

227 - 1745

91-02423

SECOND ASSIGNMENT OF EASEMENT RIGHTS

(AUO)

THIS SECOND ASSIGNMENT OF EASEMENT RIGHTS, made as of this 27th day of December 1990, by and between CAPITAL ASSOCIATES INTERNATIONAL, INC., a Colorado corporation ("Assignor"), and STATE OF OREGON, DEPARTMENT OF ENERGY ("Assignee").

RECITALS

1. Assignor is the owner of certain easements and rights-of-way, a copy of which is attached hereto as Exhibit A (the "Easements").
2. Assignor is the Borrower under that certain Loan Agreement dated as of October 8, 1990 (such Agreement, as amended, the "Loan Agreement"), between Assignor and Assignee.
3. Assignor has agreed to assign and transfer the Easements to Assignee as further security for the performance of Assignor's obligations under the Loan Agreement under the terms and conditions as set forth herein.

NOW THEREFORE, for ten dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby covenant and agree as follows:

1. Assignor hereby grants, transfers and assigns to Assignee a continuing security interest in all of its right, title and interest in and to the Easements.
2. This Assignment shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns and all those claiming by, through or under said parties.
3. Assignor warrants that it has right, title and interest in and to the Easements and has the right to assign same to Assignee.

STATE OF OREGON) ss.
COUNTY OF DESCHUTES)

I, MARY SUE PENHOLLOW, COUNTY CLERK AND
RECORDER OF CONVEYANCES, IN AND FOR SAID
COUNTY, DO HEREBY CERTIFY THAT THE WITHIN
INSTRUMENT WAS RECORDED THIS DAY:

91 JAN 30 PM 12:22

MARY SUE PENHOLLOW
COUNTY CLERK

BY

NO

91-02423

DEPUTY
FEE 95-
DESCHUTES COUNTY OFFICIAL RECORDS

AFTER RECORDING, RETURN TO:
Karen Yurka
Stoel Rives Boley Jones & Grey
900 SW Fifth Avenue, Suite 2300
Portland, OR 97204-1268

95

IN WITNESS WHEREOF, the parties have hereto set their hands as of the day and year above first written.

ASSIGNOR:

CAPITAL ASSOCIATES
INTERNATIONAL, INC.

By: [Signature]
Its Vice President

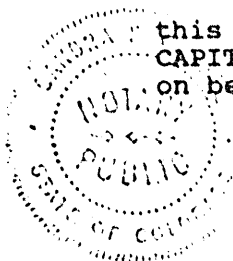
ASSIGNEE:

STATE OF OREGON, DEPARTMENT
ENERGY

By: _____
Title: Deputy Director

STATE OF Colorado)
County of Jefferson) ss.
Booth

The foregoing instrument was acknowledged before me this 27th day of December, 1990 by Kim Condon of CAPITAL ASSOCIATES INTERNATIONAL, INC., a Colorado corporation, on behalf of said corporation.



[Signature]
Notary Public
My Commission Expires: 7/29/91

STATE OF OREGON)
County of _____) ss.

The foregoing instrument was acknowledged before me this _____ day of December, 1990 by _____, Deputy Director of the STATE OF OREGON, DEPARTMENT OF ENERGY.

Notary Public
My Commission Expires: _____

227 - 1747

IN WITNESS WHEREOF, the parties have hereto set their hands as of the day and year above first written.

ASSIGNOR:

CAPITAL ASSOCIATES
INTERNATIONAL, INC.

By: _____
Its _____

ASSIGNEE:

STATE OF OREGON, DEPARTMENT
ENERGY

By: Nancy L. Rockwell
Title: Deputy Director

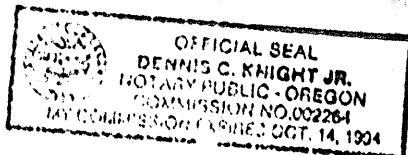
STATE OF _____)
County of _____) ss.

The foregoing instrument was acknowledged before me this _____ day of December, 1990 by _____ of CAPITAL ASSOCIATES INTERNATIONAL, INC., a Colorado corporation, on behalf of said corporation.

Notary Public
My Commission Expires: _____

STATE OF OREGON)
County of Marion) ss.

The foregoing instrument was acknowledged before me this 31st day of December, 1990 by Nancy L. Rockwell, Deputy Director of the STATE OF OREGON, DEPARTMENT OF ENERGY.



Dennis C. Knight Jr.
Notary Public
My Commission Expires: 10/14/94

FACILITY SITE AND ACCESS EASEMENT AGREEMENT 227 - 1748

Dated: as of December 27, 1990

BETWEEN: The Association of Unit Owners of the
Inn of the Seventh Mountain
c/o Ridgepine, Inc.
P.O. Box 3400
Sun River Village Mall
Sunriver, Oregon 97707

"GRANTOR"

AND: PACE Group, Inc., dba District Utility
Services Company
851 SW Sixth Ave., Suite 810
Portland, Oregon 97204

"GRANTEE"

This Facility Site and Access Easement Agreement ("Easement Agreement") is entered into by and between Grantor and Grantee, successor-in-interest to District Utility Services Company, Inc., pursuant to that certain Energy Services Agreement ("Agreement") by and between Grantor and District Utility Services Company, Inc., dated April 4, 1990 which is hereby incorporated by this reference into this Easement Agreement. Grantor owns, leases or otherwise has the right to grant the rights set forth in this Easement Agreement with respect to the real property described on Exhibit A, including the "AUO Site" and the "AUO Facilities" (as those terms are defined in the Agreement) (the "Property").

