the

Declaration. Assessments may not be waived due to limited or nonuse of the common elements, and no unit owner may offset amounts owing or claimed to be owing by the Association or Declarant to the unit owner against such unit owner's obligation to pay assessments. Subject to paragraph (c) below, Declarant shall be assessed as the unit owner of any unsold unit, but such assessments shall be prorated to the date of sale of the unit. The board of directors, on behalf of the Association shall assess the common expenses against the unit owners on a monthly basis, and shall take prompt action to collect from a unit owner any common expense due which remains unpaid for more than thirty (30) days from the due date for its payment.

(b) Commencement of regular operating expense assessments. Regular monthly assessments for common operating expenses for units in each stage of the condominium shall commence upon closing of the sale of the unit. The first monthly billing will be prorated as necessary.

(c) Commencement of assessment for replacement reserves. Regular monthly assessments for replacement reserves as described in Section 5.5 shall commence upon the closing of the sale of the unit. The first monthly billing will be pro-rated as necessary.

(d) Annexation of additional stages. If additional units are annexed to the condominium and become subject to assessment, the board of directors shall promptly prepare a new budget reflecting the addition to the condominium and shall recompute any previous assessment covering any period after the units in the new stage become subject to assessment.

5.4 Special or Extraordinary Assessments.

(a) Special Assessments for Capital Improvements. In the case of any duly authorized capital improvement to the common elements, the board of directors may by resolution establish separate assessments for the same, which may be treated as capital contributions by the unit owners, and the proceeds of which shall be used only for the specific capital improvements described in the resolution.

(b) Other Special or Extraordinary Assessments. In the event the board of directors determines that the assessments established upon adoption of the budget as provided in Section 5.1 above will be insufficient to pay the common expenses, or the board of directors determines that additional funds will be needed to meet unexpected or unbudgeted common expenses, the board may levy an additional special or extraordinary assessment.

(c) Allocation of Special Assessments, Capital Improvements or Extraordinary Assessment. Such assessment, as described in (a) and (b) above shall be allocated to each unit in the same

proportion set forth in the Declaration, and may be payable in installments over a specified period, in a lump sum, or in a lump sum with option to pay in installments with interest, as determined by the board of directors.

5.5 Replacement Reserves: The Declarant shall establish a reserve account for replacement of those common elements all or a part of which will normally require replacement in more than three and less than 30 years. Such reserve account shall be funded by assessments against the individual unit for maintenance of the items for which the reserve account is being established, which sums shall be included in the regular monthly assessment for the unit. The amount assessed shall take into account the estimated remaining life of the items for which the reserve is created and the current replacement cost of such items. The reserve account shall be established in the name of the Association and shall be adjusted at regular intervals to recognize changes in current replacement costs over time. The reserve account shall be used only for replacement of common elements and shall be kept separate from assessments for maintenance and operating expenses. After the organizational and turnover meeting described in Article 2.2, however, the board of directors may borrow funds from the reserve account to meet high seasonal demands on the regular operating funds or to meet other temporary expenses which will later be paid from special assessments or maintenance fees. Nothing in this section shall prohibit prudent investment of the reserve account. Following the second year after the organizational and turnover meeting, future assessments for the reserve account may be reduced, eliminated or decreased by an affirmative vote of not less than 75 percent of all voting rights in the condominium. Assessments paid into the reserve account are the property of the Association and are not refundable to sellers of units. Sellers of the units, however, may treat their outstanding share of the reserve account as a separate item in any sales agreement. The provisions of this section shall be operable only to the extent and so long as required by the Oregon Condominium Act.

