

AMENDED AND RESTATED DECLARATION
of
CONDOMINIUM OWNERSHIP
for
TOWNHOUSE VILLAGE CONDOMINIUM
MADE PURSUANT TO THE OREGON CONDOMINIUM ACT

THIS AMENDED AND RESTATED DECLARATION of CONDOMINIUM OWNERSHIP (“Declaration”), to be effective upon its recording in the deed records of Yamhill County; Oregon, pursuant to the provisions of the Oregon Condominium Act, is made and executed this ____ day of _____, 2007, by Townhouse Village, LLC, an Oregon limited liability company (hereinafter “Successor Declarant”). This Amended and Restated Declaration is intended to supersede and replace that certain Declaration Submitting Townhouse Village Condominiums to Oregon Unit Ownership Law, dated November 2, 1981, and recorded December 31, 1981 in Film Volume 166, Page 1321, Deed and Mortgage Records of Yamhill County.

RECITALS:

Successor Declarant owns real property located in the City of Newberg, Yamhill County, Oregon, more particularly described on Exhibit A attached hereto (the “Property”). The Property contains 32 individual condominium units originally built in 1968 and formed as condominiums in 1981. In an effort to limit potential confusion, the Condominium shall be known as TOWNHOUSE VILLAGE CONDOMINIUM, although the original name was Townhouse Village Condominiums, which improperly suggests there is more than one condominium. The purpose of this Declaration is to resubmit the Property and improvements as a Condominium form of ownership for use in the manner provided by the Oregon Condominium Act.

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions.

The following definitions shall apply in all Condominium Documents unless the content requires otherwise:

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

1.1.2 “Additional Property” shall have the meaning set forth in Section 12.

1.1.3 “Association” shall mean Townhouse Village Condominium Homeowners’ Association, the nonprofit mutual benefit corporation responsible for the administration, management, and operation of the Condominium.

1.1.4 “Board” shall mean the Board of Directors of the Association.

1.1.5 “Building” shall mean an individual building containing Units in the Condominium.

1.1.6 “Bylaws” shall mean the Bylaws of the Association, as amended from time to time.

1.1.7 “Common Elements” shall mean all those portions of the Condominium exclusive of the Units.

1.1.8 “Common Expenses” means all costs and expenses incurred by the Association with respect to the use, operation, maintenance, repair, and improvement of the Common Elements.

1.1.9 “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.

1.1.10 “Condominium” shall mean the Property that is hereby submitted to condominium ownership and all improvements thereon or to be located thereon and easements and rights appurtenant thereto.

1.1.11 “Condominium Documents” means this Declaration, the Articles of Incorporation of the TOWNHOUSE VILLAGE CONDOMINIUM Association, its Bylaws, its Rules and Regulations, and any Exhibits to any of them.

1.1.12 “Successor Declarant” means the Successor Declarant specified above and any successors and assigns specified as a successor Declarant in a written agreement between such parties.

1.1.13 “Declaration” shall mean this Declaration of Condominium Ownership for Townhouse Village Condominium and any amendments to it and any supplemental declarations annexing additional Stages to the Condominium.

1.1.14 “General Common Elements” means all Common Elements other than the Limited Common Elements, as more particularly described in Section 5 below.

1.1.15 “Legal Requirements” shall mean any and all laws, orders, rules, and regulations of any governmental entity.

1.1.16 “Limited Common Elements” shall mean those Common Elements other than the General Common Elements designated in Section 6.

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

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

1.1.19 “Owner” means the record owner of fee simple interest in a Unit, unless there is a holder of a vendee’s interest in a Unit under a recorded contract of sale or a holder of a life estate or a leasehold estate in a Unit for a term exceeding twenty (20) years, in which event the vendee or lessee, as the case may be, shall be considered the Owner. If there is more than one such vendee’s or lessee’s interest at any given time, then the holder of the most recent interest shall be considered the current Owner.

1.1.20 “Percentage Interest” shall have the meaning as described in Section 3.

1.1.21 “Person” means any individual, corporation, partnership, trust or other entity.

1.1.22 “Plat” shall mean the plat for the Condominium which is being recorded in the deed records of Yamhill County, concurrently with this Declaration and any revisions of or supplements to such plat subsequently recorded.

1.1.23 “Property” shall mean the property submitted to the provisions of the Act, as described more particularly in Section 3.

1.1.24 “Rules and Regulations” shall mean those rules and regulations governing the use and enjoyment of the Condominium, as adopted from time to time by the Board pursuant to the Bylaws.

1.1.25 “Turnover Meeting” shall mean the meeting at which Successor Declarant relinquishes control of the administration of the Association pursuant to Section 100.210 of the Act.

1.1.26 “Unit Sale Agreement” shall mean the purchase agreement pursuant to which Owner purchased his or her Unit(s).

1.1.27 “Units” shall mean those parts of the Condominium designated as such pursuant to Section 4 or any Supplemental Declaration; “Unit” shall mean any one of the Units.

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 the Condominium under the provisions of Oregon law. The terms used herein are intended to have the same meaning as maybe given in the Act to such terms 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 first Mortgagees approving a proposed decision or course of action in cases where a Mortgagee holds first Mortgages on more than one Unit, such Mortgagee's shall be deemed a separate Mortgagee as to each such Unit.

1.4 **Original Owner of Units.**

Successor Declarant is the original Owner of all Units and will continue to be deemed the Owner of such Units until a conveyance or other document changing the ownership of such 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 **Duration.**

These covenants, conditions and restrictions run with and bind, benefit and burden in perpetuity the Property, all Owners and occupants, and the lessees, invitees and guests of all Owners and occupants unless amended in accordance with this Declaration or terminated by the affirmative vote of 100% of those entitled to vote.

1.7 **Notices.**

All notices under this Declaration must be in writing. Any such notice will be deemed effective on the earlier of the date of delivery or, if mailed, three (3) business days following the date of mailing, if addressed to the addressee at the address, if any, designated in the Association's records. It is the responsibility of the Owners to notify the Association of any change in address or change in ownership of the Units. The Association is not be responsible for independently verifying the accuracy of its record of Owners and their addresses.

1.8 **Costs and Attorneys' Fees.**

In any proceeding arising because of an alleged default by an Owner in complying with the terms and provisions of this Declaration or the Rules and Regulations of the Association, including without limitation failure to pay assessments, the prevailing party will be entitled to recover its costs, including such reasonable attorneys' fees as may be determined by the trial court in any trial or by the appellate court in any appeal or review thereof. In addition, the Association shall be entitled to reasonable attorneys' fees associated with collection costs, regardless of whether a legal action is filed.

1.9 **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 then warrant. "Herein," "hereof," "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 stated otherwise. The word "days" refers to calendar days unless specific reference is made to "business" days.

2. NAME

The name by which the Property is to be identified is "Townhouse Village Condominium."

3. PROPERTY SUBMITTED AND ALLOCATION OF UNDIVIDED PERCENTAGE INTEREST IN COMMON ELEMENTS

The Property hereby submitted to the provisions of the Act is the land owned in fee simple by Successor Declarant and described on the attached Exhibit A, together with all easements, rights, and appurtenances belonging thereto and all improvements now existing or hereafter constructed on such land. Each Unit shall be entitled to and shall have allocated to it an undivided and equal percentage ownership interest in the Common Elements, as set forth on Exhibit B ("Percentage Interest"). Each Unit's interest in the Common Elements shall be inseparable from the Unit and any conveyance, encumbrance, judicial sale or other transfer, voluntary or involuntary of an undivided interest in the Common Elements shall be void unless the Unit to which that interest is allocated is also transferred.