RECITALS

A. Pursuant to the Agreement, Grantee agreed to design, construct, interconnect, operate, and maintain an energy facility on the Property and to provide energy as requested by Grantor to the AUO Facility, the AUO Site, and also, to the "Core Facilities" (as that term is defined in the Agreement)

including, but not limited to a convention center, a restaurant, ice rink and warming hut, housekeeping building, gas station, grocery store, game room building and other related properties (the "Customer Facilities") owned or leased by Klug Management, Inc., or its successor and located on the Property.

B. The parties wish to enter into this Easement Agreement to allow Grantee to site an energy facility known as the "DUSCO Facility" (as that term is defined in the Agreement) and all related wells, pipelines, equipment, fixtures, pipelines, cables, conduits, wires, poles, guys, braces, telephone, water and electric lines, and all other facilities or equipment related to such energy facility and to provide Grantee all rights of access to any portion of the Property, and to any portion of the Customer Facilities as reasonably required to enable Grantee to perform its obligations under the Agreement.

NOW THEREFORE, in consideration of the covenants of the parties contained in the Agreement and in this Easement Agreement, the parties hereby agree as follows:

1. Grant.

1.1 Site Easement. Grantor hereby grants to Grantee an exclusive easement, upon, under, and through that portion of the Property described on attached Exhibit B (the "Plant Site Easement") for the purposes of excavating, constructing,

drilling, operating, maintaining, replacing and removing the DUSCO Facility energy plant and related wells and systems.

1.2 Access and Pipeline Easement. Grantor hereby grants to Grantee nonexclusive pipeline and access easements upon, under, and through the Property (the "Access Easements") for the purposes of access to the Plant Site Easement described in Subsection 1.1 above and for the further purposes of accessing, excavating, installing, laying, inspecting, repairing, maintaining, replacing and removing one or more pipelines and related equipment, facilities or installations that may now or hereafter exist or be required (the "Pipelines") to be used for providing heating and cooling services to any part of the Property, AUO Facilities, AUO Site or Customer Facilities. The initial Pipelines are diagrammed on attached Exhibit C.

1.3 Telephone, Power and Other Easements. Grantor hereby grants to Grantee nonexclusive easements over, under and through the Property (the "Utility and Service Easements") for the purposes of accessing, excavating, erecting, constructing, drilling, operating, maintaining, replacing and removing such telephone, electric and gas lines together with such wires, conduits, poles, guys, anchors and such other utilities or services or facilities as Grantee now or hereafter may deem necessary or beneficial for the efficient exercise of Grantee's rights or the performance of Grantee's obligations under the Agreement.

1.4 Third Party Energy Services Easements. Grantor hereby grants Grantee such easements over and across the Property as may be reasonably required from time to time in connection with the provision of energy services to third parties from the DUSCO Facility for the purposes of excavating, erecting, installing, laying, inspecting, repairing, maintaining, replacing and removing such pipes, wires, conduits, poles, guys, anchors, equipment and other facilities in connection with the provision of such services from the DUSCO Facility, subject to the approval of Grantor's Board of Directors, which approval shall not be unreasonably withheld.

1.5 Relocation of Easements. In the event relocation, expansion or modification of the DUSCO Facility or any portion thereof, is ever required under the terms of Sections 2.3 or 3.5 of the Agreement, the easements and rights granted herein shall be relocated, expanded or modified from time to time as may be required to accommodate such relocation, expansion or modification. The parties hereto shall execute and acknowledge and record in the records of Deschutes County, Oregon any and all further documents reasonably required to memorialize such relocation, expansion or modification.

1.6 Extinction of Easements. The easements granted in this Easement Agreement shall be perpetual, provided, however, that the easements granted hereunder shall be extinguished one year after the date that the DUSCO Facility

permanently ceases all operations and no longer provides energy services to Grantor, the AUO or any third party.

2. Grantor's Use of Easements. Grantor shall not erect any building or other improvement on, in or under the area covered by the Site Easement or the Access Easement or any Utility Easement or Third Party Services Easement, as any of the same may now or hereafter be located; or do or permit anything else that would unreasonably interfere with Grantee's rights hereunder. Notwithstanding the above, Grantor may place such landscaping, paving, fencing, roads or accessways on and across the surface of the easement areas (except the Plant Site Easement) described in Section 1.1 as do not unreasonably interfere with the rights granted Grantee herein or in the Agreement, provided Grantor shall bear the sole risk, cost and expense of any disturbance, destruction, damage, reconstruction or replacement of such improvements as is occasioned or reasonably required for the efficient and economic exercise of Grantee's rights or performance of Grantee's obligations under this Easement Agreement or the Agreement.

