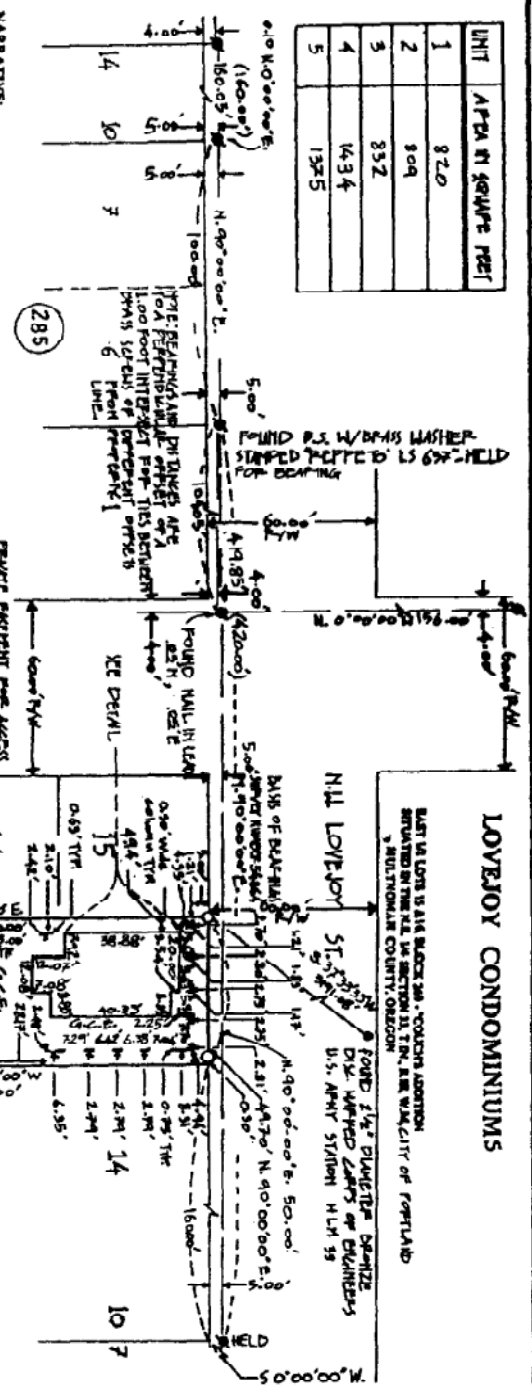


LOVEJOY CONDOMINIUMS

UNIT	AREA IN SQUARE FEET
1	870
2	804
3	852
4	1434
5	1325



NOTE: To ensure the subject condominiums plot on Eastern 1/4 of Lot 15 and 1/4 of Lot 16, City of Portland, Oregon, in the N.E. 1/4 of section 33, T11N, R1E, W1E, in Multnomah County, Oregon, for Donald Cooney.

1. Had the brass survey on NW Lovejoy Street as control for this survey, using an assumed bearing of N. 90° 00' 00" E. as my back.

The corners were determined using pit distances and recent angles of 90° 00' per foot of Cooney's Addition.

Reference: Plat of Cooney's Addition, Survey number 33599, 33912, 34463, 34453, 31704, 43991 from records of Multnomah County Survey Office.

NOTES

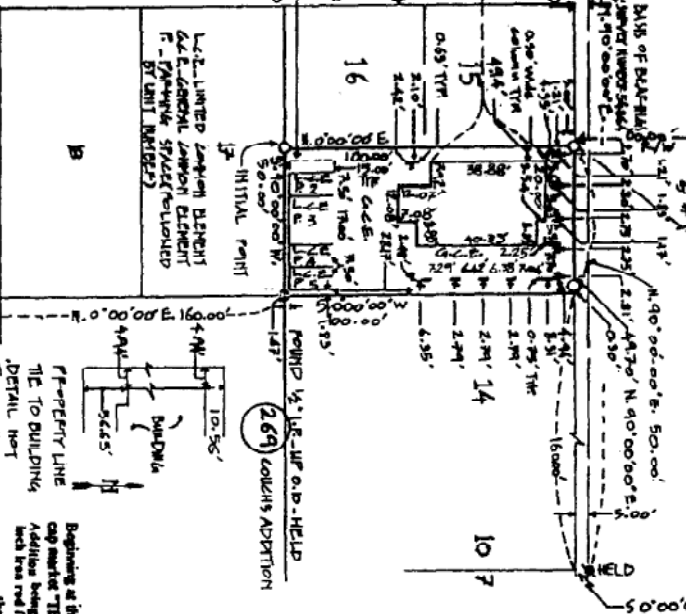
1. ALL BUILDING WALLS ARE AT RIGHT ANGLES EXCEPT 7' x 8' CHIMNEYS.
2. FOUND 1 1/2\"/>

SITE PLAN



PARTIAL LOT 15 AND BLOCK 249 - COONEY'S ADDITION SITUATED IN THE N.E. 1/4 SECTION 33, T. 11 N., R. 1 E., W. 1 E., CITY OF PORTLAND, MULTNOMAH COUNTY, OREGON.

FOUND 1 1/2\"/>



William Tennant
Lead Surveyor
2300 SE 85th Ave.
Portland, OR 97222
503-284-2245

William R. Tennant
REGISTERED ARCHITECT
STATE OF OREGON
No. 230

Expires 6/30/96

DECLARATION

I, DONALD S. COONEY, PRESIDENT, DOUGLAS DEVELOPMENT, INC., DOUGLAS DEVELOPMENT, INC., A MULTNOMAH COUNTY, OREGON CORPORATION, HEREBY DECLARE THAT THE APPLICABLE MAP OF LOVEJOY CONDOMINIUMS IS TRUE AND CORRECT AND BUSINESS NECESSARY AND PROPER TO THE OPERATION AND PROMOTION OF THE OREGON CONDOMINIUM ACT, THE PROPERTY AND IMPROVEMENTS DESCRIBED ON THE PLAT ARE SUBJECT TO THE PROVISIONS OF OREGON REVISED STATUTES CHAPTER 100.

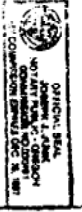
EXECUTED THIS 27th DAY OF March 1996
DONALD S. COONEY, PRESIDENT, DOUGLAS DEVELOPMENT, INC.

ACKNOWLEDGMENT

STATE OF OREGON, IS

COUNTY OF MULTNOMAH
THIS CERTIFICATE THAT ON THE 27th DAY OF March 1996 BEFORE ME A NOTARY PUBLIC IN AND FOR SAID STATE AND COUNTY PERSONALLY APPEARED DONALD S. COONEY, PRESIDENT, DOUGLAS DEVELOPMENT, INC., AND DONALD S. COONEY, PRESIDENT, DOUGLAS DEVELOPMENT, INC., WHO BEING FIRST DULY SWORN, DID SAY HE IS THE IDENTICAL PERSON IN THE FOREGOING INSTRUMENT AND BEINGLY ACKNOWLEDGED SAID INSTRUMENT TO BE HIS OWN FREE ACT AND DEED OF VOLUNTARY AND CONSCIOUS.

NOTARY PUBLIC FOR THE STATE OF OREGON
MY COMMISSION EXPIRES 12-26-97

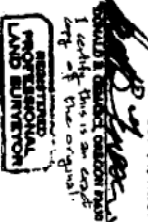


SURVEYOR'S CERTIFICATE

I, WILLIAM R. TENNANT, LEAD SURVEYOR, THAT I HAVE CORRECTLY PLANNED AND MADE UP FROM PROPER MEASUREMENTS THE LAND REPRESENTED ON THE ATTACHED MAP OF LOVEJOY CONDOMINIUMS, THE BOUNDARIES BEING DESCRIBED AS FOLLOWS:
EAST 1/2 LOT 15 AND BLOCK 249 - COONEY'S ADDITION SITUATED IN THE N.E. 1/4 SECTION 33, T. 11 N., R. 1 E., W. 1 E., CITY OF PORTLAND, OREGON.
I HAVE NONE PARTICULARY DESCRIBED AS FOLLOWS:

Beginning at the initial point, being a 58' by 30' iron rod with a 1 1/2" diameter aluminum cap marked "TENNANT-43 048" set at a point on the South line of Lot 16, Block 289, COONEY'S Addition being south 89° 00' east 184.00 feet and thence south 90° 00' east 50.00 feet from a 58 inch iron rod found at the southeast corner of Lot 14, Block 276, COONEY'S Addition, thence North of 090° East 100.00 feet to the North line of Lot 15, Block 289 being the South line of NW Lovejoy Street, a 60.00 foot wide right of way, thence North 90° 00' 00" East along the North line of Lot 15 a distance of 50.00 feet to the Northeast corner of Lot 15, thence South 0° 00' 00" West along the East line of Lot 15 and Lot 15 a distance of 100.00 feet to the Southeast corner of Lot 16, thence South 90° 00' 00" West along the South line of Lot 16 a distance of 90.00 feet to said initial point, Containing 5,000 square feet.

I HEREBY CERTIFY THAT THE FOREGOING PLANS AND INSTRUMENTS ARE TRUE AND CORRECT AND THAT I AM A LEAD SURVEYOR AS DIRECTED BY THE BOARD OF LAND SURVEYORS AND THE BOARD OF THE REGISTERED ARCHITECTS AND ENGINEERS OF MULTNOMAH COUNTY, OREGON AND THAT I AM NOT A PARTY TO SAID INSTRUMENT.



William R. Tennant
REGISTERED PROFESSIONAL LAND SURVEYOR
STATE OF OREGON
No. 230

Expires 6/30/96

APPROVALS

THE LOVELY CONDOMINIUMS AT LOVELY STREET HAVE RECEIVED A BUILDING PERMIT AND PLANNING PERMISSION FROM THE CITY OF PORTLAND BUREAU OF BUILDINGS

ON THIS 28th DAY OF March 1962

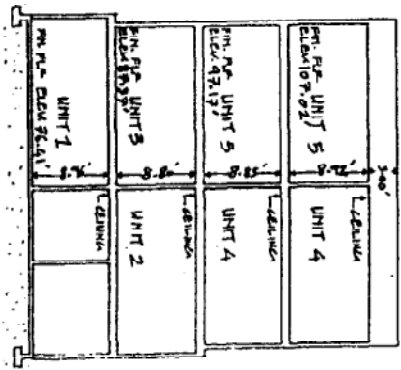
BUILDING PERMIT # BLD-40-034

SIGNED *Margaret M. Mahoney*
 APPROVED Bill A 1962
 COUNTY SUPERVISOR
 MULTNOMAH COUNTY, OREGON

BY Sam R. Daulton - ARCHITECT
 ALL TAXES, FEES, ASSESSMENTS, ON DUES CHARGES AS PROVIDED BY O.R.L. 10.110 HAVE BEEN PAID AS OF APRIL 5 1962
 DIRECTOR
 DIVISION OF ASSESSMENT & TAXATION,
 MULTNOMAH COUNTY, OREGON

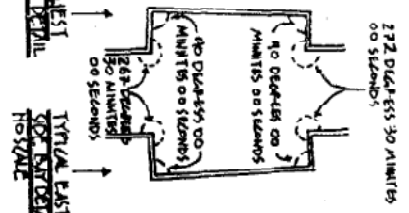
STATE OF OREGON
 COUNTY OF MULTNOMAH SS
 I DO HEREBY CERTIFY THAT THE ATTACHED CONDOMINIUM PLAN WAS RECEIVED FOR RECORD AND RECORDED BY ME AT 1:15 P.M. AT 4:15 P.M. IN BOOK 1231 ON PAGE 5 OF THE COUNTY RECORDING OFFICE

LOVELY CONDOMINIUMS



FIN. FLP. ELEV. - FINISH FLOOR ELEVATION

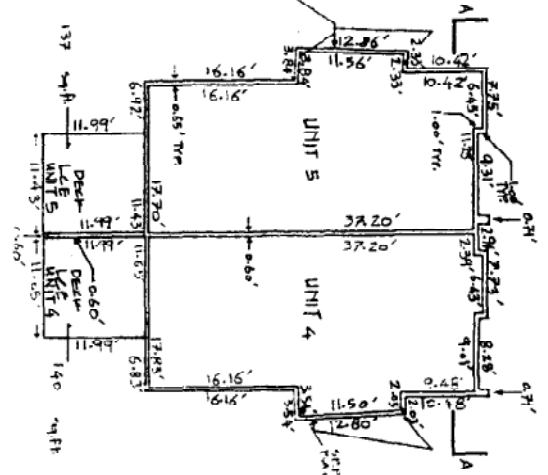
TYPICAL WEST SIDE EAST WALL
 NO SCALE



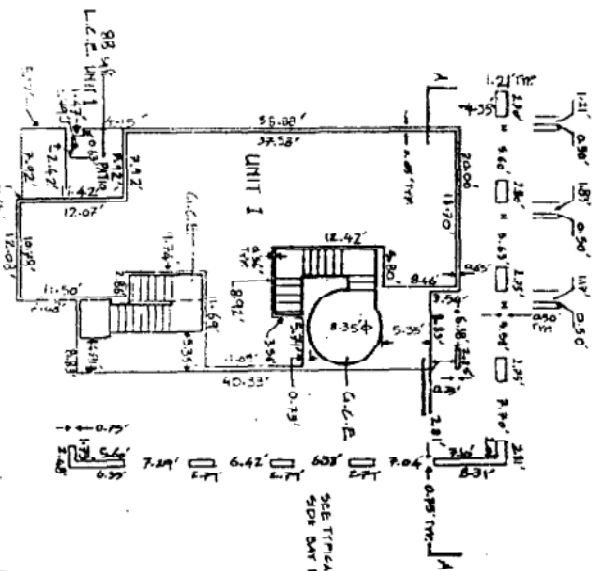
TYPICAL EAST SIDE WEST WALL
 NO SCALE

TYPICAL CROSS SECTION A-A
 SCALE 1/2" = 1'-0"

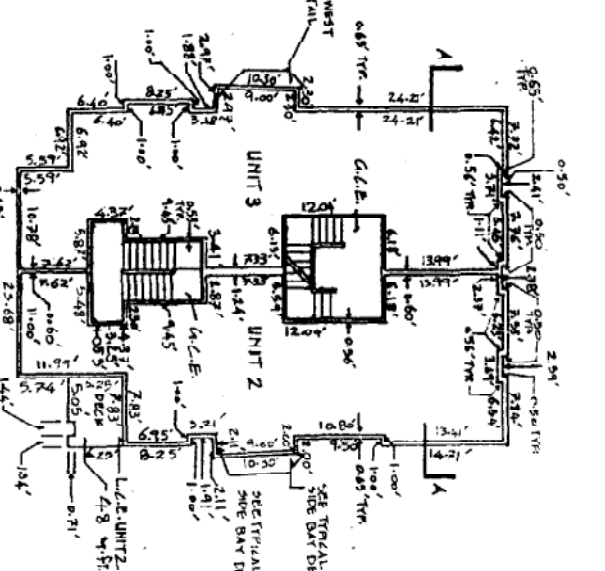
FOURTH FLOOR PLAN
 SCALE 1/2" = 1'-0" FIN. FLP. ELEV. = 107.02'