5.6 Default in Payment of Assessments: In the event of default by any unit owner in paying any assessments to the Association, including assessed common expenses and any other charge imposed or levied by the Association pursuant to the provisions of the Declaration, these bylaws or the Oregon Condominium Act, such unit owner shall be obligated to pay interest at the rate of twelve percent (12%) per annum on such assessment from the due date thereof, or at such greater rate as may be established by the board of directors from time to time, not to exceed the maximum lawful rate, if any. In addition, the defaulting unit owner shall pay a late charge for any assessment not paid within ten (10) days of its due date in the amount of five percent (5%) of the delinquent payment, or such other reasonable late charge as may be established by the board of directors from time to time, together with all expenses incurred by the Association in collecting such unpaid assessments, including attorneys' fees (whether or not suit is instituted, and at trial or any appeal or petition for

review therefrom). If the assessment is not paid within thirty (30) days of its due date, the board of directors may declare any remaining installments of assessments for the balance of the fiscal year immediately due and payable. The board of directors shall have the right and duty to recover for the Association such assessments, together with such charges, interest and expense of the proceeding, including attorneys' fees, by an action brought against such unit owner or by foreclosure of the lien upon the unit granted by the Oregon Condominium Act. The board of directors shall notify the holder of any first mortgage upon a unit and any eligible mortgage insurer or guarantor thereof of any default not cured within sixty (60) days of the date of default.

5.7 Foreclosure of Liens for Unpaid Assessments. The board of directors, acting on behalf of the Association, shall have the power to purchase such unit at the foreclosure sale and to acquire, hold, lease, mortgage, vote the votes appurtenant to, convey, or otherwise deal with the unit. A suit or action to recover a money judgment for unpaid assessments shall be maintainable without foreclosing the liens securing the same.

5.8 Statement of Assessments. The board of directors shall advise each unit owner in writing of the amount of assessments payable by such owner, and furnish copies of each budget on which such assessments are based to all unit owners and, if requested, to their mortgagees. The board of directors shall promptly provide any unit owner who makes a request in writing with a written statement of the owner's unpaid assessments.

5.9 Priority of Lien. First Mortgages. Any lien of the Association against a unit for assessments shall be subordinate to tax and assessment liens and any prior mortgage of record. Where the purchaser or mortgagee of a unit obtains title to the unit as a result of foreclosure of a first mortgage, such purchaser or mortgagee, its successors and assigns, shall not be liable for any of the assessments chargeable to such unit which became due prior to the acquisition of title to such unit by such purchaser or mortgagee. Such unpaid share of assessments shall be a common expense and reallocated on a pro rata basis to all units, including the mortgaged unit. A deed in lieu of foreclosure accepted by the holder of a first mortgage shall extinguish a lien filed by the Association to secure unpaid assessments under the circumstances described in ORS 100.465.

5.10 Voluntary Conveyance. In a voluntary conveyance of a unit, the grantee shall be jointly and severally liable with the grantor for all unpaid assessments against the grantor of the unit up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor. However, upon request of a prospective purchaser the board of directors shall make and deliver a statement of the unpaid assessments against the prospective grantor or the unit, and the grantee in that

case shall not be liable for, nor shall the unit when conveyed be subject to, a lien filed thereafter for any unpaid assessments against the grantor in excess of the amount set forth in the statement.

ARTICLE 6

RECORDS AND AUDITS

6.1 General Records. The board of directors and the managing agent or manager, if any, shall keep detailed records of the actions of the board of directors and the managing agent or manager, minutes of the meetings of the board of directors and minutes of the meetings of the Association. The board of directors shall maintain a Book of Resolutions containing the rules, regulations and policies adopted by the Association, board of directors and the manager. The board of directors shall maintain a list of owners entitled to vote at meetings of the Association and a list of all mortgagees of units.

6.2 Financial Records. The board of directors or its designee shall keep financial records sufficient for proper accounting purposes.

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. Such assessment roll shall be kept either by the Secretary or the Treasurer of the Board of Directors.

6.4 Payment of Vouchers. The treasurer shall pay all vouchers for all budgeted items and for any nonbudgeted items up to \$500 signed by the chairman, managing agent, manager or other person authorized by the board of directors. Any voucher for nonbudgeted items in excess of \$500 shall require the authorization of the chairman. Any checks written on reserve accounts must be signed by two members of the board of directors.