3. Miscellaneous.

3.1 Title. Grantor warrants and represents to Grantee that the easements and rights granted herein shall not be disturbed or extinguished by any prior easementholder or encumbrancer or third party interests, and Grantor shall indemnify, hold harmless, and at Grantee's election and with counsel satisfactory to Grantee, defend Grantee and such

easements and rights from and against any and all claims, actions, damages, fines or other liability or losses arising out of or related to any breach of the above, except to the extent arising from Grantee's breach of the limitations on the consent given by Pioneer Trust Bank, N.A., as Trustee under the Last Will and Testament of Lewis B. Huff, deceased, and Doris J. Huff, fee owners, as set forth in that letter dated April 11, 1990 from James G. Heltzel on behalf of the above fee owners.

3.2 Assignment; Binding Effect. The parties' respective rights and obligation with respect to assignments, conveyances or transfers shall be governed by Section 19.5 of the Agreement. This Facility Site and Access Easement Agreement shall run with the land and shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

3.3 Notices. Notices allowed or required hereunder shall be in writing and shall be effective when served upon the party to whom such notice is directed, or, if mailed, two days after such notice is deposited in the United States mail, certified or registered, correct postage prepaid, and addressed to the parties at their respective addresses as set forth above, or at such other address as such party shall notify the other party beforehand.

227 - 1754

IN WITNESS WHEREOF, the parties have executed this
Facility Site and Access Easement Agreement as of the date
first written above.

GRANTOR:

THE ASSOCIATION OF UNIT OWNERS OF
THE INN AT THE SEVENTH MOUNTAIN,
a _____

By: [Signature]
Its: CHAIR

GRANTEE:

PACE, INC, dba DISTRICT UTILITY
SERVICES COMPANY

By: [Signature]
Its: PRESIDENT

STATE OF OREGON)
County of DECATUR) ss.

This instrument was acknowledged before me on
December 28, 1990, by [Signature], as
CHAIRMAN of THE ASSOCIATION OF UNIT OWNERS OF THE INN AT
THE SEVENTH MOUNTAIN, on behalf of the association.

[Signature]
Notary Public for Oregon
My commission expires: 10-9-91

STATE OF OREGON)
County of MULTNOMAH) ss.

This instrument was acknowledged before me on
DECEMBER 28, 1990, by SCOTT R. HANNIGAN, as
PRESIDENT of PACE, INC., dba DISTRICT UTILITY SERVICES, an
Oregon corporation, on behalf of the corporation.

[Signature]
Notary Public for Oregon
My commission expires: 11-1-91

EXHIBIT A

(THE PROPERTY)

The Lessee's interest under that certain lease, including the terms and provisions thereof, between Condominium Land Co., an Oregon corporation, Lessor, and Condominiums Northwest, Inc., an Oregon corporation, Lessee, dated February 13, 1970, recorded February 25, 1970, in Book 168, Page 874, Deed Records, and as amended by instruments recorded August 20, 1971, in Book 178, Page 302, Deed Records, December 16, 1971, in Book 180, Page 991, Deed Records, June 13, 1972, in Book 185, Page 574, Deed Records, July 28, 1972, in Book 186, Page 902, Deed Records, and March 16, 1973, in Book 193, Page 449, Deed Records.

The Lessors' interest therein has been duly assigned to Lewis B. Huff and Doris J. Huff. NOTE: Lessors' interest now held by Devisees of Lewis B. Huff, deceased, and Doris J. Huff.

The Lessees' interest therein has been duly assigned to the Association of Unit Owners of the Inn of the Seventh Mountain.

Addendum and Correction to Lease, including the terms and provisions thereof, recorded March 16, 1973, in Book 193, Page 449, Deschutes County Records.

Amendment to Lease, including the terms and provisions thereof, recorded June 18, 1985, in Book 97, Page 1824, Deschutes County Records.

TOGETHER WITH all Grantor's right, title and interest, if any, in and to (as lessee, owner, purchaser or otherwise) real and personal property and improvements located on the real property described as:

Parcel A: That portion of the Southeast Quarter of the Southwest Quarter (SE1/4SW1/4) and the Southwest Quarter of the Southeast Quarter (SW1/4SE1/4) of Section Twenty-two (22) Township Eighteen (18) South, Range Eleven (11) East of the Willamette Meridian, Deschutes County, Oregon, which is described as follows:

Beginning at the Northwest corner of the Southwest Quarter of the Southeast Quarter (SW1/4SE1/4) of Section 22, Township 18 South, Range 11 East of the Willamette Meridian, thence South 23°43'15" East 826.29 feet; thence South 69°45'45" West 305.00 feet; thence North 79°45'45" West 300.00 feet thence South 73°09'15" West 255.00 feet; thence North 75°35'45" West 276.00 feet to the west line of the Southeast Quarter of the Southwest Quarter (SE1/4SW1/4) of said Section 22; thence along said West line North 00°48'25" East 995.28 feet to the Northwest corner

of the Southeast Quarter of the Southwest Quarter (SE1/4SW1/4) of said Section 22, thence along the North line of said Southeast Quarter, of the Southwest Quarter, South 89°40'45" East 1320.63 feet to the point of beginning, in Deschutes County, Oregon; EXCEPTING THEREFROM the right-of-way of the Century Drive Highway, formerly known as the Century Drive Market Road, as the same is now laid out and established over the Northwestern corner of said Southeast Quarter of the Southwest Quarter of said Section 22.