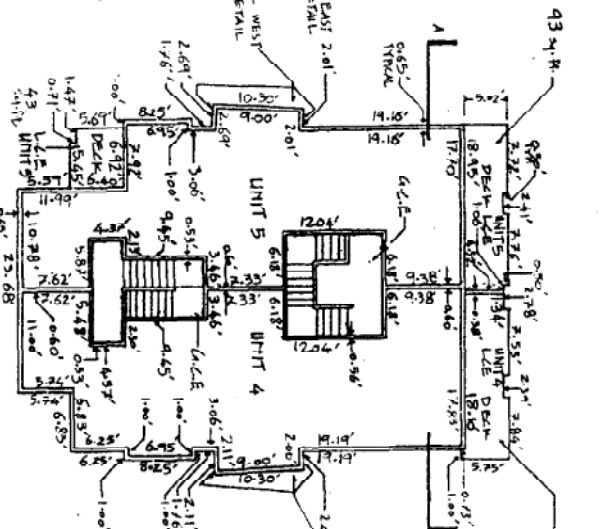
GROUND FLOOR PLAN
 SCALE 1" = 1'-0" FIN. FLP. ELEV. = 76.41'



SECOND FLOOR PLAN
 SCALE 1" = 1'-0" FIN. FLP. ELEV. = 87.32'



THIRD FLOOR PLAN
 SCALE 1" = 1'-0" FIN. FLP. ELEV. = 98.12'



REGISTERED LAND SURVEYOR
 WILLIAM R. THOMAS
 OREGON
 Expires 6/30/76
 SHEET 2 of 2
 P.C. 0-30-15

RET TO: Ticor
1000 SW Broadway
1555
POETRY
ATTN: Connie
Pebbins

Recorded in the County of Multnomah, Oregon
C. Suick, Deputy Clerk
83.00
96051617 11:25am 04/05/96
013 10000335 01 12
C06 16 0.00 80.00 0.00 3.00 0.00

BYLAWS
OF THE
LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
AN OREGON NONPROFIT CORPORATION

MARCH 22, 1996

1 of 40

APRIL 5, 1996

INDEX TO THE BYLAWS OF THE
LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION

	Page
1. GENERAL PROVISIONS.	1
1.1 <u>Identity</u>	1
1.2 <u>Bylaws Subject to Other Documents</u>	1
1.3 <u>Applicability</u>	1
1.4 <u>Office</u>	1
1.5 <u>Definitions</u>	1
2. MEETINGS OF OWNERS	2
2.1 <u>Initial Meeting</u>	2
2.2 <u>Turnover Meeting</u>	2
2.3 <u>Annual Meetings</u>	2
2.4 <u>Place of Meetings</u>	2
2.5 <u>Special Meetings</u>	3
2.6 <u>Notice</u>	3
2.7 <u>Voting</u>	3
2.8 <u>Proxies</u>	4
2.9 <u>Fiduciary, Corporate and Joint Owners</u>	4
2.10 <u>Voting by Mail</u>	4
2.11 <u>Quorum</u>	5
2.12 <u>Binding Vote</u>	5
2.13 <u>Order of Business</u>	6
3. BOARD OF DIRECTORS	6
3.1 <u>Number, Term and Qualification</u>	6
3.2 <u>Powers and Duties</u>	7
3.3 <u>Activities for Profit Prohibited</u>	9
3.4 <u>Limitation</u>	9
3.5 <u>Organizational Meeting</u>	9
3.6 <u>Regular and Special Meetings</u>	10
3.7 <u>Waiver of Notice</u>	10
3.8 <u>Quorum</u>	10
3.9 <u>Removal</u>	10
3.10 <u>Resignation</u>	11
3.11 <u>Vacancies</u>	11
3.12 <u>Compensation</u>	11
3.13 <u>Liability and Indemnification of Directors, Officers, Manager or Managing Agent</u>	11
3.14 <u>Fidelity Bonds</u>	11
3.15 <u>Insurance</u>	12
3.16 <u>Special Committees</u>	12
4. OFFICERS	12
4.1 <u>Designation</u>	12
4.2 <u>Election</u>	12
4.3 <u>Removal</u>	12
4.4 <u>Chairman</u>	13
4.5 <u>Vice Chairman</u>	13
4.6 <u>Secretary</u>	13
4.7 <u>Treasurer</u>	13
4.8 <u>Execution of Instruments</u>	13

1

2

APRIL 5, 1996

4.9	<u>Compensation of Officers</u>	14
5.	<u>BUDGET, EXPENSES AND ASSESSMENTS</u>	14
5.1	<u>Budget; Allocation by Category of Use</u>	14
5.2	<u>Determination of Common Expenses</u>	14
5.3	<u>Assessment of Common Expenses of the Condominium</u>	15
5.4	<u>Reserve Funds and Special Assessments</u>	16
5.4.1	<u>Capital Improvements</u>	16
5.4.2	<u>Reserve Fund for Replacing Common Elements</u>	16
5.4.3	<u>Contingency Fund</u>	17
5.4.4	<u>Unit Maintenance</u>	17
5.5	<u>Default in Payment of Common Expenses</u>	17
5.6	<u>Foreclosure of Liens for Unpaid Common Expenses</u>	18
5.7	<u>Statement of Common Expenses</u>	18
5.8	<u>First Mortgages</u>	18
5.9	<u>Violation by Owners; Remedies</u>	18
5.10	<u>Liability of Owners</u>	19
5.11	<u>No Waiver</u>	19
6.	<u>RECORDS AND AUDITS</u>	20
6.1	<u>General Records</u>	20
6.2	<u>Records of Receipts and Expenditures</u>	20
6.3	<u>Assessment Roll</u>	20
6.4	<u>Payment of Vouchers</u>	20
6.5	<u>Reports and Audits</u>	20
6.6	<u>Notice of Sale, Mortgage, Rental or Lease</u>	20
6.7	<u>Association Documents</u>	21
7.	<u>OCCUPATION AND USE</u>	21
7.1	<u>Generally</u>	21
7.2	<u>Sales Facilities of Declarant</u>	21
7.3	<u>Vehicle Parking</u>	21
7.4	<u>Limited Common Elements</u>	21
7.5	<u>Effect on Insurance</u>	22
7.6	<u>Offensive Activity</u>	22
7.7	<u>Common Elements Alterations</u>	22
7.8	<u>Association Rules and Regulations</u>	22
7.9	<u>Pets</u>	22
8.	<u>MAINTENANCE OF CONDOMINIUM PROPERTY AND RELATED MATTERS</u>	22
8.1	<u>Maintenance and Repair</u>	22
8.1.1	<u>Units</u>	22
8.1.2	<u>Common Elements</u>	23
8.1.3	<u>Repairs by Association</u>	23
8.2	<u>Additions, Alterations or Improvements</u>	24
8.3	<u>Damage or Destruction by Casualty</u>	24
8.3.1	<u>Initial Board Determinations</u>	24
8.3.2	<u>Notice of Damage or Destruction</u>	25
8.3.3	<u>Definitions: Restoration; Emergency Work</u>	25
8.3.4	<u>Restoration by Board</u>	25
8.3.5	<u>Limited Damage; Assessment Under \$2,500</u>	26
8.3.6	<u>Major Damage; Assessment Over \$2,500</u>	26
8.3.7	<u>Decision Not to Restore; Disposition</u>	27
8.3.8	<u>Amendment of Section 8.3</u>	27

3

APRIL 5, 1996

8.4	<u>Condemnation</u>	28
8.4.1	<u>Consequences of Condemnation</u>	28
8.4.2	<u>Complete Taking</u>	28
8.4.3	<u>Partial Taking</u>	28
8.4.4	<u>Reductions of Condominium Upon Partial Taking</u>	29
8.4.5	<u>Reconstruction and Repair</u>	30
9.	<u>INSURANCE</u>	30
9.1	<u>Fire and Extended Coverage Insurance</u>	30
9.2	<u>Other Insurance Coverage</u>	30
9.3	<u>Owner's Additional Insurance</u>	32
9.4	<u>Insurance Proceeds</u>	32
9.5	<u>Additional Provisions</u>	32
9.6	<u>Unacceptable Policies</u>	33
10.	<u>AMENDMENTS TO BYLAWS</u>	33
10.1	<u>How Proposed</u>	33
10.2	<u>Adoption</u>	33
10.3	<u>Execution and Recording</u>	33
11.	<u>LITIGATION</u>	33
11.1	<u>Generally</u>	33
11.2	<u>By Less than All Owners</u>	34
11.3	<u>Complaints Against Association and Its Agents</u>	34
12.	<u>MISCELLANEOUS</u>	34
12.1	<u>Notices</u>	34
12.2	<u>Waiver</u>	34
12.3	<u>Invalidity; Number; Captions</u>	34
12.4	<u>Action Without a Meeting</u>	35
12.5	<u>Conflicts</u>	35
12.6	<u>Parliamentary Rules</u>	35
12.7	<u>Liability Survives Termination</u>	35
12.8	<u>Indexing</u>	35

APRIL 5, 1996

BYLAWS
OF THE
LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
an Oregon Nonprofit Corporation

1. GENERAL PROVISIONS.

1.1 Identity: These are Bylaws of the LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION, a nonprofit corporation organized under the laws of the State of Oregon, the ARTICLES OF INCORPORATION of which were filed in the Office of the Oregon Corporation Commissioner on MARCH 27, 1996. The LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION, (hereinafter "Association"), has been organized for the purpose of administering the operation and management of the Lovejoy Condominiums, (hereinafter called the "Condominium"). The Condominium was established by Urbano Development, Inc. (hereinafter "Declarant"). The Condominium was established in accordance with the provisions of ORS Chapter 100, (hereinafter called the "Act"). The Condominium is located upon property in Multnomah County, Oregon, as particularly described in the CONDOMINIUM DECLARATION thereof. Each Owner, including Declarant, shall be a member of the Association, provided that if a Unit has been sold on a recorded installment land sale contract, that contract vendee shall exercise the rights of the Owner for purposes of the Association, except as otherwise provided in the contract and except as hereinafter limited. Ownership of a Unit shall be the sole qualification for membership in the Association.

1.2 Bylaws Subject to Other Documents: The provisions of these Bylaws are applicable to said Condominium, and are expressly subject to the terms, provisions and conditions contained in the ARTICLES OF INCORPORATION of the Association, (hereinafter "Articles"), and subject to the terms, provisions and conditions contained in the DECLARATION OF THE LOVEJOY CONDOMINIUMS, (hereinafter "Declaration"), which is being recorded simultaneously herewith in the Records of Multnomah County, Oregon.

1.3 Applicability: All Owners, tenants and occupants, their agents, servants, invitees, licensees and employees that use the Condominium, or any part thereof, are subject to these Bylaws, and all Rules and Regulations thereunder as promulgated from time to time.

1.4 Office: The office of the Association shall be at 2217 NW Johnson Street, Portland, Oregon 97210, or at any other place designated by the Association.

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

1- BYLAWS OF THE LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
C:\WP51\CLIENT.FLS\GENHASC1\BYLAWS Feb. 10, 1996

5

APRIL 5, 1996

2. MEETINGS OF OWNERS.

2.1 Initial Meeting: The initial meeting of the Association shall be held within sixty (60) days after the recording of these Bylaws. The Declarant shall call the meeting by written notice to each of the Owners stating the exact time and place of the initial meeting and the purpose thereof. The notice shall be in accordance with the requirements of Section 2.6 of these Bylaws, except that the Declarant shall fulfill the role of the Chairman or Secretary.

2.2 Turnover Meeting: A Turnover Meeting shall be called by the Declarant within ninety (90) days from the earlier of: (i) three (3) years from the date of conveyance of the first Unit to a person other than Declarant; or (ii) the conveyance of the fourth Unit in the Condominium. The Declarant shall give notice (as provided in Section 2.6) of the Turnover Meeting to each Owner at least fifteen (15) but not more than fifty (50) days prior to the meeting. The notice shall state the purpose of the meeting and the time and place where it is to be held. If the meeting is not called by Declarant, the meeting may be called and notice given by any Owner or by any first Mortgagee of a Unit. At the Turnover Meeting the Declarant shall relinquish control of the Association to the Owners and the latter shall assume control; the Owners shall elect a board of directors as set forth in these Bylaws and Declarant shall deliver to the Association the items specified in ORS 100.210. During the three (3) month period following the Turnover Meeting, the Declarant or an informal representative thereof shall be available to meet with the Board of Directors of the Association on at least three mutually acceptable dates to review the documents delivered pursuant to said ORS 100.210.

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

2.4 Place of Meetings: Meetings of the Owners shall be held at the principal office of the Association, or at such other

2- BYLAWS OF THE LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
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APRIL 5, 1996

suitable place within Oregon, convenient to the Owners as may be designated by the Board of Directors.

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

2.6 Notice: The Chairman or Secretary shall give written notice of each Owners' meeting at least ten (10) days but not more than fifty (50) days prior to the date set for such meeting the notice shall state the purpose thereof and the time and place where it is to be held to each Owner of Record, and to any first Mortgagee of record requesting such notice, at the address of such Owner as listed on the books of the Association, or at such other address as such Owner shall have designated by notice in writing to the Chairman or Secretary, at least ten (10) days prior to the giving of such notice of meeting. The giving of a notice in the manner provided in these Bylaws shall be considered notice properly served. Proof of the giving of such notice, whether by mail or personal delivery, shall be given by the affidavit of the person giving the notice. Notice of a meeting may be waived by any Owner before or after the meeting. When a meeting is adjourned for less than thirty (30) days, no notice of the adjourned meeting need be given other than by announcement at the meeting at which such adjournment takes place.

2.7 Voting: The total number of votes in the Condominium shall be five (5). Each Owner shall be entitled to one (1) vote for each Unit owned. There shall be one (1) voting representative of each Unit. An Owner's votes shall be voted in a single block and may not be split. The voting representative shall be designated by the Owner or Owners of each Unit by written notice the Board and need not be an Owner. The designation shall be recoverable at any time by actual written notice to the Board from a party having an ownership interest in a Unit, or by actual written notice of the death or judicially-declared incompetence of any party with an ownership interest in the Unit. The power and designation and revocation may be exercised by the trustee, receiver, guardian, or conservator of a Unit owner and the administrator or executor of an Owner's estate. The Declarant shall be entitled to vote as the Owner of any then existing Units retained by the Declarant, and the Board 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. Any person, on

3- BYLAWS OF THE LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
C:\WP51\CLIENT.FLS\GENASC1\BYLAWS Feb. 10, 1996

7

APRIL 5, 1996

becoming an Owner of Condominium Unit, shall furnish to the managing agent or Board a photocopy of the certified copy of the recorded instrument vesting that person with an interest or ownership in the Unit, which instrument shall remain in the files of the Association. An Owner shall not be deemed to be in good standing nor shall an Owner be entitled to vote at any annual or special meeting of Owners unless this requirement is first met.