6.5 Reports and Audits. An annual financial statement consisting of a balance sheet and income and expense statement for the preceding fiscal year shall be rendered by the board of directors to all unit owners and to all mortgagees of units who have requested the same within 90 days after the end of each fiscal year. From time to time the board of directors, at the expense of the mortgagee, may obtain an audit or review of the books and records pertaining to the Association and furnish copies thereof to the owners and such mortgagees. Upon written request, any holder, insurer or guarantor of a first mortgage shall be entitled to an audited financial statement for the immediately preceding fiscal year at their own expense.

6.6 Notice of Sale, Mortgage, Rental or Lease. Immediately upon the sale, mortgage, rental or lease of any unit, the unit owner shall promptly inform the secretary or manager of the name and address of said vendee, mortgagee, lessee, or tenant.

6.7 Availability of Records. During normal business hours or under other reasonable circumstances, the Association shall make available to unit owners, prospective purchasers and lenders, and to holders, insurers, or guarantors of any first mortgage, current copies of the Declaration, bylaws, other rules concerning the condominium, amendments or supplements to such documents, and the books, records, financial statements and current operating budget of the Association. Upon written request, the Association shall make such documents, information and records available to such persons for duplication during reasonable hours. The Association may charge a reasonable fee for furnishing copies of such documents, information or records.

ARTICLE 7

MAINTENANCE AND USE OF CONDOMINIUM PROPERTY

7.1 Maintenance and Repair. Except as otherwise provided in Section 7.3 for damage or destruction caused by casualty:

(a) Units. Each unit owner shall be responsible for the maintenance, repair, or replacement of all glass portions of windows and doors, all pipes, conduits, wires, furnaces, hot water heaters, lights, electrical fixtures and bulbs, appliances, sinks, bathtubs and the like, from the exterior siding in whether located within common element space or unit boundary space. Each owner shall be responsible for the maintenance and repair of the air conditioning unit located outside their unit and all dry wall and interior walls of their respective units. Each owner shall be responsible for the maintenance of personal property located in his side yard limited common element area which items must be kept clean, sanitary and in attractive and good condition and repair. Such items include outdoor furniture, barbecues, umbrellas, flower pots, etc.

(b) Common elements. All maintenance, repairs and replacements to the general and limited common elements shall be made by the Association and shall be charged to all the unit owners as a common expense. Each unit owner, however, shall keep the limited common elements such as driveways, walkways, and patios in neat, clean and sanitary condition.

7.2 Additions, Alterations or Improvements.

(a) A unit owner may make any improvements or alterations to such owner's unit that do not impair the structural integrity or mechanical systems of the condominium or lessen the support of

any portion of the condominium. A unit owner may not make any improvements or alterations which materially changes the outward appearance of the unit unless such alteration or improvement is approved by the board of directors.

(b) A unit owner shall make no repair or alteration or perform any other work on such owner's unit which would jeopardize the soundness or safety of the property, reduce its value, impair any easement or hereditament or increase the common expenses of the Association or materially change the outward appearance of any unit.

(c) A unit owner may not change the appearance of the common elements or the exterior appearance of a unit without permission of the board of directors.

7.3 Damage or Destruction by Casualty of Condominium Property. In the case of damage or destruction which affects a material portion of the project, timely written notice shall be given to the unit owners and their mortgagees and any eligible mortgage insurer or guarantor and the following provisions shall apply:

(a) In the event of damage or destruction by casualty of condominium property, the damage or destruction shall be repaired, reconstructed or rebuilt unless, within fourteen (14) days of such damage or destruction, the board of directors or more than ten percent (10%) of the unit owners shall have requested a special meeting of the Association. Such special meeting must be held within sixty (60) days of the date of damage or destruction. At the time of such meeting, unless unit owners holding ninety percent (90%) of the voting power, whether in person, by writing or by proxy, with the approval of mortgagees as required by the Declaration, vote not to repair, reconstruct or rebuild the damaged property, the damage or destruction shall be repaired, reconstructed or rebuilt. If the damage or destruction is not repaired, reconstructed or rebuilt, then the property shall be removed from condominium ownership in the manner provided in the Oregon Condominium Act.