Excepting therefrom the Right-of-way of the Century Drive Highway, formerly known as the Century Drive Market Road, as the same, is now laid out and established over the Northwestern corner of said SE1/4 of the SW1/4 of said section 22.

Also excepting therefrom that portion conveyed to the State of Oregon, Dept. of Transportation by instrument dated, February 5, 1981 and recorded February 18, 1981 in Book 336 at Page 541 Deed records.

Parcel B: That portion of the Southeast Quarter of the Southwest Quarter (SE1/4SW1/4) and the Southwest Quarter of the Southeast Quarter (SW1/4SE1/4) of Section Twenty-two (22), Township Eighteen (18) South, Range Eleven (11) East of the Willamette Meridian, Deschutes County, Oregon, which is described as follows:

Beginning at the Northwest corner of the Southwest Quarter of the Southeast Quarter (SW1/4SE1/4) of Section 22, Township 18 South, Range 11 East of the Willamette Meridian, thence South 89°49'30" East 362.43 feet along the North line of said Southwest Quarter of the Southeast Quarter; thence South 11°15'45" East 200.00 feet; thence South 51°16'10" East 561.91 feet; thence South 00°30'45" East 80.00 feet; thence South 77°44'15" West 417.00 feet; thence South 69°45'45" West 108.00 feet thence North 23°43'15" West 826.29 feet to the Point of beginning, all in Deschutes County, Oregon.

EXCEPTING, however, from the foregoing property described as Parcels A and B the leasehold estate in that portion of said property which was submitted to Unit Ownership as THE INN OF THE SEVENTH MOUNTAIN.

PARCEL C:

All of Buildings 24, 25A, R-1, R-2, and R-3, being respectively the restaurant, convention center, ice rink and warming hut, TOGETHER WITH the housekeeping building and maids' service closets in each condominium building as described in those certain Declarations of Unit Ownership for the Inn of the

227 - 1757

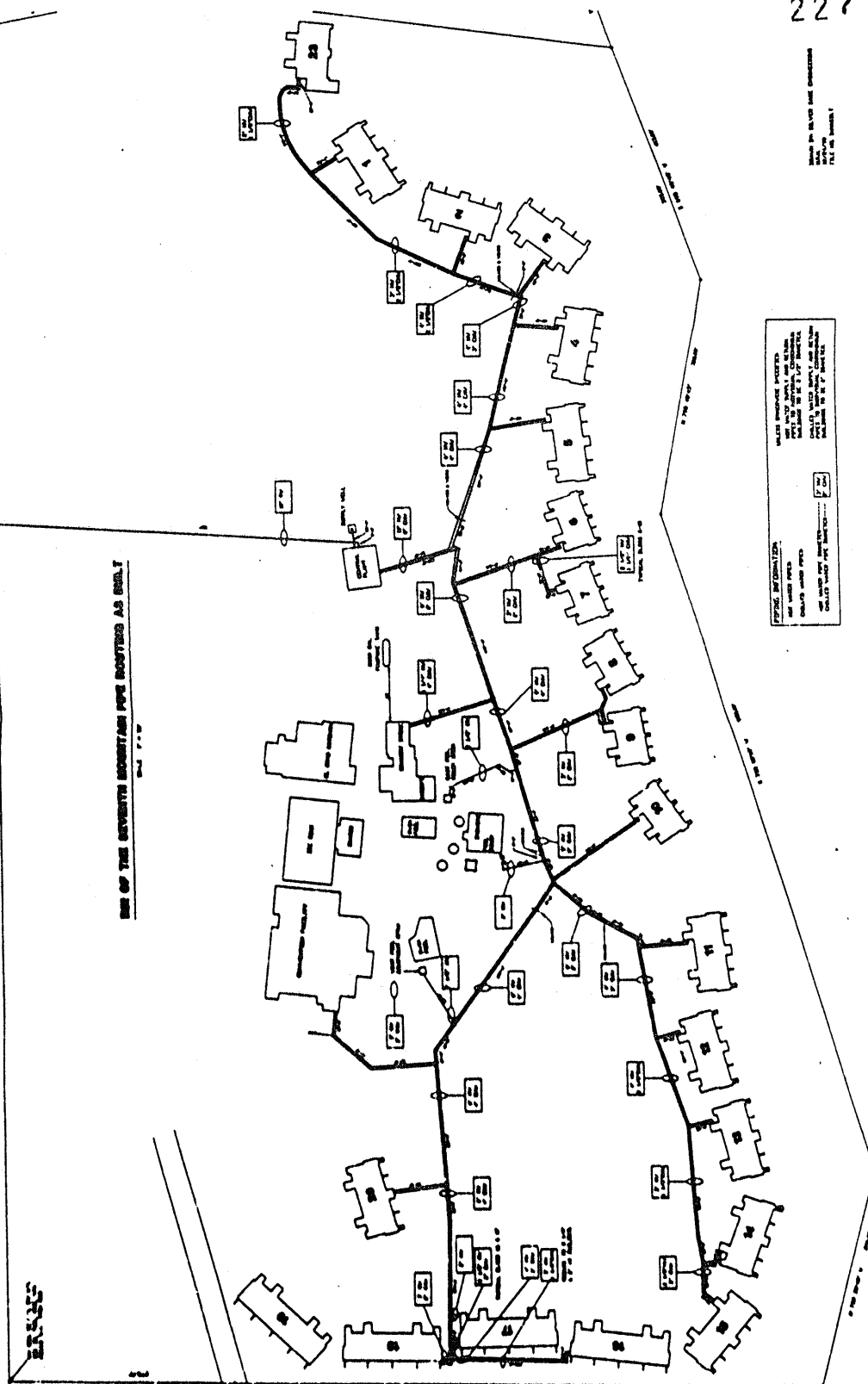
Seventh Mountain, Phases I, II-A, II-B, II-C, II-D, II-E,
III-A, III-B, III-C, III-D, III-E, and IV.

including the AVO Facilities and AVO Site, as those terms are
defined in the Agreement.