2.8 Proxies: A vote may be cast in person or by proxy. A proxy given by an Owner to any person who represents such Owner at meetings of the Association shall be in writing, signed by such Owner, shall run to a person or persons of legal age, and shall be filed with the Secretary. No proxy shall be valid after the meeting for which it was solicited, unless otherwise expressly stated in the proxy, and every proxy shall automatically cease upon sale of the Unit by its Owner. An Owner may pledge or assign his voting rights to a Mortgagee. In such case, the Mortgagee or its designated representative shall be entitled to receive all notices to which the Owner is entitled hereunder and to exercise the Owner's voting rights from and after the time that the Mortgagee shall give written notice of such pledge or assignment to the Board of Directors. Any First Mortgagee may designate a representative to attend all or any meetings of the Association.

2.9 Fiduciary, Corporate and Joint Owners: An executor, administrator, conservator, guardian or trustee may vote, in person or by proxy, at any meeting of the Association with respect to any Unit owned or held by him in such capacity, whether or not the same shall have been transferred to his name; provided, that he shall satisfy the Secretary that he is the executor, administrator, conservator, guardian or trustee, holding such Unit in such capacity. Any person voting on behalf of a Unit owned by a corporation or other entity shall provide the Secretary with written evidence, satisfactory to the Secretary, that such person is the duly constituted representative thereof. Whenever any Unit is owned by two or more persons jointly, according to the records of the Association, the vote of such Unit may be exercised by any one of the Owners then present, in the absence of protest by a co-Owner. In the event of disagreement among the co-Owners, the vote of such Unit shall be disregarded completely in determining the proportion of votes given with respect to such matter.

2.10 Voting by Mail: The Board may decide that voting of the Owners may be by mail with respect to any particular election of the Board in accordance with the following procedure:

2.10.1 In the case of election of Board members by mail, the existing Board members shall advise the Secretary in writing of the names of proposed Board members sufficient to constitute a full board and of a date at least fifty (50) days after such advice is given by which all votes are to be received. The Secretary, within five (5) days after such advice is given, shall give written notice of the number of Board members to be elected and

4- BYLAWS OF THE LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
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8

APRIL 5, 1996

of the names of the nominees to all Owners. The notice shall state that any such Owner may nominate an additional candidate or candidates, not to exceed the number of Board members to be elected, by giving written notice of such nomination to the Secretary on or before a specified date which shall be fifteen (15) days from the date after the notice was given by the Secretary. Within five (5) days after such specified date, the Secretary shall give written notice to all Owners, stating the number of Board members to be elected, stating the names of all persons nominated by the Board and by the Owners on or before said specified date, stating that each Owner may cast a vote by mail and stating the date established by the Board by which such votes must be received by the Secretary at the address of the principal office of the Association, which shall be specified in the notice. Votes received after that date shall not be effective. All persons elected as Board members pursuant to such an election by mail by receipt of the number of votes required by applicable law shall take office effective on the date specified in the notice for receipt of such votes.

2.10.2 In the case of a vote by mail relating to any other matter, the Secretary shall give written notice to all Owners which notice shall include an proposed written resolution setting forth a description of the proposed action, and shall state that such persons are entitled to not less than twenty (20) days after the date such notice shall have been given or before which all votes must be received and stating they must be sent to the specified address of the principal office of the Association. Votes received after that date shall not be effective. Any such proposal shall be adopted if approved by the affirmative vote of not less than a majority of the votes entitled to be cast on such question, unless a greater or lesser voting requirement is established by the Declaration or Bylaws for the matter in question.

2.10.3 Delivery of a vote in writing to the principal office of the Association shall be the equivalent to the receipt of a vote by mail at such address for the purpose of this Section 2.10.

2.11 Quorum: At any meeting of the Association, the presence, in person or by proxy, of Owners representing more than two (2) votes shall constitute a quorum. The subsequent joinder of an Owner in the action taken at a meeting by signing and concurring in the minutes thereof shall constitute the presence of such person for the purpose of determining a quorum. When a quorum is once present to organize a meeting, it cannot be broken by the subsequent withdrawal of an Owner or Owners. If any meeting of members cannot be organized because of a lack of quorum, the members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present.

2.12 Binding Vote: The vote of more than fifty percent (50%) of the total votes of the Owners present, in person or by proxy, at a meeting at which a quorum is constituted shall be

5- BYLAWS OF THE LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
c:\MP51\CLIENT.FLS\GENASCI\BYLAWS Feb. 10, 1996

9

APRIL 5, 1996

binding upon all Owners for all purposes except where a higher percentage vote is required by law, the Declaration or these Bylaws.

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

- 2.13.1 Calling of the roll and certifying of proxies;
- 2.13.2 Proof of notice of meeting or waiver of notice;
- 2.13.3 Reading of minutes of preceding meeting;
- 2.13.4 Reports of officers;
- 2.13.5 Reports of committees, if any;
- 2.13.6 Election of Directors;
- 2.13.7 Unfinished business;
- 2.13.8 New business; and
- 2.13.9 Adjournment.

3. BOARD OF DIRECTORS.

3.1 Number, Term and Qualification: The affairs of the Association shall be governed by the Board of Directors, which shall consist of no fewer than three (3) and no more than five (5) persons. Until the Turnover Meeting (as provided for in Section 2.2 of these Bylaws) shall have been held, the Board shall consist of the three (3) Directors named in the Articles of Incorporation of the Association. At the Turnover Meeting, one Director shall be elected for a term of one (1) year, one Director shall be elected to serve for a term of two (2) years and the third Director shall be elected for a three (3) year term. Election shall be by plurality vote of the Owners. At the expiration of the initial term of office of each Director, the successor shall be elected to serve for a term of three (3) years. The Director shall hold office for the term herein fixed and until the Director's successors have been qualified and elected. There shall be no limit on the number of successive terms a Director may serve on the Board of Directors, if elected as herein provided. After the Turnover Meeting, all Directors shall be Owners. Subsequent to the Turnover Meeting, no Director shall continue to serve on the Board after he or she ceases to be an Owner. For the purposes of this Section 3.1 the officers of any corporation, the trustees of any trust, or the partners of any partnership which owns a Unit shall be considered co-Owners of any such Unit.

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

3.2.1 Operation, care, upkeep and maintenance of the Common Elements.

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

3.2.3 Collection of the common expenses from the Owners.

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

3.2.5 Adoption and amendment of reasonable Rules and Regulations pursuant to Section 7.8 herein.

3.2.6 Maintaining bank accounts on behalf of the Association and designating the signatories required therefor.

3.2.7 Any other materials, supplies, labor, services, maintenance, repairs, structural alterations, insurance, taxes, or assessments which the Board is required to secure by law or which, in its opinion, shall be necessary or proper for the operation of the Common Elements or for the enforcement of the Declaration and these Bylaws; provided, that if for any reasons such materials, supplies, labor, services, maintenance, repairs, structural alterations, insurance, taxes or assessments are provided for particular Units or their Owners, the cost thereof shall be specifically charged to the Owners of such Units.

3.2.8 Maintenance and repair of any Unit, its appurtenances, and its appliances only if such maintenance or repair is reasonably necessary, in the discretion of the Board, to protect the Common Elements or preserve the appearance and value of the Condominium development and the Owner or Owners of said Unit have failed or refused to perform said maintenance or repair within a reasonable time after written notice of the necessity of said maintenance or repair has been delivered by

7- BYLAWS OF THE LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
C:\WP51\CLIENT.FLS\GEI\MASCIV\BYLAWS Feb. 10, 1996

APRIL 5, 1996

the Board to the Owner or Owners; provided, that the Board shall levy a special assessment against the Unit of such Owner or Owners for the cost of such maintenance or repair.

3.2.9 The Board may also pay any amount necessary to discharge any lien or encumbrance levied against the Condominium or any part thereof which is claimed to or may, in the opinion of the Board, constitute a lien against the property or against the Common Elements, rather than merely against the interests therein of particular Owners. Where one or more Owners are responsible for the existence of such a lien, they shall be jointly and severally liable for the cost of discharging it, and any costs and expenses (including court costs and attorneys' fees, both at trial and on appeal) be specially charged against the Owners and the Units responsible, to the extent of their responsibility.

3.2.10 Obtaining and reviewing bonds and insurance including coverage for fire or other hazard, liability for personal injury and property fidelity of Association Officers and other employees, and directors' liability insurance, for the Association and the Condominium, including the Units, pursuant to the provisions of the Declaration or Bylaws.

3.2.11 Making repairs, additions and improvements to, or alterations of, the Condominium and repairs to and restoration of the Condominium in accordance with Declaration or Bylaws after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings or settlement under the threat thereof.

3.2.12 Making additions and improvements to, or alterations of, the Common Elements; provided, however, that no such project may be undertaken by the Board of Directors if the total cost will exceed the amount of One Thousand Dollars (\$1,000.00), unless the Owners have enacted a resolution authorizing the project by a vote of Owners representing more than fifty percent (50%) of the votes of Owners, present in person or by proxy at a duly called meeting held for that purpose and at which a quorum is constituted. This limitation shall not be applicable to repairs or maintenance undertaken pursuant to paragraph 3.2.1 above.

3.2.13 Borrowing money on behalf of the Association when required in connection with the operation, care, upkeep, and maintenance of the Common Elements; provided, however, that (1) the consent of Owners representing more than fifty percent (50%) of the votes of Owners, obtained at a meeting duly called at which a quorum is constituted and held for such purpose in accordance with the provisions of these Bylaws, shall be required for the borrowing of any sum in excess of an amount or amounts, aggregated for the calendar year in question, exceeding five percent (5%) of the estimated budget of the

Association for that calendar year to cover the operation, care, upkeep and maintenance of the Common Elements, and (ii) no lien to secure repayment of any sum borrowed may be created on any Unit or its appurtenant interest in the Common Elements without the consent of the Owner of such Unit. If any sum borrowed by the Board of Directors on behalf of the Association pursuant to the authority contained in this paragraph 3.2.13 is not repaid by the Association, an Owner who pays to the creditor such proportion thereof equal to his interest in the Common Elements shall be entitled to obtain from the creditor a release of any judgment or other lien which said creditor shall have filed or shall have the right to file against such owner's Unit.

3.2.14 Subject to the limitations contained in Section 9.4 of these Bylaws, adjusting and settling claims under insurance policies and executing and delivering releases on settlement of such claims on behalf of all Owners, all holders of Mortgages or other liens on the Units and all Owners of any other interest in the Condominium.

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

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

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

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

3.5 Organizational Meeting: Within fourteen (14) days following the annual meeting of the Association or following any meeting at which an election of Directors has been held, the Board

9- BYLAWS OF THE LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
C:\WP51\CLIENT.FLS\GENASCI\BYLAWS Feb. 10, 1996

13

APRIL 5, 1996

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.

3.6 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 one Director. 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. All meetings of the Board of Directors shall be open to Owners. Such meetings may be conducted by telephonic communication, except that if a majority of the Units are principal residences of the occupants, then: (a) for other than emergency meetings, notice of each Board of Directors meetings shall be posted at a place or places on the property at least three (3) days prior to the meeting, or notice shall be provided by a method otherwise reasonably calculated to inform the Owners of such meeting; and (b) only emergency meetings of the Board of Directors may be conducted by telephonic communication.

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

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

3.9 Removal: At any regular or special meeting of Owners, any one or more of the members of the Board of Directors may be removed with or without cause by a majority of the Owners and a successor may then and there or thereafter be elected to fill the vacancy thus created. The notice of any such meeting shall state

10- BYLAWS OF THE LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
C:\WP51\CLIENT.FLS\GENASCI\BYLAWS Feb. 10, 1996

14

APRIL 5, 1996

that such removal is to be considered, and any Director whose removal has been proposed shall be given an opportunity to be heard at the meeting.

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

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

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

3.13 Liability and Indemnification of Directors, Officers, Manager or Managing Agent: The Directors and officers shall not be liable to the Association or the Owners for any mistake of judgment, negligence, or otherwise except for their own willful misconduct or bad faith. The Association shall indemnify and hold harmless each Director and officer and the manager or managing agent on behalf of the Association unless such contract shall have been made in bad faith or contrary to the provisions of the Declaration or of these Bylaws. Each Director and officer and the manager or managing agent, if any, shall be indemnified by the Association against all expenses and liabilities, including attorneys' fees, reasonably incurred or imposed upon them in connection with any proceeding to which they may be a party, or which they may become involved by reason of being or having been a Director, officer, manager or managing agent and shall be indemnified upon any reasonable settlement thereof; provided, however, there shall be no indemnity if the Director, officer, manager or managing agent is adjudged guilty of willful nonfeasance, misfeasance or malfeasance in the performance of his duties.

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

11- BYLAWS OF THE LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
C:\WP51\CLIENT.FLS\GENASCI\BYLAWS Feb. 10, 1996

15

APRIL 5, 1996

3.15 Insurance: The Board of Directors shall comply with the insurance requirements in Section 9 of these Bylaws. In addition, the Board of Directors, in its discretion, may obtain such other insurance as it deems necessary to protect the interests of the Association, the Board of Directors or the Owners. Not less frequently than once every three (3) years, the Board of Directors shall cause the full replacement value of the improvements contained in the Condominium to be determined by an independent appraisal. The Board of Directors shall also at such time conduct a full insurance review. The Board of Directors shall represent the Association acting as Lessor in the appraisal of the insurance coverage.

3.16 Special Committees: The Board of Directors by resolution may designate one or more special committees, each committee to consist of two (2) or more Owners which, to the extent provided in said resolution, shall have and may exercise the powers set forth in said resolution. Such special committee or committees shall have such name or names as may be determined from time to time by the Board of Directors. Such special committees shall keep regular minutes of their proceedings and report the same to the Board of Directors when required. The members of such special committee or committees designated shall be appointed by the Board of Directors or the chairman. The Board of Directors or the chairman may appoint Owners to fill vacancies on each of said special committees occasioned by death, resignation, removal, or inability to act for any extended period of time.

4. OFFICERS.

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

4.2 Election: The officers of the Association shall be elected annually by the Board of Directors at the organization meeting of each new Board of Directors and shall hold office at the pleasure of the Board of Directors and until their successors are elected and qualified. 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: Upon the affirmative vote of a majority of the Board of Directors, any officer may be removed, either with or without cause, and his 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 shall preside at all meetings of the Owners and of the Board of Directors. He shall have all of the general powers and duties which are usually incident to the office of the chief executive officer of an association, including, but not limited to, the power to appoint committees from among the Owners from time to time as he may in his discretion decide are appropriate to assist in the conduct of the affairs of the Association.

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

4.6 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 shall attend to the giving and serving of all notices to the Owners and Directors and other notices required by law. He 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 his duties whenever the Chairman is absent or unable to act, unless the Directors have appointed another Vice Chairman.