4. DESCRIPTION OF BUILDINGS AND UNITS

4.1 General Description of Buildings.

The Condominium shall initially include the six (6) Buildings designated as shown on the Plat. Buildings 1 and 3 each contain four (4) Units and have two (2) stories. Buildings 2, 4, 5, and 6 shall each contain six (6) Units and have two (2) stories. The Buildings have concrete foundations, and consist of a wood frame structure with wood and mansard siding, and pitched composition roof shingles.

4.2 General Description, Location, and Designation of Units.

The Condominium shall consist of a total of thirty two (32) Units. The designation and location of each Unit and the Building in which it is located are shown on Exhibit B and on the Plat.

4.3 Boundaries of Units.

Each Unit shall be bounded by the interior surfaces of its perimeter and bearing walls up to the center point(s) of any party wall adjacent to any Unit, floors, and ceilings, and the interior

surfaces of windows and window frames, doors and door frames, and trim, and shall include both the interior surfaces so described (including the unexposed face of the sheet rock and the underside of the finished floor or top surface of any concrete slab, as applicable) and the air space so encompassed and shall exclude those portions of the walls, floors or ceilings that materially contribute to the structural or sheer capacity of the Condominium. In addition, each Unit shall include the nonbearing interior partitions, fixtures and improvements within the Unit and the outlet of any utility service lines, including water, sewer, electricity, or cable television, and of ventilating or air conditioning ducts, but shall not include any part of such lines or ducts themselves. The interior stairwell and stairway to Units located on the second floor, if contained within the boundaries of the Unit as shown on the Plat, and the fireplace within each Unit, if any (but not the chimney, if any, extending above the roof line of a Unit) shall also form a part of the Unit. The area in square feet of each Unit is listed on Exhibit B and shown on the Plat. All other portions of the walls, floors or ceilings shall be a part of the General Common Elements. In the event of a conflict between the Plat and this Declaration, the latter controls.

5. GENERAL COMMON ELEMENTS

The general location of the Common Elements is shown on the Plat. The General Common Elements consist of all parts of the Condominium other than the Units and the Limited Common Elements and include, without limitation, the following:

5.1 The land on which each Unit is located.

5.2 All floor slabs, foundations, exterior windows and window frames, exterior doors and door frames, crawl spaces, roofs, columns, beams, girders, supports, and bearing walls.

5.3 Pipes, ducts, chimneys extending above the roofline of a Unit (but not fireplaces), conduits, wires, and other utility installations, in each case to their respective outlets.

5.4 Parking spaces designated as guest parking.

5.5 The open-sided carport structure.

5.6 All those portions of the Condominium exclusive of the Units and Limited Common Elements, as shown on the Plat, including, without limitation the pathways, driveways, fences, and grounds.

6. LIMITED COMMON ELEMENTS

The Limited Common Elements are those Common Elements designated as reserved for the use of a certain Unit or Units to the exclusion of other Units, as described below. The right to use a Limited Common Element extends to the Owner's agents, servants, tenant, family members, invitees and licensees.

6.1 All fenced courtyards, patios and storage closets located off patios, each of which shall pertain to the unit which it adjoins.

6.2 The one assigned covered parking space for each Unit, restricted to the Unit to which each such limited common element is assigned as set forth in Section 2.8.2 of the Disclosure Statement and shown on the Plat.

7. DESCRIPTION OF UTILITIES

All Units are separately metered for electricity and cable. All , water and sewer service to the Units share one common meter, together with the common laundry room electricity and related expenses, the costs of which shall be allocated to each Unit in the monthly Association assessments. One common meter for common lighting, the costs of which shall be allocated equally to each Unit in the monthly Association assessments.

8. OCCUPATION, USE AND TRANSFER

The Condominium is intended solely for residential use. The Units may be used only in a manner appropriate to maintain the Condominium's status as a residential condominium on an ownership, rental, or lease basis, and for social, recreational, or other reasonable purposes normally incidental to residential use. Units may be used for accessory home businesses subject to Board approval of the business as compatible with the residential character of the Condominium, such approval to not be unreasonably withheld, conditioned or delayed. Units may be used for operating the Association and for management of the Condominium. Units may only be leased in accordance with and to the extent allowed by Section 7 of the Bylaws. Further provisions regarding the use of the Condominium are set forth in Section 7 of the Bylaws. The right of an Owner to sell, transfer, or otherwise convey his Unit shall not be subject to any right of approval, disapproval, first refusal, or similar restriction by the Association of 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: (i) the Unit to be sold; (ii) the name and address of the purchaser; of the closing agent, and of the title insurance company insuring the purchaser's interest; and (iii) the estimated closing date. The Board shall have the right to notify the purchaser, the title insurance company, and the closing agent of the amount of unpaid assessments and charges outstanding against the Unit, whether or not such information is requested. It is understood, however, that a violation of this Section 8 shall not invalidate a sale, transfer, or other conveyance of a Unit which is otherwise valid under applicable law. Except to the extent set forth in this Section 8 and certain restrictions on leasing set forth in Section 7.1 of the Bylaws, this Declaration and the Bylaws impose no restrictions on the alienation of any Unit.

9. ALLOCATION OF COMMON PROFITS AND COMMON EXPENSES

9.1 Method of Allocation.

9.1.1 The common profits of the Condominium shall be allocated in proportion to each Owner's Percentage Interest in the Common Elements, as set forth on Exhibit B.

9.1.2 The Common Expenses of the Condominium shall be allocated in proportion to each Owner's Percentage Interest in the Common Elements, as set forth on Exhibit B.

9.1.3 Assessments for Common Expenses shall commence upon closing of the first sale of a Unit, provided that Successor Declarant may elect to defer the commencement of assessments for Common Expenses (other than assessments for the Reserve Fund pursuant to Section 5.2.4 of the Bylaws) for a period ending as of the date of the Turnover Meeting. Assessments for the Reserve Fund pursuant to Section 5.2.4 of the Bylaws shall commence upon closing of the first sale of a Unit, subject to the right of Successor Declarant to defer the payment of assessments for the Reserve Fund. Successor Declarant shall give not less than ten (10) days written notice to all Owners of the commencement of all common expense assessments. Until the commencement of assessments for all Common Expenses; Successor Declarant shall be responsible for payment of all Common Expenses of the Association (other than assessments for the Reserve Fund pursuant to Section 5.2.4 of the Bylaws).

9.2 No Exception and No Offset.

No Owner may claim exemption from liability for contribution toward the Common Expenses by waiver by the Owner of the use or enjoyment of any of the Common Elements or by abandonment by the Owner of the Owner's Unit. No Owner may claim an offset against assessment for Common Expenses for failure or alleged failure of the Board of Directors to perform its obligations.

10. VOTING RIGHTS

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

11. SERVICE OF PROCESS

The designated agent to receive service of process in cases described in Section 100.550(1) of the Act is named in the Condominium Information Report which will be filed in accordance with Section 100.250(1)(a) of the Act.