EXHIBIT B
Facility Site and Access
Easement Agreement

PROPERTY LINE

LINE OF THE SEVENTH MOUNTAIN PIPE ROUTING AS BUILT



PROPERTY LINE
 LINE OF THE SEVENTH MOUNTAIN PIPE ROUTING AS BUILT
 AREA 1
 AREA 2
 AREA 3
 AREA 4
 AREA 5
 AREA 6
 AREA 7
 AREA 8
 AREA 9
 AREA 10
 AREA 11
 AREA 12
 AREA 13
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 AREA 44
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 AREA 46
 AREA 47
 AREA 48
 AREA 49
 AREA 50

85 23

Record and return to:

Tom Wolf
Weinstein, Fischer, Riley,
Erickson & Wolf, P.S.
18735 SW Boones Ferry Road
PO Box 547
Tualatin OR 97062-0547 98-52581

STATE OF OREGON)
COUNTY OF DESCHUTES) SS.

I, MARY SUE PENHOLLOW, COUNTY CLERK AND
RECORDER OF CONVEYANCES, IN AND FOR SAID
COUNTY, DO HEREBY CERTIFY THAT THE WITHIN
INSTRUMENT WAS RECORDED THIS DAY:

98 NOV 19 PH 3:55

MARY SUE PENHOLLOW
COUNTY CLERK

522 - 172

BY *B. J. M.*

NO 98-52581

FEE

DESCHUTES COUNTY OFFICIAL RECORDS

BYLAWS

OF

THE ASSOCIATION OF UNIT OWNERS OF
THE INN OF THE SEVENTH MOUNTAIN
an Oregon nonprofit corporation

Recitals:

A. The Association of Unit Owners of the Inn of the Seventh Mountain, an Oregon nonprofit corporation ("Corporation"), is the successor in interest to The Association of Unit Owners of the Inn of the Seventh Mountain, an Oregon unincorporated association.

B. The Corporation serves as an entity pursuant to the Oregon Condominium Act, for the operation of Inn of the Seventh Mountain Condominium, which has been established upon certain real property located in Deschutes County, Oregon, more particularly described on **Exhibit "A"** of these bylaws, and any real property later annexed to the existing condominium ("Condominium").

ARTICLE I

General Provisions

1. Identification. These are the bylaws of the Corporation.

2. Purpose. The purpose of the Corporation is to act as the trustee to preserve, maintain and improve the common elements of the Condominium for the benefit of the unit owners, to determine and provide for the payment of common expenses, to regulate use of the units and common elements for the benefit of the unit owners, and to act as the trustee of any funds received to accomplish the above purposes.

3. Organized under ORS 100.405. The Corporation is an association of unit owners organized in accordance with the Oregon Nonprofit Corporation Act and ORS 100.405, to operate the

BYLAWS - 1

After recording, return to
AmeriTitle
15 OREGON AVENUE, BEND

Condominium.

4. Principal Office. The principal office of the Corporation shall be maintained in the State of Oregon at such place as the board of directors of the Corporation ("Board") may determine from time to time.

5. Registered Office and Registered Agent. The registered office of the Corporation shall be located in the State of Oregon at such place as may be fixed from time to time by the Board upon filing such notices as may be required by law. Any change in the registered agent or registered office shall be effective upon filing such change with the Secretary of State of the State of Oregon unless a later date is specified. The Corporation does not intend to amend the Condominium declaration each time there is a change in the Corporation's registered agent or registered office.

6. Vote. Each unit shall have a vote equal to its undivided percentage interest in the general common elements as set forth in the latest Condominium declaration, as amended and supplemented, and recorded in the office of the Clerk of Deschutes County, Oregon (collectively referred to as "Declaration"). Each unit shall be entitled to vote cumulatively only in the election and removal of Directors.

ARTICLE II

Members and Meetings

1. Composition and Voting Rights. The Corporation shall be composed of all owners of units in the condominium known as "The Inn of the Seventh Mountain." However, (i) in the case of units which are subject to installment contracts of sale, the contract purchasers shall be the members and not the contract sellers who are merely holding title as collateral; and (ii) if the condominium form of ownership ever terminates, the members of the Corporation shall be those individuals and entities who were members at the time of termination and their respective successors in interest of record. A personal representative, guardian, conservator or trustee may vote in person or by proxy at any meeting of the Corporation 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 personal representative, guardian, conservator or trustee holding such unit in such capacity. Whenever any unit is owned by two or more jointly, according to the records of the Corporation, the vote therefor may be exercised by any one of the owners in the absence of protest by a co-owner, but in the event of such protest, no one co-owner shall be entitled to vote without the withdrawal of the protest or the approval of all co-owners.