4.7 Treasurer: The Treasurer shall be responsible 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 necessary for the preparation of all required financial data. He shall be responsible for the deposit of all funds and other valuable effects in such depositories as may from time to time be designated by the Board of Directors, and he shall disburse funds of the Association upon properly authorized vouchers. He shall in general perform all other duties incident to the office of Treasurer of an association and such other duties as may be assigned to him by the Board of Directors.

4.8 Execution of Instruments: All agreements, contracts, deeds, leases and other instruments of the Association, except checks, shall be executed by such other 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

13- BYLAWS OF THE LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
C:\WP51\CLIENT.FLS\GENASC1\BYLAWS Feb. 10, 1996

17

APRIL 5, 1996

Treasurer, or in his absence or disability, by the Chairman or any duly elected Assistant Treasurer.

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

5. BUDGET, EXPENSES AND ASSESSMENTS.

5.1 Budget; Allocation by Category of Use: The Board of Directors shall from time to time, 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 Owner in the method as set forth below. The budget shall reflect comparable figures for the prior year as to all items therein. Except as otherwise provided herein, the Board of Directors shall advise each Owner in writing of the amount of common expenses payable by him, her or it, and furnish copies of each budget and amended budget on which such common expenses are based to all Owners and, if requested, to their Mortgagees, at least fourteen (14) days prior to the annual meeting of the Association. Failure to deliver a copy of any budget or amended budget to each Owner shall not affect the liability of any Owner for any such assessment. Nothing herein contained shall be construed as restricting the right of the Board of Directors to, at any time, in their sole discretion, levy any additional assessment in the event that the budget originally adopted shall appear to be insufficient to pay costs and expenses of operation and management, or in the event of emergencies.

5.2 Determination of Common Expenses: Except as otherwise provided herein, common expenses shall include but not be limited to:

- 5.2.1 Expenses of administration.
- 5.2.2 Cost of insurance or bonds obtained in accordance with these Bylaws.
- 5.2.3 A general operating reserve.
- 5.2.4 Reserve for replacements and deferred maintenance.
- 5.2.5 Any deficit in common expenses for any prior period, and any accrued interest or late charges thereon.
- 5.2.6 Utilities for the Common Elements and other utilities not separately metered or charged.

14- BYLAWS OF THE LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
C:\WP51\CLIENT.FLS\GENASCI\BYLAWS Feb. 10, 1996

18

APRIL 5, 1996

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

5.2.8 Professional management services, gardening, snow removal, painting, cleaning, repair and replacement of the exterior of the Buildings, maintenance, decorating, repair and replacement of the Common Elements (but not including windows and interior surfaces of Units which the Owners shall paint, clean, decorate, maintain and repair) and such furnishings and equipment for the Common Elements as the Board of Directors shall determine are necessary and proper, and the Board of Directors shall have the exclusive right and duty to acquire the same for the Common Elements.

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

5.2.10 The discharge of any mechanic's lien or other encumbrance levied against the entire Condominium or against the Common Elements, rather than merely against the interests therein of particular Owners. Where one or more Owners are responsible for the existence of such lien, they shall be jointly and severally liable for the cost of discharging it and any costs incurred by the Board of Directors by reason of said lien or liens shall be specifically assessed to said Owners.

5.2.11 Maintenance and repair of any Unit (including, but not limited to, the sprinkler system therein), pursuant to Section 3.2.8 of these Bylaws, provided that the Board of Directors shall levy a special assessment against such Owner for the cost of said maintenance or repair.

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

5.3 Assessment of Common Expenses of the Condominium:

All Owners shall be obliged to pay on a monthly basis in advance common expenses assessed to them by the Board of Directors on behalf of the Association pursuant to these Bylaws and the Declaration. Assessments may not be waived due to limited or nonuse of Common Elements. The Declarant shall be assessed as the Owner of any unsold Unit, but such assessment shall be prorated to the date of sale of the Unit. The Declarant shall be allowed to accrue the

15- BYLAWS OF THE LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
C:\WP51\CLIENT.FLS\GENASCI\BYLAWS Feb. 10, 1996

19

APRIL 5, 1996

portion of any such assessments applicable to the reserve fund described in Section 5.4.2. Assessments shall commence upon closing of the first sale of a Unit in the Condominium, and at the time of closing of the initial sale of each Unit, the Purchaser shall make the initial contribution to the working capital and the reserve fund described in Section 5.4.2 of the Association equal to three (3) months of Association, expense assessments for the Unit. In addition, Purchaser shall pay all accrued assessments for the reserve fund, if any. As provided in the Act, the Declarant may elect to defer commencement of all or part of the common expense assessments as to all Units and pay itself as they accrue and be responsible for all or part of the common expenses attributable to the Condominium. The Board, on behalf of the Association, shall assess the common expenses against the Owners from time to time, and at least annually, and shall take prompt action to collect from an Owner any common expense due which remains unpaid by an Owner for more than thirty (30) days from the due date for its payments except as provided otherwise with respect to reserve assessments on Units owned by the Declarant. A Unit Owner shall be personally liable for all Assessments imposed on the Unit Owner or assessed against the Unit by the Association. In the event new Units are added to the Condominium during the course of the fiscal year, Common Expenses will be prorated based on the Proportionate Interest as defined in the Declaration amendment creating said new Units.

5.4 Reserve Funds and Special Assessments:

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

5.4.2 Reserve Fund for Replacing Common Elements: The Declarant shall establish in the name of the Association a reserve fund for major repairs and replacements of Common Elements and assets of the Association including, without limiting the generality of the foregoing, the exterior of the improvements, sidewalks, sewers, and electrical and plumbing systems. The common expenses under Section 5.2 shall be calculated on the basis of expected repair and replacement costs and life expectancy of the items comprising the Common Elements and the assets of the Association such that the amount of the reserve fund is reasonably calculated to provide sufficient funds for major repair and replacement of Common Elements and assets of the Association. The Association shall administer the reserve fund and shall adjust at regular intervals the amount of the periodic payments into it to recognize changes in current replacement costs over time. Following the second year after the Turnover Meeting, future assessments for the reserve fund may be reduced, eliminated or

increased by an affirmative vote of the holders of not less than 75% of the votes of the Association. Any funds set up for any of the purposes mentioned in this section shall be deemed to be a reserve fund notwithstanding that may not be so designated by the Board. The amount of the reserve fund shall constitute an asset of the Association and shall not be distributed to any Owner except on termination of the condominium and the Association.

5.4.3 Contingency Fund: The Board may also build up and maintain a reasonable reserve for contingencies and replacements not covered by subparagraph 5.4.2 above. Extraordinary expenditures not originally included in the annual estimate which may become necessary during the year may be charged against such reserve. If the estimated cash requirement proves inadequate for any reason, including non-payment of any Owner's assessment, the Board may at any time levy a further assessment of common expenses. The Board shall serve notice of such further assessment on all Owners by a statement in writing giving the amount and reasons therefore, and such further assessments shall be effective with the first quarterly assessment of common expenses which is due more than ten (10) days after the delivery or mailing of such notice of further assessment.

5.4.4 Unit Maintenance: The expense of any maintenance, repair or replacement to an Owner's Unit performed by the Association pursuant to Section 3.2.8 of these Bylaws shall be charged to said Owner as a special assessment, which shall be a lien against such Owner's Unit with the same force and effect as if the charge were a part of the common expenses attributable to such Owner's Unit. The expense of unmetered services provided to Units may be especially assessed to the Units pursuant to Section 3.2.7 of these Bylaws.

5.5 Default in Payment of Common Expenses: In the event of default by any Owner in paying to the Association the assessed common expenses (including but not limited to reserve assessments or any other special assessments), such Owner shall be obligated to pay interest on such common expenses from the due date thereof, together with all expenses, including attorneys' fees, incurred by the Association in any proceeding brought to collect such unpaid expenses, or any appeal therefrom. No interest or late charges will be assessed on common expenses paid within fifteen (15) days after the due date thereof. Delinquent payments of common expense assessments shall bear interest from the due date thereof at the rate of eighteen percent (18%) per annum or the maximum legal rate of interest permitted by the laws of the State of Oregon, whichever is less, from the due date thereof, together with all expenses, including attorneys' fees, whether or not legal proceedings are commenced and both at trial and on appeal incurred by the Association in collecting such unpaid expenses. The Board may also establish and impose charges for late payments of assessments. No

17- BYLAWS OF THE LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
C:\WP51\CLIENT.FLS\GENASCI\BYLAWS Feb. 10, 1996

21

APRIL 5, 1996

interest or late charges will be assessed on common expenses paid within fifteen (15) days after the due date thereof. The Board shall have the right and duty to recover for the Association such common expenses, together with interest thereon, late charges, if any, and expenses of the proceeding, including attorneys' fees, by an action brought against such Owner or by foreclosure of the lien upon the Unit granted by the Act. The Board shall notify the holder of any first mortgage and upon a Unit of any default not cured within thirty (30) days of the date of notice of default.

5.6 Foreclosure of Liens for Unpaid Common Expenses: In any action brought by the Association to foreclose a lien on a Unit because of unpaid common expenses, the Owner shall be required to pay a reasonable rental for the use of the Unit during the pendency of the suit, and the plaintiff in such foreclosure suit shall be entitled to the appointment of a receiver to collect such rental. The Board 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. An action to recover a money judgment for unpaid common expenses shall be maintainable without foreclosing any lien securing the same. The remedies provided herein are cumulative, and the Association may pursue any of them, as well as any other remedies which may be available under law, although not expressed herein.

5.7 Statement of Common Expenses: The Board of Directors shall promptly provide any Owner who makes a request in writing with a written statement of his unpaid common expenses, but need not undertake any special auditing expense to do so.

5.8 First Mortgages: Any lien of the Association against a Unit for common expenses shall be subordinate to tax and assessment liens, but as provided by the Act, may be prior to any first Mortgage or Trust Deed of record. Where the purchaser or Mortgagee of a Unit obtains title to the Unit as a result of foreclosure of a first Mortgage or by deed in lieu of foreclosure, such purchaser or Mortgagee, his successors and assigns, shall not be liable for any of the common expenses chargeable to such Unit which became due prior to the acquisition of title to such Unit by such purchaser or Mortgagee except as provided otherwise in the Act.

5.9 Violation by Owners; Remedies: Subject to any limitations contained in the Declaration, the violation of any Rule or Regulation adopted by the Board of Directors, or the breach of any covenant or provision contained in the Declaration, or Bylaws shall give the Board of Directors the right: (1) to enter upon that part of the Condominium where such violation or breach exists and summarily abate and remove, at the expense of the defaulting Owner, any structure, thing or condition that may exist thereon contrary to the intent and meaning of the provisions hereof, and the Board of Directors, or its agents, shall not thereby be deemed guilty in any manner of trespass or (2) to enjoin, abate or remedy by appropriate

18- BYLAWS OF THE LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
C:\WP51\CLIENT.FLS\GEI\MASC1\BYLAWS Feb. 10, 1996

22

APRIL 5, 1996

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

5.10 Liability of Owners: An Owner shall be liable for the expenses of any maintenance, repair or replacement rendered necessary by his act, neglect or carelessness or by that of any member of his family, or his or their guests, employees, servants, invitees, agents or lessees, but only to the extent that such expense is not met by the proceeds of insurance carried by the Association. Such liability shall include any increase in insurance rates occasioned by use, misuse, occupancy or abandonment of any Unit or its appurtenances. Nothing herein contained, however, shall be construed so as to modify any waiver by insurance companies of rights of subrogation. The expense of any maintenance, repair or replacement required, as provided herein, shall be charged to said Owner as a specific item, which shall be a lien against such Owner's Unit with the same force and effect as if the charge was a part of the normal common expenses attributable to such Owner's Unit.

5.11 No Waiver: The failure of the Association or of an Owner to enforce any right, provisions, covenant or condition, which may be granted by any of the provisions of the Declaration, the Bylaws, or any Rules or Regulations shall not constitute a waiver of the right of the Association or Owner to enforce such right, provision, covenant or condition in the future. The receipt by the Board of payment of any assessment from an Owner, with knowledge of any such violation or breach, shall not be deemed a waiver of such violation or breach; and no waiver by the Board or any provision hereof shall be deemed to have been made and less expressed in writing and signed by the Board. This section also extends to the

Declarant or Declarant's managing agent exercising the power of the Board during initial period of operation of the Association and the Condominium.

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 list of Owners entitled to vote at meetings of the Association and a list of all Mortgagees of Units.

6.2 Records of Receipts and Expenditures: The Board of Directors or its designee shall keep detailed, accurate records in chronological order of the receipts and expenditures affecting the Common Elements, itemizing the maintenance and repair expenses of the Common Elements and any other expenses incurred. Such records and the vouchers authorizing the payments shall be available for examination by the Owners and Mortgagees during normal business hours.

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

6.4 Payment of Vouchers: The Treasurer shall pay all vouchers up to One Thousand Dollars (\$1,000.00) signed by the Chairman, managing agent, manager or other person authorized by the Board of Directors. Any voucher in excess of One Thousand Dollars (\$1,000.00) shall require the signature of the Chairman and one other officer of the Association.

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

6.6 Notice of Sale, Mortgage, Rental or Lease: Immediately upon the closing of any sale, Mortgage, rental or lease of any Unit, the Owner shall promptly inform the Secretary or manager of the name and address of the purchaser, Mortgagee, lessee,

20- BYLAWS OF THE LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
C:\WP51\CLIENT.FLS\GENASCI\BYLAWS Feb. 10, 1996

24

APRIL 5, 1996

or tenant. The foregoing notification requirement is in addition to that set forth in Section 8 of the Declaration regarding notification to the Board of Directors of any contemplated sale or lease of a Unit.

6.7 Association Documents: The Board shall maintain, at the office of the Association, a copy suitable for duplication of the following: The Declaration, the Bylaws, any Rules and Regulations and any amendments thereto, the most recent annual financial statement of the Association, the current operating budget of the association, and any other documents required by the Act to be so maintained. Such documents shall be made reasonably available for inspection and duplication by Owners, Mortgagees, and prospective purchasers of Units upon written request therefrom.

7. OCCUPATION AND USE.

7.1 Generally: The Lovejoy Condominiums shall be used in a manner appropriate to maintain and preserve its status as a first class residential condominium. The Units shall be used only as single-family residences, on an ownership, rental, or lease basis, and for social, recreational, or other reasonable purposes normally incident to residential use. Units of the Condominium may be used for the purposes of operating the Association and for the management of the Condominium. No Unit may be rented or leased for periods less than one (1) month.

7.2 Sales Facilities of Declarant: Notwithstanding any provision in Section 7.1, Declarant, its agents, employees, and contractors shall be permitted to maintain during the period of sale and construction of the Condominium Units, upon such portion of the Condominium as Declarant may choose, such facilities as in the sole opinion of Declarant may be reasonably required, convenient, or incidental to the construction, sale, or rental of Condominium Units and interests, including, but not limited to, a business office, storage area, signs, modeled units, sales office, construction office, and parking areas for all perspective tenants or purchasers of Declarant.