(b) The Association shall be responsible for repairing, reconstructing or rebuilding all such damage or destruction to the common elements and, to the extent of the Association's insurance coverage and any deductible under such policies, all such damage or destruction to the units. Each unit owner shall be responsible for such repairing, reconstructing or rebuilding of his unit as is not so covered by the Association's insurance.

(c) If, due to the act or neglect of a unit owner, or of a member of such owner's family or household pet or of a guest or other authorized occupant or visitor of such unit owner, damage shall be caused to the common elements or to a unit owned by

others, or maintenance, repairs or replacements shall be required which would otherwise be a common expense, then such unit owner shall pay for such damage and such maintenance, repairs and replacements as may be determined by the Association, to the extent not fully covered by the Association's insurance.

(d) In the event any portion of the insurance proceeds paid to the Association is not used to repair, reconstruct or rebuild the damaged or destroyed property, the Association shall distribute the proceeds among the unit owners and their mortgagees (as their interests may appear) in the same proportion as common expenses are shared, unless the property is removed from unit ownership. If the property is removed from unit ownership, the insurance proceeds, together with the proceeds from the sale of the property, shall be distributed to the unit owners and their mortgagees (as their interests may appear) in the manner described in the Oregon Condominium Act.

7.4 Condemnation. If any portion of the condominium is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, notice of the proceeding or proposed acquisition shall promptly be given to each unit owner and to each mortgagee and any eligible mortgage insurer or guarantor. The Association shall represent the unit owners in any condemnation proceedings or in negotiations, settlements and agreements with the condemning authority for acquisition of any portion of the common elements, and each unit owner appoints the Association to act as his attorney-in-fact for such purposes. All compensation, damages or other proceeds of the taking, other than any award for moving expenses of specific unit owners, shall be payable to the Association and allocated and distributed as provided in this Article 7.4.

(a) Complete Taking. If the entire condominium property is taken, or if unit owners holding ninety percent (90%) of the voting power agree that such substantial portion of the condominium has been taken as to make the project obsolete, then the property shall be deemed removed from unit ownership. In such event, any proceeds of the condemnation paid to the Association, together with any other proceeds upon sale of the remaining condominium property, shall be distributed among the unit owners and their mortgagees, as their interests may appear, in accordance with the provisions of the Oregon Condominium Act.

(b) Partial Taking. If less than the entire condominium property is taken and the property is not determined to be obsolete as provided in paragraph (a) above, then as soon as practicable the board of directors shall, reasonably and in good faith, allocate the award among the units in accordance with the reduction in the value of each unit and its interest in the common elements, compared to the total reduction in value of all

units and their interest in the common elements. In the event any unit owner or mortgagee objects to the allocation determined by the board of directors, the matter shall be submitted to arbitration in accordance with the rules of the American Arbitration Association. The cost of such determination shall be paid out of the proceeds of the condemnation. Any portion of the award allocated to a unit owner under this paragraph shall be paid first to all mortgagees and holders of liens on the unit owner's interest in accordance with the existing priorities, and the balance to the unit owner. If any reconstruction or repair is undertaken as a result of the condemnation, the board of directors may retain and apply such portion of each unit owner's share of the award as is necessary to discharge the owner's liability for any special assessment arising from such reconstruction or repair.

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

(a) Residential use. No commercial activities of any kind shall be carried on in any unit or in any other portion of the condominium without the consent of the board of directors of the Association or manager, except activities relating to the sale of units. This provision, however, shall not be construed so as to prevent or prohibit a unit owner from maintaining his or her professional personal library, keeping his or her personal business or professional records or accounts, handling his or her personal business or professional telephone calls, or conferring with business or professional associates, clients or customers, in such owner's unit.

(b) Use of common elements. The use, operation and maintenance of the common elements shall not be obstructed, damaged or unreasonably interfered with by any unit owner.