2. Proxies. A proxy given by a unit owner to any person to

represent such owner at meetings of the Corporation shall be in writing and signed by such owner and shall be filed with the Board at least five days prior to the date of the meeting at which the proxy is to be exercised. No proxy shall be valid for more than 11 months after the date of the proxy unless the proxy expressly provides for a longer period of effectiveness.

3. Initial Meeting. The initial meeting of the unit owners shall be held on October __, 1998.

4. Annual Meetings. The annual meeting of the Corporation shall be held in either the month of October or November, each calendar year. The annual meetings shall be held for the purpose of electing Directors, and for the transaction of any other Corporation business brought before the meeting.

5. Special Meetings. Special meetings of the Corporation may be called at any time by any Director or upon the request of unit owners owning at least one-third (1/3) of the undivided percentage interest in the general common elements. At any such special meeting, only such business shall be transacted as shall have been set forth in the notice of such meeting.

6. Quorum.

(a) At any meeting of the Corporation, unit owners owning at least fifty percent (50%) of the undivided interest in the general common elements present in person or by proxy shall constitute a quorum and the concurring vote of a majority of such quorum shall be valid and binding upon the Corporation, except as otherwise provided by law or by these bylaws. If any meeting cannot be held because a quorum is not present, the meeting may be, or in the case of the annual meeting, shall be, adjourned to any subsequent Saturday or Sunday within 28 days and at such time and place in Oregon as a majority of ownership of the undivided percentage interest in the general common elements then present in person or by proxy so decide.

(b) At an adjourned annual meeting, which was adjourned by reason of lack of a quorum, a quorum shall be unit owners owning at least twenty-five percent (25%) of the undivided interest in the general common elements present in person or by proxy. In the case of an adjourned special meeting or an adjourned annual meeting for reasons other than a lack of a quorum, a quorum shall continue to be unit owners owning at least fifty percent (50%) of the undivided interest in the general common elements present in person or by proxy.

7. Adjourned Meetings. Any meeting of the Corporation may be adjourned to any subsequent Saturday or Sunday within 28 days and at such place in Oregon as a majority of ownership of the undivided percentage interests in the general common elements then

present in person or by proxy may determine, whether or not a quorum be present, without notice other than the announcement at the meeting. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted by a quorum at the meeting as originally called.

8. Place of Meeting. All meetings of the Corporation shall be held in the State of Oregon, at the time and place recited in the notice of such meeting or at the time and place set for an adjourned meeting as herein provided.

9. Notice of Meeting. Notice of all meetings shall be given by the Secretary in writing to each unit owner. Such notice shall be given not less than fourteen (14) days or more than sixty (60) days before the meeting, provided that no notice of a meeting need be given to any owner who shall waive such notice in writing or who shall be present at such meeting in person or by proxy. Written notice shall be effective, whether or not received, if mailed to the last known address of a unit owner shown on the books of the Corporation's Secretary and shall be effective as of the date mailed or personally delivered. The written ratification by any owner of any action taken at any meeting shall be equivalent of a waiver of a notice of such meeting by the one so ratifying.

ARTICLE III

Board of Directors

1. Election. The unit owners shall elect from among themselves a Board consisting of nine (9) persons so that each Director elected shall have term of three (3) years and until his successor be elected, so that the term of three (3) Directors shall expire annually.

2. Vacancies. In the event of the death, resignation or disqualification of any Director, the remaining Board shall elect a successor Director to serve on the Board until the next annual meeting of the Corporation. At the next annual meeting the unit owners shall elect a successor Director who shall hold office for the unexpired term of the Director whose office was vacated.

3. Nominating Committee. A nominating committee of three (3) unit owners, with one designated as Chairman, shall be appointed by the Board. Members of the committee shall serve for a term of one year or until successors are duly appointed and shall be selected from owners other than incumbent members of the Board. An attempt shall be made to provide the committee with reasonable representation of owners. The committee shall prepare a slate of consenting nominees for vacancies on the Board, which are to be filled at the annual meeting. The slate of nominees shall contain no more nominees than two times (2x) the number of positions to be filled. The slate of nominees shall be submitted in writing to the

Secretary not less than thirty (30) days prior to the date of the annual meeting.

4. Term Limit. No unit owner shall be eligible for nomination or election to serve more than two successive three-year terms as a director.

5. Powers. The Board shall be vested with the power of management of all the affairs of the Corporation, including, but without being limited to, the power to direct the purchase by the Corporation of such property as the purposes thereof shall require, to provide for the incurring of debts on behalf of the Corporation, the issuance of notes or other evidence of such debts, and to provide for the mortgage, pledge or hypothecation of all or any part of the assets of the Corporation; provided that the Board shall not make any structural alteration, capital additions to, or capital improvements of, the common areas requiring an expenditure in any one (1) year in excess of eight thousand dollars (\$8,000.00) without the prior approval of unit owners owning at least seventy-five percent (75%) of the undivided interest in the general common elements. Nothing contained in the preceding sentence, shall limit the authority of the Board to make any structural replacements and repairs and such other capital replacements or repairs as may be reasonably necessary to maintain the common areas and common elements in good condition and repair. The Board may also engage the services of an individual or entity manager and provide for his or its compensation. The Board may delegate to such manager the power to contract for services and to employ gardeners, workmen and other help for the operation, security and maintenance of the common elements. The Board may also delegate to such manager any additional powers and duties, including the power to initiate suits or actions on behalf of the Corporation to accomplish the purposes of the Corporation.