12. MAINTENANCE AND REPAIRS

12.1 Maintenance of Common Elements.

The necessary work to maintain, repair or replace all the Common Elements shall be carried out by the Association except Limited Common Elements reserved to the use of a single Unit, which shall be carried out by the Owner or Owners of the Unit to which such elements are reserved. No Owner may alter the Common Elements without first obtaining the consent of the Association in accordance with the procedures set forth in the Bylaws. All work necessitated by acts or omissions of an Owner by reason of which the Owner is legally responsible, including abnormal wear and tear and/or damage will be specially assessed to the benefited Unit(s). Any such special assessment imposed on the benefited Units shall be as reasonably and uniformly determined by the Association Board. The Association may make any repairs or perform maintenance that an Owner is obligated to make and that such Owner does not make within a reasonable time and impose a special assessment, , with penalties, as reasonably and uniformly determined by the Association Board.

12.2 Individual Units

Except as otherwise provided in the Bylaws, each Owner is responsible for all maintenance and repairs to his/her respective Unit. Each Owner must keep his/her Unit in good order, condition, and repair. The interior structure, decor, mechanical components, and personal property for each individual Unit is the obligation and duty of the Owner to insure and maintain. No fire or liability insurance for the interior of individual units is provided by the Association and it is the requirement of the Association that each owner carry and provide proof of such coverage at all times.

13. **AUTHORITY REGARDING EASEMENTS AND OTHER PROPERTY RIGHTS OF ACCESS AND USE; SPECIAL SUCCESSOR DECLARANT RIGHTS AND EASEMENTS**

13.1 In General.

Each Owner has an easement for reasonable access and use of, in and through the Common Elements, for all utility lines, wiring, heat, plumbing, and other service elements, and for reasonable access 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 utility lines serving 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. Each Unit Owner has an easement over the Common Elements for reasonable ingress to and egress from the Owner's Unit. Such easement will be perpetual and appurtenant to the Unit.

13.2 Rights Created by Association.

The Association has the authority, pursuant to ORS 100.405(5) of the Act, to create, on behalf of the Unit Owners, leases, 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 provided in ORS 100.405(5); provided, however, no such interest may be granted with regard to a Limited Common Element unless the Owner and any Mortgagees of the Units having the right to use such Limited Common Elements consent to the creation of such an interest. The granting of a lease in excess of two (2) years duration, or any other interest or consent pursuant to this Section, shall be done only after the prior approval of the Owners of at least seventy five percent (75%) of the Units. Nothing in this Section may be deemed to empower the Association to revoke, alter, modify or terminate any leases, easements, rights of way, license and similar interest of record on the date this Declaration is recorded.

13.3 Right of Entry.

In addition to the rights granted to the Successor Declarant and the Association elsewhere in this Declaration, the Bylaws, or by the Act, the Board, acting on behalf of the Association, or the Successor Declarant or a managing agent, manager, or any other person authorized by the Board or the Successor Declarant, shall have the right to enter any Unit (i) in the case of any emergency originating in or threatening the Unit, Common Elements or other Units, (ii) requiring repairs necessary to protect public safety, whether or not the Owner is present at the

time, (iii) for the purpose of performing installations, alterations, or repairs to any Common Element, (iv) to prevent damage to the Common Elements or another Unit, or (v) to inspect the Unit to verify that the Owner is complying with the restrictions and requirements described in the Condominium Documents, *provided that* requests for entry are made in advance and in a manner that minimizes interference with such Owner's use or enjoyment of their Unit and that such entry is at a time reasonably convenient to the Owner except in the case of an emergency. Neither the Declaration nor the Association shall be deemed guilty in any manner of trespass for entering a Unit or any portion of the Condominium in accordance with this Section 13.3.

13.4 **Special Successor Declarant Rights.**

As more particularly provided in this Section, Successor Declarant, for itself and any successor Successor Declarant, has reserved the following special Successor Declarant rights, in addition to rights Successor Declarant may have reserved elsewhere in this Declaration:

13.4.1 Completion of Improvements. Successor Declarant and its agents, employees, and contractors shall have the right to make improvements and repairs to the Condominium that are contemplated or in a state of rehabilitation by this Declaration and the other Condominium documents such as Unit Sale Agreements and the Disclosure Statement.

13.4.2 Sales Facilities of Successor Declarant. Successor Declarant and its agents, employees, and contractors shall be permitted to maintain during the period of sale of the Condominium upon such portion of the Property as Successor Declarant may choose, such facilities as in the sole opinion of Successor Declarant may be required, convenient, or incidental to the construction or sale of Units and appurtenant interests, including but not limited to, a business office, storage area, signs, model units, sales office, construction, office; and parking areas for all prospective purchasers of Successor Declarant. The provisions of this Section are subject to the provisions of other state law and to local ordinances. The number, size, location, and relocation of such facilities shall be determined from time to time by Successor Declarant in the exercise of its sole discretion; provided, that the maintenance and use of such facilities shall not unreasonably interfere with an Owner's use and enjoyment of the Unit and those portions of the Common Elements reasonably necessary to use and enjoy such Unit.

13.4.3 Termination of Successor Declarant Rights. Except as otherwise provided in this Declaration, the special Successor Declarant rights set forth in this Section 13.4 shall continue for so long as (i) Successor Declarant is completing improvements which are within or may be added to this Condominium or (ii) Successor Declarant owns any Units or any of the Additional Property; *provided*, that Successor Declarant may voluntarily terminate any or all of such rights at any time by recording an amendment to this Declaration, which amendment specifies which right is thereby terminated.

13.4.4 Successor Declarant's Easements. During the period of sale of the Units, Successor Declarant and its agents, successors and assigns have an easement for access and use of, over and upon the Common Elements for the purpose of making improvements and repairs to the Condominium and carrying out marketing activities reasonably necessary for the sale of Units, including, without limitation, the right to post signs on the Common Elements, use the Units owned by the Successor Declarant as model Units and the right to use such model

Unit(s) for real estate marketing with respect to the Units or other property. If the Successor Declarant causes damage to the Common Elements in the exercise of the easement granted in this Section 13.4.4, then Successor Declarant must restore the Common Elements, ordinary wear and tear excepted. The Successor Declarant and its agents, contractors or employees may maintain daily hours of exterior Unit construction work from 7:30 A.M. until 5 P.M., Monday through Saturday. The Successor Declarant and its agents, contractors or employees may do interior Unit construction work from 7:30 A.M. until 9:00 P.M, on any day. The Association has no approval right or other power by amendment, rules or otherwise to control, limit, regulate or affect Successor Declarant's design, construction or marketing of Units, which is in Successor Declarant's sole discretion. Successor Declarant in its sole discretion may remove trees and other vegetation for the construction of the Units and any improvements to the Common Elements and burn or chip such vegetation within the Property.

13.4.5 Amendments. For so long as Successor Declarant owns a Unit, Successor Declarant shall have the right to approve amendments proposed by the Owners to this Declaration, the Bylaws, the Plat, and the Rules and Regulations.

13.5 Successor Declarant's Easements for Signs.

Successor Declarant (and Successor Declarant's successors and assigns) shall have a non-exclusive easement to construct and maintain (at any time and at Successor Declarant's sole cost and expense and in the exercise of Successor Declarant's sole discretion and at such locations within the Property and within any subsequently completed Stages of the Condominium as Successor Declarant may determine) such signs as Successor Declarant may deem necessary for the identification of the name, location and direction, and for the sale of Units and of future Units within the Additional Property.