(c) Offensive or unlawful activities. No noxious or offensive activities shall be carried on in any unit, common or limited common area nor shall anything be done in or placed upon any unit which interferes with or jeopardizes the enjoyment of other units or the common elements or which is a source of annoyance to residents. Unit occupants shall exercise extreme care not to make noises which may disturb other unit occupants, including the use of musical instruments, radios, televisions and amplifiers. No unlawful use shall be made of the condominium nor any part thereof, and all valid laws, zoning ordinances, and regulations of all governmental bodies having jurisdiction thereof shall be observed.

(d) Animals. No animals or fowls shall be raised, kept or permitted within the condominium or any part thereof, except domestic dogs, cats, or other household pets kept within a unit. No such dogs, cats or pets shall be permitted to run at large nor shall be kept, bred or raised for commercial purposes or in unreasonable numbers. Any inconvenience, damage or unpleasantness caused by such pets shall be the responsibility of the respective owners thereof, and owners shall be responsible for removal of wastes of their animals. All dogs shall be carried or kept on a leash while outside a unit. No pet shall be permitted to cause or create a nuisance or unreasonable disturbance or noise or to destroy or damage the landscaping, fencing, or doors of any unit. A unit owner may be required to remove a pet upon receipt of the third notice in writing from the board of directors of violations of any rule, regulation or restriction governing pets within the condominium.

(e) Exterior lighting or noisemaking devices and antennas. Except with the consent of the board of directors of the Association or manager, no exterior lighting or noisemaking devices shall be installed or maintained on any unit and no antennas, or transmitting towers shall be affixed to the general or limited common elements or to any unit. In addition, there shall be no satellite dishes allowed in or on any of the units, nor shall such satellite dishes be allowed to be maintained on or in any general or limited common areas. Such restrictions include tower antennas, aerials, reflectors or other facilities for the reception or transmission of television broadcasts or other means of communication. No such devices shall be erected and maintained or permitted to be erected and maintained on any portion of the common elements or limited common elements.

(f) Windows, decks and outside walls. In order to preserve the attractive appearance of the condominium the board of directors of the Association or the manager may regulate the nature of items which may be placed in or on windows, decks, patios, and the outside walls so as to be visible from other units, the common elements, or outside the condominium. Garments, rugs, laundry and other similar items may not be hung from windows, facades, decks or patios or within the general or limited common elements.

(g) Trailers, campers, boats and parking. Except with the consent of the board of directors of the Association or manager, no trailer, truck camper, motorcycle, boat or boat trailer, or other recreational vehicle shall be parked on any portion of the condominium except for temporary periods to facilitate loading/unloading. In addition to these restrictions, there shall not be allowed more than three (3) vehicles parked or stored at any one unit for a period exceeding two (2) weeks, nor shall there be more than one (1) vehicle parked or stored in a

driveway for more than two (2) weeks. There is no parking in the streets, except by guests for temporary periods when parking on the unit driveway is otherwise not possible.

(h) Signs. Unless written approval is first obtained from the board of directors, no sign of any kind shall be displayed to the public view on or from any unit or the common elements except signs used by the Declarant or unit owner to advertise units for sale.

(i) Trash. No part of any unit or any part of the common elements shall be used or maintained as a dumping ground for rubbish, trash, garbage or other waste. No garbage, trash or other waste shall be kept or maintained on any part of the property except in sanitary containers hidden from view in the fenced enclosures provided..

(j) Insurance. Nothing shall be done or kept in any unit or in the common elements which will increase the cost of insurance on the common elements. No owner shall permit anything to be done or kept in his or her unit or on the common elements which will result in cancellation of insurance on any unit or any part of the common elements.

(k) Association rules and regulations. In addition, the board of directors from time to time may adopt, modify, or revoke such rules and regulations governing the conduct of persons and the operation and use of the units and common elements as it may deem necessary or appropriate in order to assure the peaceful and orderly use and enjoyment of the condominium property. Such action may be modified by vote of not less than seventy-five percent (75%) of the voting rights present, in person or by proxy, at any meeting the notice of which shall have stated that such modification or revocation of rules and regulations will be under consideration. A copy of the rules and regulations, upon adoption, and a copy of each amendment, modification or revocation thereof, shall be delivered by the secretary promptly to each unit owner and shall be binding upon all unit owners and occupants of all units from the date of delivery.