6. Removal. The entire Board or any individual Director may be removed from office by the affirmative vote of unit owners owning at least fifty percent (50%) of the undivided interest in the general common elements. If any or all Directors are so removed, new Directors shall be elected at the same meeting. The notice of such meeting must state that such removal was to be considered and, further, that a substitute Director shall be elected at the same meeting for the then unexpired term of the Director(s) so removed.

7. Compensation. The Directors, as such, shall serve without compensation. However, the Directors may be reimbursed for expenses as approved by the Board.

8. Meetings.

(a) The Board shall hold meetings when and in such place as the Chairman shall designate, or, in the case of his absence,

incapacity or refusal to call a meeting, then as may be designated by a majority of the Board. The annual meeting of the Board shall be held at the place of the annual meeting of the Corporation as soon as practical thereafter and no written notice thereof shall be necessary. The presence of a Director at any meeting of the Board shall constitute a waiver of notice of the meeting the Director was supposed to be given before the meeting.

(b) All meetings of the Board shall be open to all unit owners; provided, however, that the Board may meet in executive session to discuss and be advised on (but not vote on) matters subject to the attorney-client privilege or involving personnel.

9. Notice of Meetings. The Secretary shall give notice in writing of each meeting of the Board, except the meeting following the annual meeting of the Corporation, to each Director at least seven (7) days before the meeting. The failure to give notice shall not invalidate any action at a meeting of the Board at which a quorum of the Directors is present. The presence of any Director at any meeting shall constitute a waiver of any required notice of such meeting.

10. Quorum and Voting. A majority of the Directors shall constitute a quorum for the transaction of business and in every case the affirmative vote of a majority of the whole Board shall be necessary to the validity of any act of the Board.

ARTICLE IV

Officers

1. Office, Election, and Removal. The Board shall elect at its annual organizational meeting a Chairman, a Vice-Chairman, a Secretary and a Treasurer, each of whom shall serve for the ensuing year and until his successor shall be elected. The Chairman and Vice-Chairman shall be elected from the Board. The Secretary and the Treasurer need not be members of the Board or unit owners. The Board may elect such other officers as it may deem necessary, who shall have such authority and perform such duties as from time to time may be prescribed by the Board. One person may hold more than one office, except that the Chairman shall hold no other office. Any officer shall be subject to removal from his office at any time by the affirmative vote of a majority of the Board. If an office shall become vacant for any reason, the Board shall elect a successor to fill the unexpired term.

2. Chairman. The Chairman shall preside over all meetings of the Board and the Corporation at which he shall be present. In his absence, the Vice-Chairman shall preside. The Chairman shall have the powers and perform the duties customarily incidental to his office and such other powers and duties as are assigned to him

elsewhere in these bylaws, by the Declaration or by law, or as may be assigned to him from time to time by the Board.

3. Secretary. The Secretary shall keep minute books which shall contain all resolutions duly passed, all other actions taken at any meeting by the unit owners or the Board, and in which the minutes of the meetings of the unit owners and the Board shall be recorded. The Secretary shall give notice of all meetings of the unit owners and the Board. The Secretary shall have the powers and perform the duties customarily incidental to the office and such other powers and duties as may be assigned to the Secretary from time to time by the Board.

4. Treasurer. The Treasurer shall:

(a) Keep all the Corporation's financial records and books of account;

(b) Have custody of all funds and securities of the Corporation and be responsible for the safekeeping of all money, notes, bonds and other money instruments owned by or entrusted to the Corporation;

(c) Be responsible to review and approve all payment vouchers for services, labor and materials furnished for the common elements;

(d) Render statements in such form and as often as required by the Board or the Corporation;

(e) Mail an audited financial statement to each unit owner as soon as practicable after the end of the fiscal year of the Corporation;

(f) Have the powers and perform the duties customarily incidental to his office and such other powers and duties as may be assigned to him by the Board; and

(g) Be bonded;

5. Compensation. The Chairman and Vice-Chairman shall serve without compensation as such. The Secretary and Treasurer may receive such compensation as the Board may determine appropriate, if any.

ARTICLE V

Restrictions and Rules and Regulations

1. Restrictions on Use and Occupancy of Units. Paragraph 8 of the Amended Declaration, dated January 28, 1972, made by Condominiums Northwest, Inc., recorded in the public records of Deschutes County, Oregon, in Volume 182, at Page 109, contains certain restrictions on the use and occupancy of Condominium units,

which are hereby incorporated by reference in their entirety with the same effect as if they were set forth in these bylaws verbatim.