14. ENCROACHMENTS

14.1 Encroachments in the Condominium.

Each Unit shall have an easement 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 other movement of any portion of the Property, 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 so long as the encroachment shall exist and the rights and obligations of Owners shall not be altered in any way by the encroachment.

14.2 Limitation.

The easement described in this Section 14.1 does not relieve an Owner of liability in case of willful misconduct of an Owner or relieve any contractor, subcontractor, or materialman of liability for failure to adhere to the Plat.

14.3 Effect of Marketability.

The encroachments described in this Section 14.1 shall not be construed to be encumbrances affecting the marketability of title to any Unit.

15. MORTGAGEE PROTECTION

15.1 Controlling Over Other Sections.

In the event of a conflict between this Section and other sections of this Declaration, the provisions of this Section control.

15.2 Notice of Action.

Upon written request to the Association identifying the name and address of any Mortgagee with respect to a Unit and the address of such Unit, the Mortgagee will be entitled to receive written notice of: (a) all meetings of the Association and will be permitted to designate a representative to attend all such meetings; (b) any condemnation loss or any casualty loss which affects a material portion of the Condominium or any Unit on which there is a Mortgage; (c) any delinquency in the payment of assessments or charges owed by an Owner of a Unit on which there is a mortgage which remains uncured for a period of sixty (60) days; (d) 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; and (e) any proposed action which would require the consent of the specified percentage of Mortgagees under the Declaration or Bylaws.

15.3 Mortgage 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 will be deemed a separate Mortgagee as to each such Unit.

15.4 Mortgagee's Consent to Abandon Condominium.

Except with respect to termination of the Condominium as a result of destruction, damage, or condemnation, any termination of the Condominium requires the approval of Mortgagees holding Mortgages on Units having 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 must 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.

15.5 Amendment of Condominium Declaration or Bylaws.

Subject to any contrary provisions of the Act, 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: (a) voting; (b) assessment, assessment liens, or subordination of liens; (c) percentage ownership in Common Elements, including, but not limited to, the reallocation of interests in the Common Elements after a partial condemnation or partial destruction of the Property; (d) reserves for maintenance,

repair, and replacement of the Common Elements; (e) insurance or fidelity bonds; (f) easements of access and use of the Common Elements; (g) responsibility for maintenance and repair of the several portions of the Condominium; (h) expansion or contraction of the Condominium, or the addition, annexation, or withdrawal of real property to or from the Condominium; (i) boundaries of any Unit or the exclusive easement rights appurtenant thereto; (j) conversion of Units into Common Elements or of Elements into Units; (k) leasing of Units; (l) imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer, or otherwise convey such Owners' Unit; (m) any provisions which are for the express benefit of Mortgagees; (n) the purposes to which any Unit or the Common Elements are restricted; and (o) establishment of self-management by the Association.

15.6 Limitation.

The provisions of Section 15.5 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 may 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 15.5.

15.7 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 will 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.

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

16. OPERATING ENTITY

16.1 Formation and Authority.

The Townhouse Village Condominium Association has been organized as a nonprofit mutual benefit corporation 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, this Declaration and Bylaws. A copy of the Bylaws are attached hereto as Exhibit C. Each Owner is entitled to vote in the manner prescribed in the Articles of Incorporation and Bylaws of the Association.

16.2 Duties and Powers of the Association.

The Association has all requisite power, duty and authority to perform its obligations under this Declaration, including without limitation the power, duty and authority to enforce the provisions of this Declaration and to acquire and pay for, from funds provided by assessments of the Units, all goods and services necessary or appropriate for the proper functioning of the Association in accordance with this Declaration. Without limiting the generality of the foregoing or the other provisions of this Declaration, the Association has the power, duty and authority, subject to other provisions of this Declaration and the Bylaws, to undertake the following actions: (a) determine the amounts necessary or appropriate for the performance by the Association of its powers and duties under this Declaration; (b) impose and collect annual and special assessments from the Owners; (c) maintain bank accounts on behalf of the Association and designate the signatories for those accounts; (d) file all required income tax returns; (e) enforce by legal means the provisions of this Declaration; (f) maintain and repair the Common Elements and the improvements thereon and establish a reserve fund for such purposes; (g) promulgate, modify, and rescind rules and regulations governing use of the Common Elements and all improvements on the foregoing, as well as the Condominium generally; (h) obtain such policies of insurance as the Board may from time to time deem appropriate for the protection of the Association, the Common Elements and the improvements thereon; (i) contract for such services (including without limitation legal and accounting services) as may be necessary or appropriate to manage the affairs of the Association properly and in accordance with this Declaration, whether the personnel performing such services are employed directly by the Association or by a manager or management firm or agent retained by the Association; (j) appoint such committees as the Board may determine from time to time to be appropriate to assist in the conduct of the affairs of the Association and delegate to any such committee such authority as the Board may deem appropriate, subject in all cases to the provisions of the Declaration. Except to the extent expressly stated otherwise in this Declaration or the Bylaws, the Association has the powers set forth in the Act at ORS 100.405(4).

16.3 Rules and Regulations.

The Association may, by a majority vote of the Board, from time to time, adopt, amend, enforce and repeal Rules and Regulations as the Board determines to be necessary or proper for the operation of the Association.. The Rules and Regulations will govern use of the Units and Common Elements by any Owner, occupant, family member or invitee of an Owner or occupant. Provided, however, that the rules and regulations may not discriminate among Owners and may not be inconsistent with this Declaration, the Association Articles or Bylaws. A copy of the Rules and Regulations as they may from time to time be adopted, amended or repealed, shall be mailed or otherwise delivered to each Owner. Upon such mailing or delivery, the rules and regulations shall have the same force and effect as if set forth in and a part of this Declaration. The Association Rules and Regulations shall not materially change the rights, preferences or privileges of any person, or the restrictions on any Unit as herein set forth.

16.4 Control of Association.

The Condominium will be governed by the Townhouse Village Condominium Association, an Oregon nonprofit corporation. As provided in ORS 100.200(1) and (2), the

Successor Declarant may retain administrative control of the Association for a period not exceeding the earlier of: (a) three (3) years from the date of conveyance of the first Unit; (b) the date of conveyance to persons other than Successor Declarant of 75% of the Units in the Condominium which may be created under ORS 100.150; or (c) the date on which Successor Declarant elects to relinquish permanently its control, whichever date first occurs. Successor Declarant shall have the right to exercise all powers of the Association, the Board or the Association officers under this Declaration, the Bylaws, and the Act, except that Successor Declarant may not bind the Association to any management agreement, service contract, employment contract, lease of recreational areas or facilities, or contract or lease (other than a ground lease) to which Successor Declarant is a party, which is made prior to the Turnover Meeting unless the Association or the Board is granted therein a right of termination thereof which is exercisable without cause or penalty upon not less than 30 days written notice given to the other party thereto not later than 60 days after the Turnover Meeting. Administrative control of the Association by the Successor Declarant is more particularly set forth in the Bylaws.

16.5 Membership.

Each Owner, by virtue of being an Owner and as long as such Owner continues in that capacity, shall be a member of the Association. The membership of an Owner terminates automatically upon an Owner being divested of its ownership interest in a Unit and Common Elements. Each membership in the Association is appurtenant to the Unit owned by an Owner and may not be transferred in any manner whatsoever except upon a transfer of title to such Unit and then only to the transferee of such title. Any attempt to make a prohibited transfer of a membership is void.