7.3 Vehicle Parking: Parking spaces are restricted to use for parking of operative vehicles; other items and equipment may be parked or kept thereon only subject to the Rules or Regulations of the Board. The Board shall require removal of any inoperative or unsightly vehicle and any other equipment or item improperly stored in parking areas. If the same is not removed, the Board shall cause removal, at the risk and expense of the Owner thereof.

7.4 Limited Common Elements: Limited Common Elements, as defined in Section 6 of the Declaration, are for the sole and exclusive use of the Owners of the Units for which they are reserved or assigned; provided, that the use, condition, and appearance thereof are subject to the provisions of Section 8.1.2 of these Bylaws.

21- BYLAWS OF THE LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
c:\WP51\CLIENT.FLS\GENASC1\BYLAWS Feb. 10, 1996

25

APRIL 5, 1996

7.5 Effect on Insurance: Nothing shall be done or kept in any Unit or in the Common Elements which will increase the rate of insurance on the Common Elements of the Condominium or any Unit without the prior written consent of the Board. No Owner or Purchaser shall permit anything to be done or kept in his Unit or in the Common Elements which will result in the cancellation of insurance on any Unit or any part of the Common Elements or which would be in violation of the laws.

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

7.7 Common Elements Alterations: Nothing shall be altered or constructed in or removed from the Common Elements or facilities except upon the written consent of the Board and after procedures required hereby or by law.

7.8 Association Rules and Regulations: The Board is empowered to pass, amend or revoke detailed administrative Rules and Regulations necessary or convenient from time to time to insure compliance with the general guidelines of this Section and the other provisions of these Bylaws. Such Rules and Regulations shall be binding upon all Owners upon adoption by the Board.

7.9 Pets: No animals (which term includes dogs, cats, livestock, domestic animals, poultry, reptiles, or living creatures of any kind) shall be raised, bred, kept in any Unit or in the Common Elements, whether as pets or otherwise, except subject to the Rules and Regulations adopted by the Board. The Board may at any time require the removal of any animal which it finds is disturbing other Owners unreasonably, in the Board's determination, and may exercise this authority for specific animals even though other animals are permitted to remain.

8. MAINTENANCE OF CONDOMINIUM PROPERTY AND RELATED MATTERS.

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

8.1.1 Units: All maintenance of and repairs to any Unit shall be made by and at the sole expense of the Owner of such Unit, who shall keep the same in good order, condition and repair and shall do all redecorating, painting and staining which at any time may be necessary to maintain the good appearance and condition of such Unit. In addition, each Owner shall be responsible for the maintenance, repair, or replacement of interior doors and any plumbing, heating or air conditioning fixtures, telephones, water heaters, fans, lighting fixtures and lamps, refrigerators, dishwashers, ranges, or other appliances and accessories that may be in such Unit. Each Owner and the Owner's agent has the right to

maintain, repair, paint, finish, alter, substitute, add or remove any fixtures attached to said ceilings, floors, or walls. This Section shall not be construed as permitting any interference with or damage to the structural integrity of the Condominium or interference with the use, protection, and enjoyment of the Common Elements or of the other Units or any of them, nor shall it be construed to limit the powers or obligations of the Board hereunder.

8.1.2 Common Elements: Except as provided otherwise in this Section, all maintenance, repairs and replacements to the Common Elements shall be made by the Association and shall be charged to all the Owners as a common expense, provided, that if such has been necessitated by acts or omissions of an Owner by reason of which the Owner is legally responsible for all or a portion of the costs thereof, such shall be charged solely to the Owner so responsible. Should actual collection of such from the responsible Owner within a reasonable period of time prove impossible after reasonable collection efforts, however, the uncollected portion may be charged to all Owners as a common expense, subject to reimbursement of any amounts later collected from the responsible Owner. Unit Owners will be responsible for routine maintenance such as leaf removal from each Owner's respective patio area, which are Limited Common Elements, and each Owner shall maintain such area in good appearance and condition.

8.1.3 Repairs by Association: The Association may make repairs and maintenance that an Owner is obligated to make and that such Owner does not make within a reasonable time. If such repairs are of any emergency nature (in that the repairs must be promptly made to prevent further or imminent potential damage to the Unit involved, other Units or any Common Element), the Association may make such repairs immediately, without notice to the Owner, if such Owner is not available for reasonable notification within the time frame that the nature of the emergency shall reasonably afford. The Association shall indemnify its agents, employees and other of its representatives from any and all liability to any Owner incurred by reason of any reasonable exercise of the right of entry afforded in the Declaration or Bylaws to effect emergency repairs. The Association shall have no liability to an Owner for any use of its right of entry or right to make emergency repairs if the Association shall have reasonable cause to believe that such action is required. An Owner shall be deemed to have consented to having such repairs done to such Owner's Unit by the Association. An Owner shall reimburse the Association in full for the cost of such repairs except to the extent covered by insurance, including any legal or collection costs incurred by the Association in order to collect the costs of such repairs. All such sums of money shall bear interest from the due date thereof at the rate provided in Section 5.5. The Association may collect all such sums of money in such

APRIL 5, 1996

installments as the Board may decide upon, which installments shall be added to the monthly contributions towards the common expenses of such Owner, after receipt of notice thereof. All such payments are deemed to be additional contributions towards the common expenses and recoverable as such.

8.2 Additions, Alterations or Improvements: No Owner shall make any structural alterations to the Owner's Unit, or make any change to an installation upon the Common Elements, or maintain, decorate, alter or repair any part of the Common Elements except for maintenance of those parts of the Common Elements which the Owner has the duty to maintain, without the prior consent in writing of the Board and any other Owners affected. The Board shall consider the granting of such consent only after the Owner has submitted a complete set of architectural, mechanical, electrical or other relevant plans and specifications, which submission shall be reviewed by such architects and engineers as the Board shall deem appropriate. In the event the Board of Directors fails to approve or disapprove a proposed change within thirty (30) days after the plans and specifications have been submitted to it, approval shall be deemed given. The decision of the Board of Directors shall be final and binding. Whether or not such consent is granted, the Owner shall pay, upon demand and in advance, if so required by the Board, for such professional review. During the course of construction and after completion of same, the Board may cause its professional advisors to inspect the work to insure that it is performed in compliance with the approved plans. The cost of such inspection(s) shall be paid by the Owner to the Board, upon demand. Prior to commencement of construction, the Owner shall provide the Board with copies of all relevant building permits and evidence of due compliance with any other requirements of government bodies having jurisdiction regarding such work. No antennas or transmitting towers shall be affixed to the Common Elements. Before proceeding with any approved alterations or improvements, the Owner shall, if the Board so requires, provide to the Association, at the expense of the Owner, a performance bond and a labor and materials bond, issued by a surety satisfactory to the Board, each in the amount of at least one hundred twenty-five percent (125%) of the estimated cost of such alterations or improvements, or such other security as shall be satisfactory to the Association.

8.3 Damage or Destruction by Casualty:

8.3.1 Initial Board Determinations: In the event of damage or destruction to any part of the Condominium, the Board shall promptly, and in all events within twenty (20) days after the date of such damage or destruction, make the following determinations with respect thereto employing such advice as it deems advisable:

8.3.1.1 The nature and extent of the damage or destruction, together with an inventory of the improvements and property directly affected thereby.

24- BYLAWS OF THE LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
C:\WP51\CLIENT.FLS\GENASCI\BYLAWS Feb. 10, 1996

28

APRIL 5, 1996

8.3.1.2 A reasonably reliable estimate of the cost to repair and to restore the damage or destruction, which estimate shall, if reasonably practicable, be based upon two (2) or more firm bids obtained from responsible contractors.

8.3.1.3 The anticipated insurance proceeds, if any, to be available from insurance covering the loss, based on the amount paid or initially offered by the insurer.

8.3.1.4 The amount, if any, by which the estimated cost of repair and restoration exceeds the anticipated insurance proceeds therefor and the amount of assessment to each Unit if such excess was paid as a maintenance expense and specifically assessed against all the Units in proportion to their percentage of interest in the Common Elements.

8.3.1.5 The Board's recommendation as to whether such damage or destruction should be repaired or restored.

8.3.2 Notice of Damage or Destruction: The Board shall promptly, and in all events within thirty (30) days after the date of damage or destruction, provide to each Owner and Mortgagee a written notice summarizing the initial Board determination made under Section 8.3.1. If the Board fails to do so within said thirty (30) days, then any Owner or Mortgagee may make the determinations required under Section 8.3.1 and give the notice under this Section 8.3.2.

8.3.3 Definitions: Restoration; Emergency Work: As used in this Section 8.3, the words "repair," "reconstruct," "rebuild" or "restore" shall mean restoring the improvements to substantially the same condition in which they existed prior to the damage or destruction, with each Unit and the Common Elements having substantially the same vertical and horizontal boundaries as before. Modification to conform to then applicable governmental rules and regulations or available means of construction may be made. As used in this Section 8.3, the term "emergency work" shall mean that work which the Board deems reasonably necessary to avoid further damage, destruction or substantial diminution in value to the improvements and to reasonably protect the Owners from liability from the condition of the site.

8.3.4 Restoration by Board: Unless prior to the commencement of repair and restoration work, other than emergency work, the Owners shall have decided not to repair and reconstruct in accordance with the provisions of either Section 8.3.5 or 8.3.6, the Board shall promptly repair and restore the damage and destruction, use the available insurance

proceeds therefor, and pay for the actual cost of repair and restoration in excess of insurance proceeds secured as a common expense which shall be specially assessed against all Units in proportion to their percentages of interest in the Common Elements. The Board shall have the authority to employ architects and attorneys, to advertise for bids, to let contracts to contractors and others, and to take such other action as is reasonably necessary to effectuate the repair and restoration. Contracts for such repair and restoration shall be awarded when the Board, by means of insurance proceeds and sufficient assessments, has provided for the cost thereof. The Board may further authorize the insurance carrier to proceed with repair and restoration upon satisfaction of the Board that such work will be appropriately carried out.

8.3.5 Limited Damage: Assessment Under \$2,500: If the amount of the estimated assessment determined under Section 8.3.1 does not exceed Two Thousand Five Hundred Dollars (\$2,500) for each Unit, then the provisions of this Section 8.3.5 shall apply. The Board may, but shall not be required to, call a special Owners' meeting to consider such repair and restoration work, which notice shall be given simultaneously with the notice required to be given by the Board under Section 8.3.2 above. If the Board fails to call such meeting, then, notwithstanding the provisions of these Bylaws with respect to calling special Owner's meetings, the requisite number of Owners or any Mortgagee, within fifteen (15) days of receipt of the notice given by the Board under Section 8.3.2 above, or of the expiration of such thirty (30) day period, whichever is less, may call such special Owners' meeting to consider such repair and restoration work. Any meeting called under this Section 8.3.5 shall be convened not less than ten (10) nor more than twenty (20) days after the date of such notice of meeting. Except for emergency work, no repair and restoration work shall be commenced until after the expiration of such notice period and until after the conclusion of said special meeting if such meeting is called within said requisite period. A unanimous decision of the Owners and the Approval of the Mortgagees of Units which have at least fifty-one (51%) of the votes of Units in the Condominium which are subject to Mortgages will be required to avoid the provision of Section 8.3.4 and to determine not to repair and restore the damage and destruction; provided, that the failure of the Board, the requisite number of Owners or a Mortgagee to call for a special Owners meeting at the time or in the manner set forth herein shall be deemed a unanimous decision to undertake such work.

8.3.6 Major Damage: Assessment Over \$2,500: If the amount of the estimated assessment determined under Section 8.3.1 exceeds Two Thousand Five Hundred Dollars (\$2,500) for each Unit, then the provisions of this Section 8.3.6 shall apply. The Board shall promptly, and in

APRIL 5, 1996

all events within thirty (30) days after the date of damage or destruction, provide written notice of a special Owners' meeting to consider repair and restoration of such damage or destruction, which notice shall be delivered with the notice required to be provided under Section 8.3.2 above. If the Board fails to do so within said thirty (30) day period, then, notwithstanding the provisions of these Bylaws with respect to calling special Owners' meetings, any Owner or Mortgagee may within fifteen (15) days of the expiration of said thirty (30) day period, or of receipt of the notice required to be provided by the Board under Section 8.3.2 above, whichever is less, call a special meeting of the Owners to consider repair and restoration of such damage or destruction by providing written notice of such meeting to all Owners and Mortgagees. Any meeting held pursuant to this Section 8.3.6 shall be called by written notice and shall be convened not less than ten (10) nor more than twenty (20) days from the date of such notice of meeting. Except for emergency work, no repair and restoration work shall be commenced until the conclusion of the special Owners' meeting required under this Section 8.3.6. A concurring vote of the Owners holding seventy-five percent (75%) of the votes in the Association and the approval of the Mortgagees of Units which have at least one hundred percent (100%) of the votes of Units in the Condominium which are subject to Mortgages shall be required to avoid the provision of Section 8.3.4 and to determine not to repair and to restore the damage and destruction, and the failure to obtain said vote shall be deemed a decision to rebuild and restore the damage and destruction; provided however, the failure of the Board, or of Owners or of Mortgagees to convene the special meeting required hereunder within ninety (90) days after the date of damage or destruction shall be deemed a unanimous decision to undertake such repair and restoration work.

8.3.7 Decision Not to Restore; Disposition: In the event of a decision under Section 8.3.5 or under Section 8.3.6 not to repair and to restore damage and destruction, the Board may nevertheless expend such of the insurance proceeds and common expense funds as the Board deems reasonably necessary for emergency work, which emergency work may include but is not limited to removal of the damaged or destroyed buildings and clearing, filling and grading the real property. The remaining funds, if any, and the Condominium shall be removed from the condominium form of ownership and the provisions of ORS 100.600 through 100.620 shall apply.

8.3.8 Amendment of Section 8.3: The purpose of Section 8.3 is to provide a fair and equitable method of allocating the costs of repair or restoration and making a determination for repair or restoration if all or a portion of the Condominium is damaged or destroyed, and the provisions of Section 8.3 shall be liberally construed to accomplish such purpose. The Owners may determine to do otherwise than

31

APRIL 5, 1996

provided in this Section 8.3 only by unanimous vote of the Owners and approval of the Mortgagees of Units which have at least fifty-one percent (51%) of the votes of Units in the Condominium which are subject to mortgages, which vote shall be taken within ninety (90) days after the damage or destruction.

8.4 Condemnation:

8.4.1 Consequences of Condemnation: If, at any time or times during the continuance of the condominium form of ownership pursuant to the Declaration, all or any part of the Condominium is taken by eminent domain or condemned by any public authority or sold or otherwise disposed of in lieu of or in anticipation thereof, all of which is hereinafter called "Condemnation," the provisions of this Section 8.4 shall apply. The Association shall have the sole authority to represent the Owners in any condemnation proceedings or negotiations, settlements and agreements with the condemning authority as the attorney-in-fact of all the Owners and pursuant to such authority may accept any release and discharge of liability made by the Board on behalf of the Owners. The Board's authority to act, as attorney-in-fact of the Owners for such purpose is coupled with an interest and is irrevocable. The Board shall provide each Owner and each Mortgagee with a written notice of the commencement of any such Condemnation proceeding and of any proposed sale or disposition in lieu or in advance of such proceeding. All compensation, damages, or other proceeds therefrom, the sum of which is hereinafter called the "Condemnation Award," shall be payable to the Association.