(l) Limitations on Open Fires. No incinerators or other open fires (including outdoor cooking facilities such as propane grills or portable barbecue units) shall be kept or maintained on any common element. No incinerators or other open fires (except outdoor cooking facilities such as propane grills or portable barbecue units) shall be kept or maintained on any limited common element, or in any unit.

(m) Landscaping. No landscaping may be done to any of the common elements or limited common side yard areas without the approval of the board of directors.

7.6 Abatement and Enjoining of Violations. The violation of any provision of the Declaration or these bylaws, of any rule or regulation adopted pursuant to these bylaws, or of any decision of the Association made pursuant to such documents, shall give the board of directors, acting on behalf of the Association, the right, in addition to any other rights set forth in these bylaws, to do any or all of the following after giving notice and an opportunity to be heard:

(a) to enter the unit in which or as to which such violation exists and to summarily abate and remove, at the expense of the defaulting unit owner, any structure, thing, or condition that may exist contrary to the intent and meaning of such provisions, and the board of directors shall not thereby be deemed guilty of any manner of trespass, provided, however, that judicial proceedings shall be instituted before any items of construction may be altered or demolished; or

(b) to enjoin, abate, or remedy such thing or condition by appropriate legal proceedings; or

(c) to levy reasonable fines.

The offending unit owner shall be liable to the Association for all costs and attorneys' fees incurred by the Association, whether or not legal proceedings are instituted and including attorneys' fees on appeal or petition for review, together with any expense incurred by the Association in remedying the default, damage incurred by the Association or unit owners, or fines so levied. Such sums shall be assessed against the offending unit as an assessment and enforced as provided in Article V. In addition, any aggrieved unit owner may bring an action against such other unit owner or the Association to recover damages or to enjoin, abate, or remedy such thing or condition by appropriate legal proceedings.

7.7 Predispute Arbitration Clause. Any dispute or claim that arises out of or that relates to these Bylaws or the Declaration, or to the interpretation or breach thereof, shall be resolved by arbitration in accordance with the then effective arbitration rules of Arbitration service of Portland, Inc. or the American Arbitration Association, whichever organization is selected by the party which first initiates arbitration by filing a claim in accordance with the filing rules of the organization selected, and any judgment upon the award rendered pursuant to such arbitration may be entered in any court having jurisdiction thereof.

ARTICLE 8

INSURANCE

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

8.1.1 Property Damage Insurance

(a) The Association shall maintain a policy or policies of insurance covering loss or damage from fire, with standard extended coverage and "all risk" endorsements, and such other coverage as the Association may deem desirable.

(b) The amount of the coverage shall be for not less than one hundred percent (100%) of the current replacement cost of all common and limited common elements, subject to a maximum deductible of \$1,000.

(c) Such policy or policies shall name the Association as insured, and shall provide for loss payable in favor of the Association, as a trustee for each unit owner and each such unit owner's mortgagee, as their interests may appear. The policies shall contain the standard mortgage clause, or equivalent endorsement (without contribution) which is commonly accepted by institutional mortgage investors in Oregon.

(d) This provision evidences the intent of the Association to insure any and all structures, equipment, improvements and property owned by the Association.

8.1.2 Liability Insurance

(a) The Association shall maintain comprehensive general liability insurance coverage insuring the Declarant, the Association, the board of directors, the unit owners and the managing agent, against liability to the public or to the owners of units and of common elements, and their invitees or tenants, incident to the operation, maintenance, ownership or use of the property, including legal liability arising out of lawsuits related to employment contracts of the Association. There may be excluded from such policy or policies coverage of a unit owner (other than as a member of the Association or board of directors) for liability arising out of acts or omission of such unit owner and liability incident to the ownership and/or use of the part of the property as to which such unit owner has the exclusive use or occupancy.

(b) Limits of liability under such insurance shall not be less than One Million Dollars (\$1,000,000) on a combined single limit basis.