16.6 Voting.

Each Owner is entitled to one (1) vote per Unit owned in the manner prescribed in the Articles of Incorporation and Bylaws of the Association. In the event of co-Owners, there remains only one (1) vote per Unit. Except as otherwise provided in Section 16, no person, firm or corporation holding any lien, mortgage or other encumbrance upon any Unit is 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.

16.7 Enforcement Powers.

In addition to any other enforcement rights described in this Declaration and the Bylaws or authorized by law, and subject to any restrictions on the Association's enforcement rights, including any due process requirements imposed by this Declaration, the Bylaws or by law, the Association may take any of the following actions against any person or entity whose act or failure to act violates or threatens to violate any provision of this Declaration, the Bylaws, or Association Rules: (a) impose monetary fines of no more than \$100 for the first violation, \$500 for the second violation and \$1,000 for the third violation of the same type; (b) suspend or revoke the qualification of any Occupant for use of the Unit and/or Common Elements; and (c) commence a legal action for damages, injunctive relief, or both. Any remedies specifically provided herein are nonexclusive and cumulative and are in addition to all other legal or equitable remedies available to the Association.

16.8 Enforcement Actions.

The determination of whether to impose any of the foregoing sanctions is within the sole discretion of the Association. The Association may take more than one of the foregoing enforcement actions against any violation or threatened violation. The Association, in its sole discretion, may resolve or settle any dispute, including any legal action, under such terms and conditions as it considers appropriate.

16.9 Suspension of Sanctions.

Except in the event of an emergency threatening the health or safety of the other occupants of the Condominium, the sanctions described above in Section 16.7 may not be imposed until the subject of the sanction has first been given ten (10) days prior notice and opportunity to cure the violation complained of and to be heard orally or in writing by the Board. The notice may be given in any manner reasonably intended to provide actual notice to the subject of the sanctions. The imposition of the sanctions described above in Section 16.7 may be suspended during the pendency of any mediation and arbitration.

17. MANAGING AGENT

17.1 Initial Managing Agent.

Subject to the rights of the Association to terminate such agreement without penalty or cause upon not less than thirty (30) days written notice given not later than sixty (60) days after the Turnover Meeting, the Board shall have the authority, on behalf of the Association, to enter into a management agreement with respect to the Condominium prior to the Turnover Meeting for a term not to exceed two (2) years. On behalf of the Association, the Board may, after the Turnover Meeting, employ or contract for a managing agent or manager in accordance with the Bylaws at a compensation to be established by the Board. 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 of the Condominium. Mark H. Zoller will act as the Initial Managing Agent in his capacity as Manager of Townhouse Village, LLC, and Successor Declarant.

17.2 Scope of Managing Agent Duties.

The Board may delegate to the managing agent responsibility for the following items in addition to any others the Board chooses to delegate:

17.2.1 Operation, care, upkeep and maintenance of the portions of the Condominium that are the responsibility of the Association such as the General Common Elements, roofs and party walls;

17.2.2 Recommendation to the Board of the amounts required for operation, maintenance and other affairs of the Association, and the preparation of annual budgets for approval by the Board;

17.2.3 Collection of Common Expenses from the Owners;

17.2.4 Purchases for the maintenance, repair, replacement, administration, management and operation of the Condominium which are consistent with Board-approved budgets or specially approved by the Board;

17.2.5 Subject to Board approval, maintain bank accounts and sign checks on behalf of the Association;

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

17.2.7 Subject to Board approval, maintenance and repair of any Unit, its appurtenances and/or its improvements when such maintenance or repair is reasonably necessary in the opinion of the managing agent 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 the Board to the Owner or Owners;

17.2.8 Subject to Board approval, the Association will act as attorney-in-fact for the Unit Owners for the purpose of purchasing and maintaining bonds and insurance the Board deems necessary for fire or other hazard, liability for personal injury and property damage, Fidelity of Association officers' and other employees, and Directors' and Officer's liability, for the Association and the Condominium, including the Units, pursuant to the provisions of the Declaration or Bylaws;

17.2.9 Preparation of financial statements, all appropriate income tax returns and the Annual Report to be filed with the Oregon Real Estate Agency; and

17.2.10 Subject to Board review and approval, enforcement by legal means of the provisions of the Act, the Declaration, Bylaws and any Association Rules and Regulations adopted hereunder.

18. **TAXATION OF UNITS**

Each Unit, together with the undivided fractional interest in the Common Elements, shall be considered a parcel of real property subject to separate assessment and taxation by any taxing authority in a manner comparable to the taxation of other parcels of real property. The Common Elements shall not be considered a separate parcel for purposes of taxation.

19. **AMENDMENT**

19.1 **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 holding at least seventy-five percent (75%) of the voting power of the Association and the consent of Successor Declarant for so long as Declarant owns a Unit. Except as otherwise provided in the Act, no amendment may change

the size, location, allocation of undivided interest in the Common Elements, or method for determining liability for Common Expenses, the method of determining the right to common profits, or the method of determining the voting rights of or with respect to any Unit unless such amendment has been approved by the Owners of the affected Unit. The Successor Declarant shall have the power to adopt without a vote of the Owners an amendment to approve a plat amendment, or to correct any provision of or exhibit of this Declaration, whether such correction is required due to a surveyor's error, factual error, miscalculation, omission or to comply with the requirements of any applicable statute, ordinance, regulation or guideline of the Federal Housing Administration, the Veterans Administration, the Farmers Home Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, any department, bureau, board, commission or agency of the United States or the State of Oregon, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon that insures, guarantees or provides financing for condominiums or to comply with the Act. For so long as Successor Declarant owns any unsold Units or has any rights under this Declaration, this Declaration shall 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 Successor Declarant or its designee, or otherwise so as adversely to affect Successor Declarant or such designee, without Successor Declarant's or such designee's prior written consent in each instance.

19.2 Recordation.

Amendments to this Declaration shall be effective upon recordation of the Declaration as amended, or of the amendment thereto, certified by the President and Secretary of the Association and approved by the Yamhill County Assessor and the Oregon Real Estate Commissioner, if required by law, in the deed records of Yamhill County, Oregon.

20. TERMINATION

Termination of the Condominium shall be effected in accordance with Section 100.600 and any other applicable provision of the Act, but in no event shall be consummated, other than in connection with the substantial destruction or condemnation of the Property, without the prior written consent of at least sixty-seven percent (67%) of those holders of first Mortgages on Units (based upon one vote for each first Mortgage held) who have given written notice to the Association requesting notification of any proposed action that requires the consent of a specified percentage of eligible Mortgagees. The common profits and expenses of the Property following termination of the Condominium shall be allocated in accordance with the Act.