8.4.2 Complete Taking: In the event that the entire Condominium is Condemned (or sold or otherwise disposed of in lieu or avoidance thereof), the condominium form of ownership shall terminate. The net Condemnation Award, after the Association is reimbursed for all costs of representing the Owners, shall be apportioned among the Owners in proportion to their respective undivided interests in the Common Elements; provided, that if a standard different from the value of the property as a whole is employed to measure the Condemnation Award in the negotiation, judicial decree, or otherwise, then in determining such apportionment the same standard shall be employed to the extent it is relevant and applicable. The Board shall determine as soon as practicable the share of the Condemnation Award to which each Owner is entitled. After first paying out of the respective share of each Owner, and to the extent sufficient for the purpose, all Mortgages and liens on the interest of such Owner, the balance remaining in each share shall then be distributed to each Owner respectively.

8.4.3 Partial Taking: In the event that less than the entire Condominium is Condemned (or sold or otherwise disposed of in lieu or avoidance thereof), the condominium form

of ownership shall not terminate. Each Owner shall be entitled to a share of the net Condemnation Award after the Association is reimbursed for all costs of representing the Owners, to be determined in the following manner. As soon as practicable the Board shall, reasonably and in good faith, allocate the Condemnation Award between compensation, damages, or other proceeds. The Board shall apportion the amounts so allocated to taking of or injury to the Common Elements among the Owners in proportion to their respective undivided interest in the Common Elements. The total amount allocated to severance damages shall be apportioned to those Units which were not taken or condemned. The respective amounts allocated to the taking of or injury to a particular Unit and/or improvements the Owner of such Unit had made within such Unit shall be apportioned to the particular Unit involved. The amount allocated to consequential damages and any other takings or injuries shall be apportioned as the Board determines to be equitable in the circumstances. If an allocation of the Condemnation Award is already established in negotiation, judicial decree, or otherwise, then in allocating the Condemnation Award the Board shall employ such allocation to the extent it is relevant and applicable. distribution of apportioned proceeds shall be made to the respective Owners and their respective Mortgagees in the manner provided in Section 8.4.2.

8.4.4 Reductions of Condominium Upon Partial Taking:

In the event that (a) a partial taking occurs which, pursuant to Section 8.4.3, does not result in a termination of the condominium form of ownership hereunder, and (b) at least one (1) Unit is Condemned, and (c) the condemning authority elects not to hold, use and own said Unit as an Owner subject to and in accordance with the Declaration and with these Bylaws, then the provisions of this Section 8.4.4 shall take effect immediately upon the condemning authority taking possession of the Unit or Units so Condemned. The Units subject to the Declaration shall be reduced to those Units not Condemned. The general Common Elements subject to the Declaration shall be reduced to the general Common Elements not so taken. The Limited Common Elements which were not Condemned, but which were appurtenant to Units that were Condemned, shall be deemed part of the general Common Elements remaining subject to this Declaration. The percentage of undivided interest in the Common Elements appurtenant to each Unit not so taken or Condemned shall be recalculated on the basis set forth in the Declaration. Except with respect to the share of proceeds apportioned pursuant to Section 8.4.3, no Owner or Mortgagee of a Unit so taken or Condemned shall have, nor shall there be appurtenant to any Unit so taken or Condemned, any right, title, interest, privilege, duty or obligation in, to or with respect to the Association and any Unit or Common Elements which remains subject to this Declaration and which is not so taken or Condemned. Except as otherwise expressly provided

herein, the rights, title, interests, privileges, duties and obligations of Owner and Mortgagee in, to or with respect to a Unit not so taken or Condemned, and in, to or with respect to the Association and the Common Elements appurtenant to said Unit, shall continue in full force and effect as provided in the Declaration. The provisions of this Section 8.4.4 shall be binding upon and inure to the benefit of all Owners and Mortgagees of, and other persons having or claiming to have any interest in, all Units which are, as well as all Units which are not, so Condemned. All such Owners, Mortgagees and other persons covenant to execute and deliver any document, agreements or instruments, including, but not limited to, appropriate amendments to the Declaration and Plat, as are reasonably necessary to effectuate the provisions of this Section 8.4.4.

8.4.5 Reconstruction and Repair: Any reconstruction and repair necessitated by Condemnation shall be governed by the procedures set forth in Section 8.3 above, provided that the Board may retain and apply such portion of each Owner's share of the Condemnation Award as is necessary to discharge said Owner's liability for any special assessment arising from the operation of Section 8.3.

9. INSURANCE.

9.1 Fire and Extended Coverage Insurance: The Board shall obtain and maintain at all times a policy or policies to provide fire insurance, with extended coverage and all Risk (including vandalism, malicious mischief, sprinkler leakage, debris removal, cost of demolition, windstorm, flood and water damage and methane gas damage) endorsements, in an amount as near as practicable to the full insurable replacement value (without deduction for depreciation) of the Common Elements and the Units, with the Board named as the insured, as trustee for the benefit of Owners and Mortgagees as their interests may appear or such other fire and casualty insurance as the Board shall determine to give substantially equal or greater protection, insuring the Owners and their Mortgagees, as their interests may appear. Said policy or policies shall provide for separate protection for each Unit of the Condominium to the full insurable replacement value thereof (limited as above provided); a separate loss payable endorsement in favor of the Mortgagee or Mortgagees of each Unit of the Condominium, if any; and, further, a separate loss payable clause in favor of the mortgagee of the Condominium, if any. All insurance shall be obtained from an insurance carrier rated A- (and rated as in Class IX or better financial condition) by Best's Insurance Reports or equivalent rating service, and licensed to do business in the State of Oregon.

9.2 Other Insurance Coverage: The Board shall obtain and maintain at all times as a common expense a policy or policies and bonds required to provide:

30- BYLAWS OF THE LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
C:\WP51\CLIENT.FLS\GEHASC1\BYLAWS Feb. 10, 1996

34

APRIL 5, 1996

9.2.1 Comprehensive General Liability Insurance insuring the Association, Unit Owners, Board, Declarant, and Managing Agent against liability to the public or to individual Unit Owners. Such insurance shall include liability for water damage, host liquor liability, liability for property of others, contractual liability, and nonowned automobile liability (and if applicable, owned automobile liability, elevator collision and garagekeepers' liability). Such insurance shall not exclude liability resulting from the existence of methane gas. The liability under which insurance shall be determined by the Board after consultation with insurance consultants, but not less than one Million Dollars (\$1,000,000.00) covering all claims for personal injury and/or property damage arising out of a single occurrence (such policy limits to be reviewed at least annually by the Board and increased in its discretion). Such insurance shall contain appropriate provisions or endorsements precluding the insurer from denying the claim of an Owner because of the negligent acts of the Association or another Owner.

9.2.2 Worker's compensation insurance to the extent required by applicable laws.

9.2.3 Fidelity bonds naming the members of the Board, the manager, its employees (including employees of the professional manager, if any), or volunteers responsible for handling funds belonging to or administered by the Association, and such other persons as may be designated by the Board as principals and the Association as obligee, in an amount equal to at least one and one-half times the total estimated cash (including reserves) to be collected as assessments each year. Such fidelity bonds shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definitions of "employee" or similar expression.

9.2.4 Insurance against loss or personal property of the Association by fire, theft, and other losses, with deductible provisions as the Board deems advisable.

9.2.5 Such other insurance as the Board deems advisable; provided, that notwithstanding any other provisions herein, the Association shall continuously maintain in effect such casualty, flood, and liability insurance and a fidelity bond meeting the insurance and fidelity bond requirements for condominium projects established by the Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Housing Authority, Veterans Administration, or other governmental or quasi-governmental agency involved in the secondary mortgage market, so long as such agency is a Mortgagee, an insurer or guarantor of a Mortgage, or owner of a Unit within the Condominium, except to the extent such coverage is not available or has been waived in writing by such agency.

9.3 Owner's Additional Insurance: Each Owner at his expense shall be responsible for his personal liability and for obtaining additional insurance covering improvements and fixtures added by the Owner to his Unit and for all personal property of the Owner. No Owner shall, however, be entitled to maintain insurance coverage in any manner which would decrease the amount which the Board, or any trustee for the Board, on behalf of all the Owners, will realize under any insurance policy which the Board may have in force on the Condominium at any particular time. Each Owner is required and agrees to notify the Board of all improvements by the Owner to a Unit the value of which is in excess of One Thousand Dollars (\$1,000.00). Each Owner is hereby required to file a copy of such individual policy or policies with the Board within thirty (30) days after purchase of such insurance, and the Board shall immediately review its effect with the Board's insurance broker, agent, or carrier.

9.4 Insurance Proceeds: Insurance proceeds for damage or destruction to any part of the Condominium shall be paid to the Board on behalf of the Association, which shall segregate such proceeds from other funds of the Association for use and payment as provided for in Section 8.3. The Association, acting through its Board, shall have the sole authority to settle and compromise any claim under insurance obtained by the Association as the attorney-in-fact of all Owners, and the insurer may accept a release and discharge of liability made by the Board on behalf of the named insureds under the policy. The Board's authority to act as attorney-in-fact of the Owners for such purpose is coupled with an interest and is irrevocable.

9.5 Additional Provisions: The Board shall exercise its reasonable best efforts to obtain insurance policies and fidelity bonds containing the following provisions:

9.5.1 That the liability of the insurer thereunder shall not be affected by, and that the insurer shall not claim any right of setoff, counterclaim, apportionment, proration, or contribution by reason of, any other insurance obtained by or for any Owner or any Mortgagee.

9.5.2 No provision relieving the insurer from liability for loss because of any act or neglect not within the control of the Association or because of any failure of the Association to comply with any warrant or condition regarding any portion of the premises over which the Association has no control.

9.5.3 A waiver of subrogation by the insurer as to any and all claims against the Association and the Owner, or their respective agents, employees, or tenants, and of any defenses based upon coinsurance or upon invalidity arising from the acts of the insured.

32- BYLAWS OF THE LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
C:\WP51\CLIENT\FLS\GENASC1\BYLAWS Feb. 10, 1996

36

APRIL 5, 1996

9.5.4 Despite any provision giving the insurer the right to restore damage in lieu of a cash settlement, such option shall not be exercisable without the prior written approval of the Association or when in conflict with the provisions of any insurance trust agreement to which the Association is a party or with any requirement of law.

9.5.5 That ten (10) days' written notice will be given to all Mortgagees prior to any lapse, cancellation or material modification of the policies of insurance or fidelity bonds.

9.6 Unacceptable Policies: Insurance policies requiring or permitting (a) contributions and assessments against the Association, the Board, the Owners, the Mortgagees or any guarantor of the above or (b) action by the insured's Board, policy holders or members as a condition precedent to loss payments, or limiting clauses (other than insurance conditions) which might prevent any of the above-mentioned persons from receiving insurance proceeds shall be unacceptable to satisfy the requirements of this Article.

10. AMENDMENTS TO BYLAWS.

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

10.2 Adoption: A resolution adopting a proposed amendment may be proposed by either the Board or by the Owners and may be approved by the Owners at a meeting called for this purpose. Owners not present at the meeting considering such amendment may express their approval in writing or by proxy delivered to the Board at or prior to such a meeting. Subject to the provisions of Sections 14.4 and 17 of the Declaration and these Bylaws otherwise, any resolution shall be approved by Owners holding at least fifty-one percent (51%) of the votes of the Units, except for amendments changing voting requirements and age, occupancy, or rental and leasing restrictions which shall require approval by Owners holding at least seventy-five percent (75%) of the votes in the Association.

10.3 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, approved by the Oregon Real Estate Commissioner if required by law, and recorded as required by law.

11. LITIGATION.

11.1 Generally. Every Owner and the Association shall have the right to enforce the provisions of the Declaration, these

Bylaws and any Rules and Regulations by litigation against the Association or Owners as the case may be.

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

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

12. MISCELLANEOUS.

12.1 Notices: All notices to the Association or to the Board of Directors shall be sent care of the managing agent, or if there is no managing agent, to the principal office of the Association or to such other address as the Board of Directors may hereafter designate from time to time by written notice thereof to each Owner. All notices to any 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.

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

12.3 Invalidity; Number; Captions: The invalidity of any part of the Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these Bylaws. As used herein, the singular shall include the plural, and the plural the singular. The masculine and neuter shall each include the masculine, feminine and neuter, as the context requires. All captions used herein are intended solely for convenience of

APRIL 5, 1996

reference and shall in no way limit any of the provisions of these Bylaws.

12.4 Action Without a Meeting: Any action which the Act, the Declaration or the Bylaws require or permit the Owners or Board of Directors to take 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 the Board of Directors, shall be filed in the records of minutes of the Association.

12.5 Conflicts: These Bylaws are intended to comply with the Act and the Declaration. In case of any irreconcilable conflict, such Act and Declaration shall control over these Bylaws, any amendments hereto or any Rules and Regulations adopted hereunder.

12.6 Parliamentary Rules: Robert's Rules of Order (latest edition) shall govern the conduct of Association and Board of Directors proceedings when not in conflict with the Declaration, the Articles, these Bylaws or Oregon law.

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

12.8 Indexing: Whenever any dollar amount is specified in these Bylaws, such amount shall be automatically adjusted each January 1 based upon any changes in the Consumer Price Index - All Items - for all urban consumers published by the U.S. Bureau of Labor Statistics (or any generally accepted substitute for such

35- BYLAWS OF THE LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
C:\WP51\CLIENT.FLS\GEHASC\BYLAWS Feb. 10, 1996

39

APRIL 5, 1996

index, if such shall be discontinued) using the index for January, 1991 as the base year.

DATED this 22 day of March, 1996, being hereby adopted by the undersigned Declarant on behalf of the Association.

URBANO DEVELOPMENT, INC.

Donald B. Genasci
By: Donald B. Genasci
Its: President

STATE OF OREGON)
) SS.
County of Washington)

This instrument was acknowledged before me this 22 day of March, 1996, by Donald B. Genasci, President of Urbano Development, Inc., an Oregon corporation, on behalf of the corporation.