(c) Such policy or policies shall be issued on a comprehensive liability basis and shall provide a cross liability endorsement wherein the rights of named insured under the policy or policies shall not be prejudiced as respects his, her or their action against another named insured.

8.1.3 Workers' Compensation Insurance. The Association shall maintain workers' compensation insurance to the extent necessary to comply with any applicable laws.

8.1.4 Insurance by Unit Owners. Each unit owner shall be responsible for obtaining, at such owner's own expense, insurance covering his or her property not insured under Article 8.1.1 above and against his or her liability not covered under Article 8.1.2 above, unless the Association agrees otherwise.

8.2 Other Insurance Requirements. Insurance obtained by the Association shall be governed by the following requirements:

(a) All policies shall be written within the State of Oregon or a company licensed to do business in the State of Oregon acceptable to FNMA which falls into a B or A general policyholder's rating and a Class III or better financial size category, as designated in Best's Key Rating Guide.

(b) Notwithstanding the provisions of 8.1 above, there may be named as an insured, on behalf of the Association, the Association's authorized representative, including any trustee with whom the Association may enter into any Insurance Trust Agreement, or any successor to such trustee. Such insurance trustee shall have exclusive authority to negotiate losses under any property or liability insurance policy. Each unit owner appoints the Association, or any insurance trustee or substitute trustee designated by the Association, as attorney-in-fact for the purpose of purchasing and maintaining such insurance including: the collection and appropriate disposition of the proceeds thereof, the negotiation of losses and execution of releases of liability, the execution of all documents, and the performance of all other acts necessary to accomplish such purchase. The Association or insurance trustee shall receive, hold or otherwise properly dispose of any proceeds of insurance in trust for unit owners and their first mortgage holders, as their interests may appear.

(c) All property insurance policies shall contain a "Special Condominium Endorsement" or its equivalent providing for the following: recognition of any Insurance Trust Agreement, a waiver

of the right of subrogation against unit owners individually, that the insurance is not prejudiced by any act or neglect of individual unit owners which is not in the control of such owners collectively, and that the policy is primary in the event the unit owner has other insurance covering the same loss.

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

8.3 Optional Provisions. To the extent appropriate and available at reasonable cost, the Board of Directors of the Association may maintain additional coverage against such other risks as are customarily covered with respect to projects similar in construction, location and use.

8.4 FNMA and GNMA Requirements. Notwithstanding any other provisions of this article, the Association shall continuously maintain in effect such casualty and liability insurance meeting the insurance and fidelity requirements for condominium projects established by FNMA and Government National Mortgage Association, so long as either is a mortgagee or owner of a unit within the condominium, except the extent such coverage is not available or has been waived in writing by FNMA or Government National Mortgage Association. FNMA or FNMA's servicer, its successors and assigns, shall be named as a mortgagee in the Association's policies.

ARTICLE 9

AMENDMENTS TO BYLAWS

9.1 How Proposed. Amendments to the bylaws shall be proposed by either a majority of the board of directors or by unit owners holding thirty percent (30%) of the voting rights. The proposed amendment must be reduced to writing and shall be included in the notice of any meeting at which action is to be taken thereon or attached to any request for consent to the amendment.

9.2 Adoption. A resolution adopting a proposed amendment may be proposed by either the board of directors or by the unit owners and may be approved by the unit owners at a meeting called for this

purpose or by ballot vote. Unit owners not present at the meeting considering such amendment may express their approval in writing or by proxy. Any resolution must be approved by unit owners holding a majority of the voting rights and of mortgagees to the extent required by the Declaration, except that any amendment relating to age restrictions, pet restrictions, limitations on the number of persons who may occupy units, or limitations on the rental or leasing of units must be approved by unit owners holding seventy-five percent (75%) of the voting rights. Declarant's consent shall also be required until the last stage is annexed and so long as Declarant owns twenty-five percent (25%) or more of the units in the last stage of the condominium. Such consent shall not be required after seven years from the date of conveyance of the first unit to a person other than Declarant. Any amendment which would limit or diminish any special Declarant rights established in these bylaws shall require the written consent of Declarant.