21. DISPUTE RESOLUTION

21.1 Required Procedure.

The Successor Declarant, Association and the Owners each agree that, except as provided in this Section 21, to the fullest extent allowed by law, all claims, controversies, or disputes, whether they are statutory, contractual, and/or tort claims or counterclaims between or among Successor Declarant, Successor Declarant's successors and assigns, the Association, and/or Owner(s) (collectively, the "Parties" and individually, a "Party") which arise out of or are related to the Condominium Act, this Declaration, the Bylaws, the Articles of Incorporation of the

Association or the Rules and Regulations, or which relate to the interpretation or breach of the Act, this Declaration or the Bylaws, or the Rules and Regulations (collectively referred to as "Claims") shall be resolved in accordance with the procedures specified herein. Except as otherwise required by the Act, the following matters are excluded from this dispute resolution clause and do not constitute claims: (i) judicial or non-judicial foreclosure or any other action or proceeding to enforce or collect assessments, fines, interest or liens of the Association or a trust deed, mortgage, or land sale contract; (ii) a forcible entry and detainer action; (iii) actions by the Association pursuant to Section 5.16 of the Bylaws prior to summary abatement and removal of a structure or other condition that violates this Declaration, the Bylaws or any Rules and Regulations; (iv) provisional remedies such as injunctions or the filing of a lis pendens, (v) the filing or enforcement of a mechanic's lien; or (vi) proceedings against an Owner for enforcement of the Declaration, Bylaws or Rules and Regulations. The filing of a notice of pending action (lis pendens) or the application to any court having jurisdiction thereof for the issuance of any provisional process remedy described in Rules 79 through 85 of the Oregon Rules of Civil Procedure (or corresponding federal statutory remedies), including a restraining order, attachment, or appointment of receiver, shall not constitute a waiver of the right to mediate or arbitrate under this Section, nor shall it constitute a breach of the duty to mediate or arbitrate. The proceeds resulting from the exercise of any such remedy shall be held by the Party obtaining such proceeds for disposition as may be determined by an agreement of the Parties pursuant to a mediation or by the arbitration award.

21.2 Negotiated Resolution.

The Parties will seek a fair and prompt negotiated resolution of Claims and shall meet at least once to discuss and seek to resolve such claims, but if this is not successful, all claims shall be resolved in small claims court, by mediation or by binding arbitration as set forth in this Section 21, below, as applicable.

21.3 Mediation.

Prior to mediation of any claim, the parties shall have endeavored to resolve disputes through the process set forth in Section 21.2 above. All Claims that are not resolved by such process shall be subject to mediation as a condition precedent to arbitration. The request for mediation may be made concurrently with the filing of a demand for arbitration as set forth in Section 21.5 below, but, in such event, mediation shall proceed in advance of arbitration, which shall be stayed pending mediation for a period of 60 days from the date of filing, unless stayed for a longer period by agreement of the Parties. All mediation shall be in Yamhill County, Oregon with any dispute resolution program available that is in substantial compliance with the standards and guidelines adopted under ORS 36.175, as it may be amended. The foregoing requirement does not apply to circumstances in which irreparable harm to a party will occur due to delay or litigation or an administrative proceeding initiated to collect assessments, other than assessments attributable to fines.

21.4 Small Claims.

All Claims that have not been resolved by mediation and which are within the jurisdiction of the Small Claims Department of the Circuit Court of the State of Oregon shall be brought and

determined there, and all Parties shall be deemed to have waived their right to a jury trial with respect to such claims.

21.5 Arbitration.

Prior to arbitration of any Claim, the Parties shall have endeavored to resolve disputes through the processes set forth in this Section 21 above, as applicable. All Claims that have not been resolved by such processes shall be resolved by binding arbitration. Such arbitration shall be conducted by and pursuant to the then effective arbitration rules of Construction Arbitration Services, Inc., or another reputable arbitration service selected by Successor Declarant. If Successor Declarant is not a party to such dispute, the arbitration service shall be selected by the Association. Any judgment upon the award rendered pursuant to such arbitration may be entered in any court having jurisdiction thereof.

21.6 No Attorneys' Fees.

Except as specifically provided for in this Declaration or the Bylaws, no party in the arbitration, mediation or other proceeding shall be entitled to recover costs or attorneys' fees in connection therewith.

21.7 Claims by Association.

To the fullest extent allowed by law and except for claims in an amount less than or equal to \$7,500, no claim shall be initiated by the Association without approval from the Owners holding seventy-five percent (75%) of the voting power of the Association. The foregoing limitation shall not apply to actions for delinquent assessments or other charges under this Declaration, the Bylaws or Rules and Regulations, actions to appoint a receiver pursuant to Section 5.9 of the Bylaws; actions to summarily abate and remove a structure or condition that violates this Declaration or the Bylaws; or for the defense of the Association of an action or proceeding brought against the Association (except for non-mandatory counterclaims).

22. GENERAL PROVISIONS

22.1 No Impairment.

The creation of this Condominium shall not be impaired and title to the Unit and Common Elements shall not be rendered unmarketable or otherwise affected by reason of any insignificant failure of this Declaration or the Plat or any amendment thereto to comply with the Act.

22.2 No Partition.

Except where permitted by the Act, the Common Elements are not subject to partition, and any purported conveyance, encumbrance, judicial sale, or other voluntary or involuntary transfer of interest in the Common Elements made without the Unit to which that interest is allocated is void.

22.3 No Waiver of Strict Performance.

The failure of the Board in anyone or more instances to insist upon the strict performance of this Declaration, or of the Bylaws, or to exercise any right or option contained in such documents, or to serve any notice or to institute any action, shall not be construed as a waiver or relinquishment for the future of such term, covenant, condition, or restriction, but such term, covenant, condition, or restriction shall remain in full force and effect. The receipt by the Board of any assessment from an Owner, with knowledge of any such breach, shall not be deemed a waiver of such breach, and no waiver by the Board of any provision hereof shall be deemed to have been made unless expressed in writing and signed by the Board.

22.4 Liability for Utility Failure.

Except to the extent covered by insurance obtained by the Board pursuant to this Declaration and the Bylaws, neither the Association nor the Board nor Successor Declarant shall be liable for: (i) any failure of any utility or other service to be obtained and paid for by the Board; (ii) injury or damage to person or property caused by the elements, or resulting from electricity, noise, smoke, water, rain (or other liquid), dust, or sand which may leak or flow from the outside or from any parts of Unit structures, or from any of its pipes, drains, conduits, appliances, or equipment, or from any other place; or (iii) inconvenience or discomfort resulting from any action taken to comply with any law, ordinance, or orders of a governmental authority. No diminution or abatement of Common Expense assessments shall be claimed or allowed for any such utility or service failure, or for such injury or damage, or for such inconvenience or discomfort.

22.5 Rule Against Perpetuities.

The rule against perpetuities may not be applied to defeat any provisions of this Declaration or the Bylaws or Rules and Regulations.

22.6 Transfer of Successor Declarant's Powers.

Successor Declarant, at any time in the exercise of its sole discretion, may sell, assign, transfer, encumber, or otherwise convey to any person, upon such terms and conditions as Successor Declarant may determine, all of Successor Declarant's rights, powers, privileges, and authority arising hereunder by virtue of Declarant's capacity as Successor Declarant (which rights, powers, privileges, and authority are in addition to those arising from Successor Declarant's ownership of one or more Units).

23. SEVERABILITY

Each provision of this Declaration and the Bylaws shall be deemed independent and severable and shall be valid and enforceable to the fullest extent permitted by law. If any term or provision of this Declaration or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, whether under the Condominium Act or otherwise, the remainder of this Declaration and the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby.

24. LIMITED WARRANTY

DECLARATION OF CONDOMINIUM OWNERSHIP OF TOWNHOUSE VILLAGE CONDOMINIUM

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24.1 Warranty Terms.

In each Unit Sales Agreement, Successor Declarant, as seller and each Owner purchasing a Unit from Successor Declarant have contracted for a limited warranty on the Condominium. These provisions are incorporated herein by this reference as if fully set forth herein in order to bind all Owners for themselves and their successors and assigns to such provisions. All of the employees and agents of the Successor Declarant are intended third party beneficiaries of these provisions. Any and all claims of Owners against the Successor Declarant, its employees and agents based upon allegations of defective physical conditions in the Condominium shall be subject to this Declaration.