Erika Ann Marquer
NOTARY PUBLIC FOR OREGON
My Commission Expires: 11/29/97

36- BYLAWS OF THE LOVEJOY CONDOMINIUMS HOMEOWNERS' ASSOCIATION
c:\WP51\CLIENT.FLS\GENASCI\BYLAWS Feb. 10, 1996

40

APRIL 5, 1996

Ret to
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1000 sw Broadway
15557
PORTLAND
ATTN: Connie Dobbins

Recorded in the County of Multnomah, Oregon
C. Swick, Deputy Clerk
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CONDOMINIUM DECLARATION
OF THE
LOVEJOY CONDOMINIUMS

MADE PURSUANT TO THE OREGON CONDOMINIUM ACT

MARCH 22, 1996

1 of 16

APRIL 5, 1996

INDEX TO DECLARATION OF
THE LOVEJOY CONDOMINIUMS

	PAGE
<u>1. DEFINITIONS AND INTERPRETATION</u>	1
1.1 <u>Definitions</u>	1
1.2 <u>Liberal Construction</u>	3
1.3 <u>Mortgagee Approval</u>	3
1.4 <u>Original Owner of Units</u>	3
1.5 <u>Captions and Exhibits</u>	3
1.6 <u>Miscellaneous</u>	3
<u>2. NAME</u>	3
<u>3. PROPERTY SUBMITTED and DEVELOPMENT PLAN</u>	3
<u>4. UNITS</u>	4
4.1 <u>Unit 1</u>	4
4.2 <u>Units 2 and 3</u>	4
4.3 <u>Units 4 and 5</u>	4
4.4 <u>Boundaries of Units</u>	4
4.5 <u>Plat</u>	5
<u>5. GENERAL COMMON ELEMENTS</u>	5
<u>6. LIMITED COMMON ELEMENTS</u>	5
<u>7. OCCUPATION AND USE</u>	5
<u>8. CONVEYANCES</u>	5
<u>9. MAINTENANCE</u>	6
<u>10. EASEMENTS</u>	6
10.1 <u>In General</u>	6
10.2 <u>Additional Rights Created by Association</u>	6
10.3 <u>Right of Entry</u>	7
10.4 <u>Special Easement for Declarant</u>	7
<u>11. COMMON PROFITS AND EXPENSES; VOTING</u>	7
11.1 <u>Allocation of Profits and Expenses</u>	7
11.2 <u>Votes</u>	7
<u>12. SERVICE OF PROCESS</u>	7
<u>13. ENCROACHMENTS</u>	8
<u>14. MORTGAGEE PROTECTION</u>	8
14.1 <u>Controlling Over Other Sections</u>	8
14.2 <u>Notice of Action</u>	8
14.3 <u>Consent of Mortgagees Required to Abandon Condominium Status</u>	9
14.4 <u>Amendment of Condominium Declaration or Bylaws</u>	9

i

2

APRIL 5, 1996

14.5	<u>Limitation</u>	10
14.6	<u>Deemed Approval by Mortgagees</u>	10
14.7	<u>Change in Manager</u>	10
14.8	<u>Mortgagee's Proxy</u>	10
15.	<u>OPERATING ENTITY</u>	11
15.1	<u>Association</u>	11
15.2	<u>Membership</u>	11
15.3	<u>Voting</u>	11
16.	<u>MANAGING AGENT</u>	12
17.	<u>AMENDMENT</u>	12
17.1	<u>Approval Required</u>	12
17.2	<u>Recordation</u>	12
18.	<u>SEVERABILITY</u>	13
<u>EXHIBIT A</u>		
	<u>Bylaws of the Lovejoy Condominiums</u>	

APRIL 5, 1996

CONDOMINIUM DECLARATION
OF THE
LOVEJOY CONDOMINIUMS

MADE PURSUANT TO THE OREGON CONDOMINIUM ACT

This Declaration, to be effective upon its recording in Multnomah County, Oregon, pursuant to the provisions of the Oregon Condominium Act, is made and executed this 22 day of March, 1996, by Urbano Development, Inc. (hereinafter "Declarant").

Declarant proposes to create a fee title Condominium to be known as the LOVEJOY CONDOMINIUMS located at 1925 NW Lovejoy Street in the City of Portland, Multnomah County, Oregon. This Condominium will be comprised of one four story building containing five (5) residential units. The purpose of this Declaration is to submit the LOVEJOY CONDOMINIUMS to the Condominium form of ownership and use in the manner provided by the Oregon Condominium Act.

1. DEFINITIONS AND INTERPRETATION.

1.1 Definitions. As used in this Declaration, the Articles of Incorporation of the Lovejoy Condominiums Homeowners' Association, its Bylaws and its Rules and Regulations, and any Exhibits to any of them, unless the context shall otherwise require, the following definitions shall prevail:

1.1.1 Act shall mean the Oregon Condominium Act, currently ORS 100.005 to 100.910 and 100.990, as amended from time to time.

1.1.2 Association means the nonprofit corporate entity responsible for the operation of the Condominium created concurrently with the recording of this Declaration and known as the Lovejoy Condominiums Homeowners' Association.

1.1.3 Board means the Board of Directors of the Association.

1.1.4 Buildings The one building presently situated on the Land which contains the Units as shown on the Plat.

1.1.5 Bylaws means the Bylaws of the Association as amended from time to time.

1.1.6 Common Elements means all those portions of the Condominium exclusive of the Units.

1 - CONDOMINIUM DECLARATION OF THE LOVEJOY CONDOMINIUMS
C:\WP51\CLIENT.FLS\GENASC\CONDDC Mar. 2, 1996

4

APRIL 5, 1996

1.1.7 Condemnation means any taking of any interest in the Condominium by right of eminent domain or any purchase of any such interest in lieu of such taking.

1.1.8 Condominium means the property that is subjected to Condominium ownership hereby and all improvements thereon and all easements and rights appurtenant thereto constituting a part of the Condominium.

1.1.9 Condominium Facilities mean Facilities which service more than one Unit in the Condominium.

1.1.10 Declarant means the original Declarant specified hereinabove and any successor or assign thereof provided an explicit written assignment of the Declarant's status as such is executed and delivered to the assignee.

1.1.11 Declaration shall mean this Condominium Declaration and any amendments or supplements thereto.

1.1.12 Legal Requirements means valid laws, orders, rules and regulations of all governmental agencies having jurisdiction thereof.

1.1.13 Limited Common Elements means those Common Elements designated in Section 6 herein to be reserved for the exclusive use of a Unit or number of Units.

1.1.14 Mortgage shall include a mortgage, deed of trust and contract for the sale of real estate.

1.1.15 Mortgagee shall include a mortgagee, deed of trust beneficiary and a vendor under contract for the sale of real estate.

1.1.16 Owner means the Owner or vendee under a land sale contract of a Unit, but does not include a Mortgagee unless in possession.

1.1.17 Plat means the Plat for the Condominium which is being recorded in the records of Multnomah County, Oregon, concurrently with this Declaration and any revisions of such Plat subsequently recorded.

1.1.18 Unit means that part of the Condominium designated in Section 4 herein and as shown on the Plat as such and comprises the space and improvements enclosed by its boundaries as described in Section 4.4 and shown on the Plat and, as the context requires, the accompanying percentage interest in the Common Elements.

2 - CONDOMINIUM DECLARATION OF THE LOVEJOY CONDOMINIUMS
C:\WP51\CLIENT.FLS\GENASC1\CONDDEC Mar. 2, 1996

5

APRIL 5, 1996

1.2 Liberal Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of this Condominium under the provisions of Oregon law. The terms used herein are intended to have the same meaning given in the Act unless the context clearly requires otherwise or to so define the terms would produce an illegal or improper result.

1.3 Mortgagee Approval. For purposes of determining the percentage of Mortgagees approving a proposed decision or course of action in cases where a Mortgagee holds first Mortgages on more than one Unit, such Mortgagee shall be deemed a separate Mortgagee as to each such Unit.

1.4 Original Owner of Units. Declarant is the original Owner of all Units and will continue to be deemed the Owner thereof except as conveyances or documents changing such ownership regarding specifically described Units are filed of record.

1.5 Captions and Exhibits. The captions given herein are for convenience only and are not intended to modify or affect the meaning of any of the substantive provisions hereof. The various exhibits referred to herein and attached hereto shall be deemed incorporated herein by reference as though fully set forth where such reference is made.

1.6 Miscellaneous. All terms and words used in this Declaration, regardless of the number or gender in which they are used, shall be deemed to include any other number and any other gender as the context may require. "And/or" when applied to two or more matters or things shall be construed to apply to any one or more or all thereof as the circumstances warrant at the time in question. "Herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Declaration as a whole, and not to any particular Section, unless expressly so stated.

2. NAME. The name by which the property hereby submitted is to be identified as the LOVEJOY CONDOMINIUMS.

3. PROPERTY SUBMITTED and DEVELOPMENT PLAN.

The property hereby submitted to the Act is Declarant's fee simple interest in the real property known as the "East 1/2 of Lots 15 and 16, Block 269, COUCH'S ADDITION, City of Portland, Multnomah County, Oregon".

The Condominium has one Building containing all five (5) units. The undivided interest in the Common Elements of the Units in the Condominium will be as follows: (i) Units 1, 2 and 3--sixteen percent 16% each; Units 4 and 5--twenty-six percent (26%) each. The method used to establish allocation of undivided interest in the Common Elements is based on the ratio of each Unit's total square

3 - CONDOMINIUM DECLARATION OF THE LOVEJOY CONDOMINIUMS
C:\WP51\CLIENT.FLS\GENASC1\CONDDCC Mar. 2, 1996

6

APRIL 5, 1996

footage of floor area to the total square footage of floor area for all five Units of the Condominium.

4. UNITS. The four story Building has a concrete foundation, no basement, wood frame construction, wood sided exterior and asphalt roof.

4.1 Unit 1. Unit 1 will be located on the ground floor of the Building and will contain a total of approximately 827 square feet of living area on one floor. Unit 1 will contain a living room, dining room, kitchen, a bedroom, a bathroom and two closets. It will also feature a large patio as a limited common element. The purchaser of this Unit will have the option of not having an interior wall separate the bedroom from the rest of the living area, so that the Unit could be arranged in a one room, "loft type" configuration.

4.2 Units 2 and 3. Units 2 and 3 will be nearly identical and adjacent to each other on the second floor of the Building. Unit 2 will contain approximately 824 square feet of living area on one floor. Unit 3 will contain approximately 859 square feet of living area on one floor. Units 2 & 3 will each feature a living room, a dining room, kitchen, two bedrooms, three closets and a single bathroom. Unit 2 will also have a walk-in storage area and a deck which is a limited common element. Units 2 & 3 will also feature a parking space as limited common elements reserved for each Unit's exclusive use. Purchasers of these Units will have the option of not having interior walls separate the bedrooms from the other living areas.

4.3 Units 4 and 5. Units 4 and 5 will be nearly identical and adjacent to each other on the third and fourth floors of the Building. Unit 4 will contain approximately 867 square feet of living area on the third floor, and Unit 5 will contain approximately 824 square feet of living area on the third floor. Each Unit will have approximately 632 feet of living area on the fourth floor. The total living area of Unit 4 will be approximately 1499 square feet, and the total living area of Unit 5 will be approximately 1456 square feet. On the third floor, each Unit will feature a living room, dining room, kitchen, bath and bedroom. Unit 4 will also feature a breakfast room on the third floor. On the fourth floor, each Unit will have its master bedroom, storage area, skylights, two closets, a third bedroom and a second bath. Unit 4 will feature one deck on the third floor and one deck on the fourth floor as limited common elements. Unit 5 will feature two decks on the third floor and one deck on the fourth floor as limited common elements. Additionally, Units 4 and 5 will have one parking space each as a limited common element reserved for that Unit's exclusive use. Similar to Units 1, 2 and 3, the purchasers of these Units have the option of not having an interior wall separate the third floor bedroom from the other living areas.

4 - CONDOMINIUM DECLARATION OF THE LOVEJOY CONDOMINIUMS
C:\WP51\CLIENT.FLS\GERASCI\CONDEC Mar. 2, 1996

7

APRIL 5, 1996

4.4 Boundaries of Units. Each Unit is bounded by the interior surfaces of its perimeter and bearing walls, floors, ceilings, skylights, windows and window frames, doors, door frames and trim. Each Unit shall include both the interior surfaces so described (including the unexposed face of the sheetrock and the underside of the finished floor) and the air space so encompassed. In addition, each Unit includes the outlet of any utility service lines, including water, sewer, gas, electricity, telephone or cable television, but does not include any part of such lines or ducts themselves.

4.5 Plat. The approximate area, dimensions, designation and location of each Unit, the General Common and Limited Common Elements are shown on the Plat.

5. GENERAL COMMON ELEMENTS. The General Common Elements consist of the improvements and the land (other than the Units, and Limited Common Elements) and include without limitation, the following:

Pathways, common driveways, entrance ways, fences, grounds and common parking areas; and

All other elements of the land and the improvements existing for common use or necessary or convenient to the existence, maintenance or safety of the Condominium, except as may be expressly designated in the Declaration as a part of the Unit or Limited Common Element. Each Owner of Units 1, 2 and 3 shall be entitled to a sixteen percent (16%) interest in the Common Elements, and each Owner of Units 4 and 5 shall be entitled to a twenty-six percent (26%) interest in the Common Elements. The method used to establish the allocation of undivided interests in the Common Elements shall be based upon the ratio of each Unit's floor area square footage to the total square footage of floor area of all five Units in the Condominium.

6. LIMITED COMMON ELEMENTS. Limited Common Elements are those Common Elements designated as reserved for the use of a certain Unit, to the exclusion of other Units. All patios and decks and the air space containing each pertaining to all units, as well as one parking space each for Units 2, 3, 4 and 5 shall constitute non-transferrable Limited Common Elements, the use of which shall be restricted to the Unit shown on the Plat.

7. OCCUPATION AND USE. The Units are intended for single family residential use as more particularly provided in Section 7 of the Bylaws. No Unit Owner may rent or Lease a Unit for periods less than one (1) month.

5 - CONDOMINIUM DECLARATION OF THE LOVEJOY CONDOMINIUMS
C:\WP51\CLIENT.FLS\GENASC1\CONDDEC Mar. 2, 1996

8

APRIL 5, 1996

8. CONVEYANCES. The right of an Owner to sell, transfer or otherwise convey a Unit shall not be subject to any right of approval, disapproval, first right of refusal, first option to purchase or similar restriction by the Association or by the Board, or anyone acting on their behalf. An Owner intending to sell a Unit shall deliver a written notice to the Board at least two (2) weeks before closing, specifying the Unit being sold, the name and address of the purchaser, the escrow agent, the title insurance company, if any, insuring the purchaser's interest and the estimated closing date. Notice shall also be given as required in Section 2.6 of the Bylaws. The Board shall have the right to notify the purchaser, the title insurance company and the escrow agent of the amount of unpaid assessments and charges outstanding against the Unit whether or not such information is requested.

9. MAINTENANCE. The necessary work to maintain, repair or replace the Common Elements shall be carried out as provided in the Bylaws. If the Mortgagee of any Unit determines that the Board is not providing an adequate maintenance, repair and replacement program for the Common Elements, such Mortgagee, at its option, may deliver a notice to the registered agent of the Board, as required pursuant to ORS 100.550 setting forth the particular defect which it believes exists in the maintenance, repair and replacement program. If the specified defects are not corrected within ninety (90) days subsequent to receipt of such notice, then the Mortgagee, upon written notice to the registered agent that it is exercising its proxy rights thereunder, shall have the right to attend succeeding annual or special meetings of the Association and to cast a vote for each Unit on which it holds a Mortgage on all business coming before such meeting, which proxy rights shall continue until the defects listed on the notice are corrected.