9.3 Execution and Recording. An amendment shall not be effective until certified by the chairman and secretary of the Association as being adopted in accordance with these bylaws and the provisions of the Oregon Condominium Act and recorded as required by law. Any amendment adopted within five (5) years after the recording of the initial bylaws shall be approved by the Oregon Real Estate Commissioner to the extent required by the Oregon Condominium Act.

ARTICLE 10

MISCELLANEOUS

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

10.2 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.

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

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

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

DATED this 2nd day of NOVEMBER, 1994.

Trendwest, a division of Jeld-Wen, Inc.,
an Oregon corporation

By *Stephen A. Cook*
Its Special Projects Manager

EXHIBIT C

TWO PARCELS OF LAND LOCATED IN SECTION 19, TOWNSHIP 38 SOUTH, RANGE 9 EAST OF THE WILLAMETTE MERIDIAN IN THE CITY OF KLAMATH FALLS, KLAMATH COUNTY, OREGON, LYING NORTHERLY OF AND ADJACENT TO THE NORTHERLY RIGHT OF WAY LINES OF BISMARK STREET AND HANKS STREET AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE SOUTHERLY RIGHT OF WAY LINE OF HARBOR ISLES BOULEVARD FROM WHICH THE CENTER 1/4 CORNER OF SAID SECTION 19 BEARS S36°03'36"W 451.00 FEET; THENCE S00°10'45"W 57.21 FEET TO A POINT ON THE NORTHERLY RIGHT OF WAY LINE OF HANKS STREET; THENCE ALONG SAID RIGHT OF WAY LINE S39°17'45"W 50.00 FEET; THENCE S34°29'32"W 871.67 FEET; THENCE S60°57'21"W 68.68 FEET; THENCE S47°41'16"W 818.86 FEET; THENCE S47°40'16"W 469.45 FEET; THENCE 19.43 FEET ALONG THE ARC OF A CURVE TO THE RIGHT, RADIUS 20.00 FEET, CENTRAL ANGLE 55°47'47", TO A POINT ON THE NORTHERLY RIGHT OF WAY LINE OF BISMARK STREET; THENCE ALONG SAID NORTHERLY RIGHT OF WAY LINE N76°31'57"W 487.72 FEET; THENCE N76°30'29"W 11.11 FEET; THENCE, LEAVING THE NORTHERLY RIGHT OF WAY LINE OF BISMARK STREET, N13°42'49"E 120.08 FEET; THENCE S76°31'25"E 469.56 FEET; THENCE N47°40'16"E 402.39 FEET; THENCE N47°41'16"E 941.39 FEET; THENCE N34°29'32"E 751.91 FEET TO THE SOUTHERLY RIGHT OF WAY LINE OF HARBOR ISLES BOULEVARD; THENCE ALONG SAID RIGHT OF WAY LINE N77°48'00"E 158.34 FEET TO THE POINT OF BEGINNING.

AND ALSO, BEGINNING AT A POINT ON THE NORTHERLY RIGHT OF WAY LINE OF BISMARK STREET FROM WHICH THE CENTER 1/4 CORNER OF SECTION 19 BEARS N49°02'45"E 229.32 FEET; THENCE ALONG SAID RIGHT OF WAY LINE N76°30'29"W 6.88 FEET; THENCE N76°42'15"W 55.00 FEET; THENCE N76°42'26"W 130.00 FEET; THENCE LEAVING THE NORTH RIGHT OF WAY LINE OF BISMARK STREET, N 13°25'59"E 120.04 FEET; THENCE S76°31'25"E 192.47 FEET; THENCE S13°42'49"W 120.05 FEET TO THE POINT OF BEGINNING.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Mountain Title Co. the 9th day of Jan A.D. 19 25 at 1:43 o'clock P.M., and duly recorded in Vol. M95 of books on Page 541.

FEE \$220.00

Bernell G. Letsch County Clerk

By Pauline Mullendore