24.2 Warranty Limitations.

WITH RESPECT TO ANY PHYSICAL DEFECTS IN THE CONDITION OF THE CONDOMINIUM, ALL PRESENT AND FUTURE UNIT OWNERS ARE LIMITED TO CLAIMS BASED UPON THE LIMITED WARRANTIES DESCRIBED IN THE UNIT SALE AGREEMENTS WHETHER THE CLAIMS ARE AGAINST SUCCESSOR DECLARANT OR ITS AGENTS, SUCCESSORS, EMPLOYEES, AFFILIATES, CONTRACTORS, REPRESENTATIVES, OFFICERS, DIRECTORS, MEMBERS AND PARTNERS, OR AGAINST THE ASSOCIATION AND THE BOARD OF DIRECTORS, WHO ARE INTENDED TO BE BENEFICIARIES OF THE WARRANTY LIMITATIONS. THIS WARRANTY LIMITATION IS ABSOLUTE AND UNCONDITIONAL, AND THIS LIMITATION APPLIES WHETHER OR NOT AN OWNER HAS KNOWLEDGE OF ANY DEFECTIVE CONDITIONS AT THE TIME OF PURCHASING A UNIT. THE LIMITED WARRANTIES SET FORTH IN THE UNIT SALE AGREEMENTS ARE IN LIEU OF CLAIMS BASED UPON ALLEGED PHYSICAL DEFECTS IN THE CONDOMINIUM UNDER ANY OTHER LEGAL THEORY, SUCH AS IMPLIED WARRANTIES, NEGLIGENCE, NEGLIGENCE PER SE, DEFECTIVE CONSTRUCTION, BREACH OF FIDUCIARY DUTY, STRICT LIABILITY, OR ANY OTHER THEORY, WHETHER ARISING FROM STATUTE, CONTRACT, TORT OR OTHERWISE. THIS WARRANTY LIMITATION APPLIES TO ANY AND ALL PHYSICAL TYPES OF CONDOMINIUM CONDITIONS. THESE WARRANTY LIMITATIONS SHALL BE BINDING UPON ALL SUCCESSORS OF THE OWNERS INCLUDING BUT NOT LIMITED TO THE ASSOCIATION IN IT CAPACITY TO MAKE DERIVATIVE CLAIMS ON BEHALF OF OR FOR THE BENEFIT OF THE OWNERS. THESE WARRANTY LIMITATIONS SHALL ACT AS A COMPLETE BAR AND DEFENSE AGAINST ANY CLAIM FOR A PHYSICAL DEFECT IN THE CONDOMINIUM OTHER THAN A CLAIM UNDER THE LIMITED WARRANTIES CONTAINED IN THE UNIT SALE AGREEMENTS.

24.3 Personal Property.

Successor Declarant has given no warranty with respect to any appliances, equipment, and other consumer products as defined in the Magnusson-Moss Warranty Act or the Uniform Commercial Code installed in the Unit or Common Elements; tangible personal property which is normally used for personal, family, or household purposes (including any such property intended to be attached to or installed in any real property, without regard to whether it is so attached or installed). Each Owner has agreed in the Unit Sales Agreement for such Owner's

Unit that the warranties of appliances and other consumer products installed in the Unit are those of the manufacturer or supplier and are not warranted by Successor Declarant. To the extent assignable, all such manufacturer or supplier warranties have been assigned to Owner, effective on the closing of such Owner's purchase of his or her Unit(s). Successor Declarant has made no representations or guarantees regarding the existence or validity of any manufacturer or supplier warranties or the performance by any manufacturer or supplier of its warranty obligations. With respect to any manufactured products, Owner expressly has assumed the risk, as against Successor Declarant, that such products may be defective. Each Owner warranted in the Unit Sales Agreement for his or her Unit that Owner had adequate opportunity to investigate the condition of the manufactured products, and Owner relied solely on such independent investigation in purchasing the Unit.

24.4 No Other Warranties.

SUCCESSOR DECLARANT MADE NO OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF HABITABILITY, MERCHANTABILITY, AND/OR FITNESS FOR A PARTICULAR PURPOSE OR ANY WARRANTIES REGARDING CONSUMER PRODUCTS AS DEFINED IN THE MAGNUSSON-MOSS WARRANTY ACT OR THE UNIFORM COMMERCIAL CODE, WITH RESPECT TO THE BUILDING, THE UNIT, COMMON ELEMENTS, OR ANY OTHER PART OF THE CONDOMINIUM OTHER THAN THOSE EXPRESSLY DESCRIBED IN EACH UNIT SALES AGREEMENT. WITHOUT LIMITATION TO THE FOREGOING, AND EXCEPT FOR THE EXPRESS WARRANTY OF EACH UNIT SALES AGREEMENT, SUCCESSOR DECLARANT MADE NO REPRESENTATION OR WARRANTY REGARDING (I) COMPLIANCE WITH APPLICABLE BUILDING CODES, (II) ACOUSTICS, CONSISTENCY OF FLOOR SLOPE, OR SOUND TRANSFERENCE WITHIN THE CONDOMINIUM, (III) LIGHT, AIR OR VIEW, OR (IV) THE ABILITY OF THE BUILDING ENVELOPE OR ANY COMPONENTS OF THE CONDOMINIUM TO WITHSTAND WATER INTRUSION. Successor Declarant made no warranty regarding sound transmission between Units or the level or adequacy of sound insulation in a Unit or the Common Elements. The terms of the warranties set forth in each Unit Sales Agreement shall not be extended by any warranty repair or replacement work performed or caused to be performed by Successor Declarant or its representatives. Successor Declarant shall not be responsible for (i) damage to the Unit, Common Elements, or the Condominium caused by the Owner, the Association, or other parties, whether by misuse or otherwise, (ii) for damage exacerbated by the Owner, the Association, or other parties, or allowed by the Owner or the Association, (iii) for any modifications to the Unit, Common Elements, or the Condominium made by parties other than Successor Declarant, (iv) any other items covered by the manufacturer's warranty; or (v) conditions or defects caused by or resulting from the failure of an Owner of the Association to perform normal and routine maintenance of the Unit and Common Elements, as applicable.

24.5 Covenants Running with the Land.

The provisions of this Section 24 are intended to touch and concern the Condominium and shall be deemed covenants running with the land or equitable servitudes. Each and every term of this Section shall, to the fullest extent allowed by law, bind each Owner, the Association and each subsequent Owner, or transferee of a Unit.

24.6 Right of Inspection.

By appointment managed in advance, Successor Declarant, its agents and assigns shall have the continuing right, but not the obligation, after the conveyance of each Unit by Successor Declarant to inspect Owner's Unit and the Common Elements at reasonable times to identify and correct any conditions for which Successor Declarant could potentially be responsible under the Unit Sale Agreements or the law.

25. DISCLOSURES; DISCLAIMERS

25.1 Unit Square Footage.

Unit square footage may be different from the square footage shown on plans and specifications or advertising brochures, which are based on good faith estimates. Variations in size may be seen even between units having the same floor plan. Each Owner waives any claims relating to variations in the square footage of the Unit which do not exceed five percent (5%) of variation from the square footage shown on plans and specifications or advertising brochures.