10. EASEMENTS.

10.1 In General. Each Owner shall have an easement for reasonable access and use of, in and through each other Unit within the Building and the Common Elements of the Building, for all support, utility, wiring, heat, and service elements, as required to effectuate and continue proper operation of the Condominium. Each Unit and all the Common Elements are specifically subject to the foregoing easement for access and use as required for the heating, air conditioning, electrical wiring, telephone, cable TV and plumbing for each Unit. The specific mention or reservation of any easement for access and use in this Declaration does not limit or negate the general easement for Common Elements created by the Act.

10.2 Additional Rights Created by Association. The Association of Unit Owners, upon prior approval of the Owners of at least seventy-five percent (75%) of the Units, may create on behalf of the Unit Owners additional easements, rights of way, licenses and other similar interests affecting the Common Elements and consent to vacation of roadways within and adjacent to the Condominium as

6 - CONDOMINIUM DECLARATION OF THE LOVEJOY CONDOMINIUMS
C:\WP51\CLIENT.FLS\GENASCI\CONDDC Mar. 2, 1996

9

APRIL 5, 1996

provided in ORS 100.405(5); provided, however, no such interest may be granted with regard to a Common Element unless the Owner and Mortgagees of the Units having the right to use such Common Elements consent to the creation of such an interest. Nothing in this Section 11.2 shall be deemed to empower the Association to revoke, alter, modify or terminate any easements, rights of way, license and similar interest of record on the date this Declaration is recorded.

10.3 Right of Entry. An Owner shall grant the right of entry to the Board, Managing Agent, Manager or any other person authorized by the Board in the case of an emergency originating in or threatening the Owner's Unit or the Condominium property, whether or not the Owner is present at the time. An Owner shall also permit such person to enter the Owner's Unit for the purpose of performing installations, alterations or repairs to any Common Element and for the purpose of inspection to verify that the Owner is complying with the restrictions and requirements described in this Declaration, the Bylaws, and any rules or regulations adopted pursuant thereto, provided that requests for entry are made in advance and that such entry is at a time reasonably convenient to the Owner.

10.4 Special Easement for Declarant. Declarant and Declarant's agents, successors and assigns shall have an easement for access and use of, over and upon the Common Elements for the purpose of completing or making repairs to the Condominium and carrying out sales activities necessary or convenient for the sale of Units, including, without limitation, the right to use the Units owned by the Declarant as model Units and the right to use a Unit as a sales office.

11. COMMON PROFITS AND EXPENSES; VOTING.

11.1 Allocation of Profits and Expenses. The common profits, if any, derived from and the common expenses of the Common Elements and any other common expenses shall be allocated and charged to the Owner of each Unit as follows: each Owner of Units 1, 2 and 3 will be liable for an allocation of sixteen percent (16%) of the total Common Expenses and have a right to a share of sixteen percent (16%) of the Common Profits of the Condominium; each Owner of Units 4 and 5 will be liable for an allocation of twenty-six percent (26%) of the total Common Expenses and have a right to a share of twenty-six percent (26%) of the Common Profits of the Condominium.

11.2 Votes. Each Owner shall be entitled to one (1) vote for each Unit owned. There shall be a total of five (5) votes in the Association.

12. SERVICE OF PROCESS. The name of the person designated to receive service of process in cases provided in ORS 100.550(1) is named in the Condominium Information Report which has been filed with the Oregon Real Estate Agency in accordance with ORS 100.250(1)(a).

7 - CONDOMINIUM DECLARATION OF THE LOVEJOY CONDOMINIUMS
C:\WP51\CLIENT.FLS\GENASCI\CONDUDEC Mar. 2, 1996

10

APRIL 5, 1996

13. ENCROACHMENTS.

13.1 Each Owner shall have a right of use over all adjoining Units and Common Elements for the purpose of accommodating any present or future encroachment as a result of engineering errors, construction, reconstruction, repairs, settlement, shifting, or movement of any portion of the Condominium Building, or any other similar cause, and any encroachment due to building overhang or projection. There shall be a valid easement for the maintenance of the encroaching Units and Common Elements so long as the encroachment shall exist, and except as otherwise provided in Section 13.2 of this Section 13, the rights and obligations of Owners shall not be altered in any way by the encroachment.

13.2 The easement described under Section 13.1 does not relieve an Owner of liability in case of willful misconduct of an Owner or relieve the Declarant or any contractor, subcontractor or materialman of liability for failure to adhere to the plans.

13.3 The encroachments described in Section 13.1 of this Section 13 shall not be construed to be encumbrances affecting the marketability of title to any Unit.

14. MORTGAGEE PROTECTION.

14.1 Controlling Over Other Sections. In the event of a conflict between this Section 14 and other sections of this Declaration, the provisions of this Section 14 shall control.

14.2 Notice of Action. Upon written request to the Association identifying the name and address of the Mortgagee and the Unit number or address, any Mortgagee shall be entitled to receive written notice of:

14.2.1 All meetings of the Association and shall be permitted to designate a representative to attend all such meetings;

14.2.2 Any condemnation loss or any casualty loss which affects a material portion of the Condominium or any Unit on which there is a Mortgage;

14.2.3 Any delinquency in the payment of assessments or charges owed by an Owner which remains uncured for a period of sixty (60) days;

14.2.4 Any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association at least ten (10) days before such occurs;

APRIL 5, 1996

14.2.5 Any proposed action which would require the consent of the specified percentage of Mortgagees under the Declaration or the Bylaws.

14.3 Consent of Mortgagees Required to Abandon Condominium Status. Except with respect to termination of the Condominium as a result of destruction, damage, or condemnation, any termination of the Condominium shall require the approval of Mortgagees holding Mortgages on Units which have at least sixty-seven percent (67%) of the votes of Units in the Condominium which are subject to Mortgages. Any such termination of the Condominium shall be carried out by the Owners pursuant to the provisions of the Declaration, Bylaws, and the Act and only after a vote of the Owners as required herein.

14.4 Amendment of Condominium Declaration or Bylaws. Subject to any contrary provisions of the Act and consistent with Section 17 of this Declaration and Section 10 of the Bylaws, except upon the approval of Mortgagees holding Mortgages on Units which have at least fifty-one percent (51%) of the votes of Units in the Condominium which are subject to Mortgages, no amendments may be made to the Declaration or Bylaws which add to or amend any material provision of the Declaration or Bylaws which establish, provide for, govern, or regulate any of the following:

14.4.1 Voting;

14.4.2 Assessment, assessment liens, or subordination of liens;

14.4.3 Percentage ownership in Common Elements;

14.4.4 Reserves for maintenance, repair, and replacement of the Common Elements;

14.4.5 Insurance or fidelity bonds;

14.4.6 Easements of access and use of the Common Elements;

14.4.7 Responsibility for maintenance and repair of the several portions of the Condominium;

14.4.8 Expansion or contraction of the Condominium, or the addition, annexation, or withdrawal of property to or from the Condominium;

14.4.9 Boundaries of any Unit;

14.4.10 Convertibility of Units into Common Elements or of Common Elements into Units;

9 - CONDOMINIUM DECLARATION OF THE LOVEJOY CONDOMINIUMS
C:\WP51\CLIENT\FLS\GENASC1\CONDEC Mar. 2, 1996

12

APRIL 5, 1996

14.4.11 Leasing of Units;

14.4.12 Imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer, or otherwise convey such Owner's Unit;

14.4.13 Any provisions which are for the express benefit of Mortgagees.

14.5 Limitation. The provisions of Section 14.4 are intended only to be a limitation on the right of the Owners to amend the Declaration and Bylaws. Any such amendments to the Declaration or Bylaws shall be made only upon full compliance with the provisions of such relating to the procedure and percentage of votes required for such amendment in addition to Section 14.4.

14.6 Deemed Approval by Mortgagees. Any Mortgagee who receives a written request to approve an amendment to the Declaration or Bylaws or any other action to be taken by the Board, Association, or Owners shall be deemed to have given such approval unless such Mortgagee's written objection to such action is delivered to the Association within thirty (30) days after the date of the written request.

14.7 Change in Manager. In the event professional management is employed by the Association, at least thirty (30) days notice of any contemplated change in the professional manager shall be given to any Mortgagee which has requested to be notified. If the Association has employed professional management, the Association shall not terminate professional management and assume self-management without the prior consent of Owners having sixty-seven percent (67%) of the votes of the Condominium and the approval of Mortgagees holding Mortgages on Units which have at least fifty-one percent (51%) of the votes of Units in the Condominium subject to Mortgages, provided however, that such prior consent shall not be required to change from one professional manager to another professional manager.

14.8 Mortgagee's Proxy. If the Mortgagee of any Unit determines that the Association is not providing an adequate maintenance, repair and replacement program for the Common Elements, then such Mortgagee, at its option, may deliver a notice to the registered agent of the Association, as required pursuant to ORS 100.550, setting forth the particular defect which it believes exists in the maintenance, repair and replacement program. If the specified defects are not corrected within ninety (90) days subsequent to receipt of such notice, then the Mortgagee, upon written notice to the registered agent that it is exercising its proxy rights hereunder, shall have the right to attend succeeding annual or special meetings of the Association and to cast the vote(s) for each Unit on which it holds a Mortgage on all business

APRIL 5, 1996

coming before such meeting, which proxy rights shall continue until the defects listed on the notice are corrected.

15. OPERATING ENTITY.

15.1 Association. Until: (a) a date three (3) years from the date of the first conveyance of a Unit to a person other than Declarant; or (b) the date when Declarant has conveyed four of the Units in the Condominium to persons other than Declarant; or (c) the date on which Declarant elects to relinquish permanently his control, whichever date first occurs, the Association shall be controlled administratively by the Declarant as more particularly set forth in the Bylaws. The Lovejoy Condominiums Homeowners' Association, a nonprofit corporation, has been organized to administer the operation and management of the Condominium and to undertake and perform all acts and duties incident thereto in accordance with the terms of its Articles of Incorporation and Bylaws. A copy of the Bylaws are attached hereto as Exhibit A. The Owner of each Unit shall automatically become a member of the Association upon its acquisition of an ownership interest in any Unit and the membership of an Owner shall terminate automatically upon an Owner being divested of an ownership interest in a Unit, regardless of the means by which such ownership interest may be divested. Each Owner shall be entitled to vote in the manner prescribed in the Articles of Incorporation and Bylaws of the Association. Except as provided in Section 14.8, no person, firm or corporation holding any lien, Mortgage or other encumbrance upon any Unit shall be entitled, by virtue of such lien, Mortgage or other encumbrance, to membership in the Association, or to any of the rights or privileges of such membership. In the administration of the operation and management of the Condominium, the Association shall have and is hereby granted the authority and power to enforce the provisions of this Declaration, to levy and collect assessments, and to adopt, promulgate and enforce Rules and Regulations in the manner provided herein and in the Bylaws.

15.2 Membership. The Association membership of each Owner (including Declarant) shall be appurtenant to the Unit giving rise to such membership, and cannot be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way, except upon the transfer of title to said Unit, and then only to the transferee of title of such Unit. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Unit shall operate automatically to transfer the membership in the Association appurtenant thereto to the new Owner thereof.

15.3 Voting. Each Owner shall be entitled to vote in the manner prescribed in the Articles of Incorporation and Bylaws of the Association. No person, firm or corporation holding any lien, Mortgage or other encumbrance upon any Unit shall be entitled, by virtue of such lien, Mortgage or other encumbrance, to membership in

11 - CONDOMINIUM DECLARATION OF THE LOVEJOY CONDOMINIUMS
c:\UP51\CLIENT.FLS\GEI\ASCI\CONDDEC Mar. 2, 1996

14

APRIL 5, 1996

the Association, or to any of the rights or privileges of such membership.

16. MANAGING AGENT. Subject to the rights of the Association or the Board to terminate such without penalty upon not less than thirty (30) days' written notice to the other party given not later than sixty (60) days after the turnover meeting specified in the Bylaws of the Association, Declarant may engage itself as the initial agent to manage the Condominium for a term of three (3) years. On behalf of the Association, the Board may employ or contract for a managing agent or a manager at a compensation to be established by the Board after an initial period of management by the Declarant authorized in the preceding sentence. The Board may delegate to the managing agent or manager such duties and powers as the Board may authorize. In the absence of such appointment, the Board shall act as manager.

17. AMENDMENT.

17.1 Approval Required. Except as may otherwise be provided in this Declaration or by the Act, this Declaration may be amended if such amendment is approved by the Owners of at least seventy-five percent (75%) of the Units. The unanimous consent of all Owners and all holders of first Mortgages on such Units shall be required for amendments of Sections 4, 5, and 11 of this Declaration. Except as otherwise provided in the Act, no amendment may change the size, location, allocation of undivided interest in the Common Elements, method for 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 Units and the holders of any Mortgages on such Units. For as long as Declarant remains the Owner of one or more Units, the Bylaws, the Rules and Regulations and this Declaration may not be modified, added to, amended or repealed so as to eliminate, change, or impair any rights, privileges, easements, licenses or exemptions granted therein or herein to Declarant or its designee, or otherwise adversely affect Declarant or such designee, without Declarant's or such designee's prior written consent in each instance. For a period of time not to exceed three (3) years from the date of conveyance of the first Unit of the Condominium, and so long as Declarant owns one (1) or more of the Units, the Bylaws, Rules and Regulations and this Declaration shall not be modified, added to, amended or repealed in any way without Declarant's prior written consent in each instance.

17.2 Recordation. The amendment shall be effective upon recordation of the Declaration as amended or of the amendment thereto, certified to by the chairman and secretary of the Association and approved by the Multnomah County Assessor and the Oregon Real Estate Commissioner, if required by law, in the Deed Records of Multnomah County.

12 - CONDOMINIUM DECLARATION OF THE LOVEJOY CONDOMINIUMS
c:\np5\CLIENT.FLS\GENASC\CONDDC Mar. 2, 1996

15

APRIL 5, 1996

18. 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 22 day of March, 1996.

URBANO DEVELOPMENT, INC.

Donald B. Genasci
By: Donald B. Genasci
Its: President

STATE OF OREGON)
) ss.
County of Washington)

This instrument was acknowledged before me this 22 day of March, 1996, by Donald B. Genasci, President of Urbano Development, Inc., an Oregon corporation, on behalf of the corporation.



Elisa Ann Marquez
NOTARY PUBLIC FOR OREGON
My Commission Expires: 11/29/97

The foregoing Declaration is approved pursuant to ORS 100.110 this 27 day of March, 1996.

Scott W. Taylor
Real Estate Commissioner

By: Scott W. Taylor

The foregoing Declaration is approved this 5TH day of APRIL, 1996.

ASSESSOR AND TAX COLLECTOR FOR
MULTNOMAH COUNTY

By: Rhonda B. Mize

13 - CONDOMINIUM DECLARATION OF THE LOVEJOY CONDOMINIUMS
c:\WP51\CLIENT.FLS\GENASC1\CONDEC Mar. 2, 1996

16

APRIL 5, 1996