25.2 Model Units.

Model units and their appurtenances and furnishings are displayed only for illustration purposes and shall not be deemed to be an agreement or commitment by Successor Declarant to deliver the Unit being purchased by Owner in accordance with any such model unit or with the same or similar appurtenances and furnishings shown in such model Unit. The furnishings, decorations, gas fireplaces, appliance drip pans, custom colors or textures, and other appurtenances and finish work in or to any model unit are not included in the sale of the Unit; provided, however, that such items may be included in the sale of a specified model unit if, and only to the extent, the Unit Sales Agreement for that model unit specifically describes appurtenances and furnishings as part of the sale. Unless expressly stated otherwise in the Unit Sales Agreement, Owner is not purchasing a model unit each of which has been professionally decorated and furnished.

25.3 Vegetation.

Grass, trees and other vegetation, if any, even if remaining at close of purchase of a particular Unit, escrow and occupancy, may not survive and may need to be replaced at the sole expense of the Association. No warranty of quality or survival is given by Successor Declarant with respect to grass, trees and other vegetation. Further, Owners are advised that native trees are often subject to governmental regulation and may not necessarily be removed at will.

25.4 Sound Transmission.

It is normal to experience some transmission of sound between condominium units, and on occasion these sounds are heard in normal conditions with typical noise levels. Successor Declarant makes no warranty regarding soundproofing, transmission of sound between units and/or levels or adequacy of sound insulation, and that transmission of sound between units shall not be considered a construction defect. Pursuant to the Unit Sale Agreement, Owner has had ample opportunity to discern to his or her satisfaction the level of sound and sound

transmission at the Unit at various times of day, that sound levels may differ over time depending on a variety of factors, and that Owner accepts current and potential future sound levels. The consideration paid to Successor Declarant for the Unit reflects Owner's acceptance of sound transmissions, and Owner acknowledged in the Unit Sale Agreement that Successor Declarant would have required a higher purchase price for any additional sound insulation or any warranties regarding sound.

25.5 Acoustics, Light, Air and View.

Successor Declarant made no representation or warranty regarding the existence of or changes in the level of noise, light, air or view benefiting or burdening the Unit specifically or the Condominium generally. Successor Declarant will have no liability if the current level of noise, light, air or view affecting the Unit changes due to future developments. As is typical in residential condominiums, the Units are not soundproof and Successor Declarant made no warranty or representation regarding the degree that exterior sounds will infiltrate the Unit. Unit occupants may hear some degree of noise from the nearby streets, from nearby residences and from nearby common areas. The Association, and not Successor Declarant, will have the responsibility of enforcing rules against disturbing other members of the Association; however, noise occurring outside the Unit may be audible inside the Unit to some degree. Any removal of the finished flooring or other alterations within the Unit or Condominium may adversely affect the noise levels within the Unit.

25.6 Mold.

Mold is a commonly occurring natural substance that can grow in the Unit and the Common Elements where water infiltration and humidity exist. There is controversy regarding whether and to what extent certain types of mold are toxic to humans. Successor Declarant has taken measures during the rehabilitation process to abate any mold but it is assumed and hereby advised that mold is likely to remain present at some level in all Units and Common Elements. Successor Declarant will not be liable for any property damage or bodily injury suffered by the Unit's occupants and resulting from the presence of mold. Owners are hereby advised to have mold levels tested prior purchase and to regularly cause the Unit and the Common Elements to be inspected for mold or any other dangerous condition. Owners should take prompt action to remedy underlying water infiltration and humidity conditions that are causing any mold discovered and thereby avoid any possibility of damage or injury from long-term exposure to mold.

IN WITNESS WHEREOF, Successor Declarant has caused this Declaration to be executed this ____ day of _____, 2006.

TOWNHOUSE VILLAGE CONDOMINIUM,
LLC,
an Oregon limited liability company

By: _____

Name: _____
Date: _____

STATE OF OREGON)
)ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____
2006, by _____, as _____ of TOWNHOUSE VILLAGE
CONDOMINIUM, LLC, an Oregon limited liability company.

NOTARY PUBLIC FOR OREGON
My Commission Expires: _____

The foregoing Declaration is approved pursuant to ORS 100.110 this ____ day of
_____, 2006, and in accordance with ORS 100.110(7), this approval shall
automatically expire if this Declaration is not recorded with two (2) years from this date.

By: _____
Oregon Real Estate Commissioner

The foregoing Declaration is approved this ____ day of _____, 2006.

ASSESSOR AND TAX COLLECTOR
FOR YAMHILL COUNTY

By: _____
Assessor

By: _____
Tax Collector

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

Units 1 through 4, Building 1; Units 21 through 26, Building 2, Units 31 through 34, Building 3; Units 41 through 46, Building 4; Units 51 through 56, Building 5 and Units 61 through 66, Building 6, TOWNHOUSE VILLAGE CONDOMINIUMS, in the City of Newberg, Yamhill County, Oregon.

TOGETHER WITH the undivided interests in and to the general and limited common elements appertaining to each of said Units as set forth in Declaration of Unit Ownership, recorded December 31, 1981 in Film Volume 166, Page 1321, Deed and Mortgage Records of Yamhill County, Oregon.

ALSO TOGETHER WITH a non-exclusive easement for encroachment and for parking purposes over the following described premises, to-wit:

BEGINNING at an iron pipe at the intersection of the South boundary of 9th Street and the West boundary of College Street in the City of Newberg, Section 19, Township 3 South, Range 2 West of the Willamette Meridian in Yamhill County, Oregon; thence South 0°13'15" East along the West boundary of College Street 147.00 feet to an iron pipe found; thence South 89°48'30" West, parallel to the South boundary of 9th Street, 88.81 feet to the True point of beginning; thence continuing South 89°48'30" West parallel to the South boundary of 9th Street, 56.69 feet; thence South 0°13'15" East, parallel to the West boundary of College Street, 144.00 feet; thence North 89°48'30" East, parallel to the South boundary of 9th Street, 15.50 feet; thence North 3°17'47" East 85.00 feet; thence North 67°27'52" East 40.00 feet; thence North 1°34'05" West 43.96 feet to the True Point of Beginning.

EXHIBIT B

AREA OF UNITS AND ALLOCATIONS

<u>Building #</u>	<u>Unit Number</u>	<u>Square Feet</u>	<u>Percentage Ownership</u>
1	1	825	3.125
1	2	825	3.125
1	3	825	3.125
1	4	825	3.125
2	21	825	3.125
2	22	825	3.125
2	23	825	3.125
2	24	825	3.125
2	25	825	3.125
2	26	825	3.125
3	31	1,069	3.125
3	32	825	3.125
3	33	825	3.125
3	34	825	3.125
4	41	1,069	3.125
4	42	825	3.125
4	43	825	3.125
4	44	825	3.125
4	45	825	3.125
4	46	825	3.125
5	51	825	3.125
5	51	825	3.125
5	53	825	3.125
5	54	825	3.125
5	55	825	3.125
5	56	825	3.125
6	61	825	3.125
6	62	825	3.125
6	63	825	3.125
6	64	825	3.125
6	65	825	3.125
6	66	1,069	3.125
Total		27,132	100.00

EXHIBIT C

BYLAWS

TOWNHOUSE VILLAGE CONDOMINIUM OWNERS' ASSOCIATION

DECLARATION
of
CONDOMINIUM OWNERSHIP
for
TOWNHOUSE VILLAGE CONDOMINIUM

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