2. Restrictions on Ownership of Units. No unit shall be owned as a "time share estate" as defined in the Oregon Condominium Act or in any other manner commonly known as or which is the equivalent of a "time share estate." Nor shall any unit be owned at any time by more than six owners. Nor shall more than six buyers purchase a unit under an installment sale contract. In determining the number of owners or contract vendees, a husband and wife shall be counted as one, a partnership or limited liability company shall be counted as being equal to the number of its members, a trust shall be counted as being equal to the number of its beneficiaries, and a corporation shall be counted as six unless it has less than six stockholders. However, a corporation shall designate in notice to the Association, no more than six individuals who shall have a legally enforceable right to use and occupy the unit.

3. Rules and Regulations. In order to assure the peaceful and orderly use and enjoyment of the Condominium, and particularly of the common elements of the Condominium, the Board from time to time may adopt, modify and revoke in whole or in part rules and regulations governing the conduct of persons and the operation and use of the units and common elements as the Board may deem necessary or appropriate. Such rules and regulations are subject to modification or revocation by the unit owners at any annual meeting or any special meeting called for such purpose. A copy of such rules and regulations, upon adoption, and a copy of each amendment, modification or revocation thereof shall be delivered or mailed by the Secretary promptly to each unit owner and shall be binding on all unit owners and occupants of all units from the date of delivery or mailing.

ARTICLE VI

Maintenance, Upkeep and Repair of Common Elements

1. Obligation to Maintain. Subject to the provisions of the Condominium declaration, as modified from time to time, governing casualty and condemnation; the Board shall cause the common elements, including the general and limited common elements, to be maintained, kept up, repaired and replaced.

2. Costs of Maintenance. The costs and expenses of maintaining, keeping up, repairing and replacing the common elements, shall be a common expense of the Condominium and paid for with the common charges paid by the units owners and/or any reserves established by the Corporation for such purposes.

3. Personnel. The Board shall be authorized to employ, discipline and discharge all personnel necessary for the maintenance, upkeep and repair of the common elements; and may

delegate to the Condominium manager, responsibility for the day-to-day supervision of the personnel.

ARTICLE VII

Expenses

1. Expenses and Assessments.

(a) The Board shall assess each unit owner and each unit owner shall pay to the Corporation, the unit owners' pro rata share of the common Condominium expenses, including, but without being limited to, the cost of operation, and the costs of insurance. One of the items of common expense for which the Board shall assess the unit owners is the monthly rent necessary to maintain in full force and effect, the lease covering the Condominium land, dated February 13, 1970 ("Lease"), between Condominium Land Co., as lessor, and Condominiums Northwest, Inc., as lessee, recorded in Volume 168 at Page 874, in the public records of Deschutes County, Oregon, as modified from time to time. In allocating this common expense, the Board shall assess each unit owner based on the type of his unit as computed pursuant to the lease agreement. [The preceding sentence is required by Declaration Sec. 12 (at Vol 182, page 115)] The Board shall fix a monthly assessment for each unit in an amount sufficient to provide for all current expenses, a reasonable reserve for future expenses and such other expenses as the Board may deem necessary.

(b) Monthly assessments shall be due and payable monthly in advance on the first (1st) day of every month without demand. Delinquent assessments shall bear interest at the rate of two percent (2%) per month from the due date until paid ("Default Rate"). The amounts received shall be held by the Treasurer in trust until expended for purposes for which they were assessed. In the event any monthly assessment is not paid within ten days after the date payment is due, each unit owner responsible for making the payment shall pay to the Corporation: (i) the delinquent assessments together with interest at the Default Rate until payment is collected by the Association; and (ii) all costs and expenses of every nature which are incurred by the Corporation at any time, in the Corporation's efforts to collect the delinquent assessment and/or defend the validity or priority of the assessment or its lien ("Collection Costs"), including without limitation intended and by way of example only, collection agency fees, court costs, fees for title insurance reports and policies, expert witness' fees, court reporter fees and costs including fees for taking and transcribing depositions, the reasonable fees and disbursements of the Corporation's attorneys (if there is litigation, such fees and disbursements to be set by the court in which the case is tried, heard or appealed, including any bankruptcy court), and in any judgment there shall be included a

reasonable estimate of the attorneys' fees and disbursements which are reasonably likely to be incurred by the Association in its efforts to collect the judgment. All Collection Costs shall bear interest at the Default Rate from the date Collection Costs are incurred to the date payment is collected.

2. Liens and Foreclosures. The assessments referred to in the preceding paragraph 1 of this Article VII, together with interest at the Default Rate, and all Collection Costs, together with interest at the Default Rate, shall constitute a lien upon each unit and shall be collected as provided by Oregon law. Upon foreclosure of such lien, the rental income from the unit shall be applied to payment of: (i) the common expenses of the unit; (ii) the first priority mortgage or trust deed payments thereon; (iii) the delinquent assessments, together with interest at the Default Rate; and (iv) Collection Costs, together with interest at the Default Rate. The Corporation in such foreclosure shall be entitled to the appointment of a receiver to collect the rent and pay the expenses. The manager, acting on behalf of the Corporation, shall have the power to bid in the judgment at the foreclosure sale and to acquire, hold, lease, mortgage and convey the unit. A suit to recover a money judgment for unpaid assessments, interest, attorneys' fees and disbursements, shall be maintainable against any unit owner without either foreclosing or waiving the lien securing the unpaid assessments and interest. The lien for non-payment of common expenses shall have priority over all other liens and encumbrances, recorded or unrecorded, except only real estate tax and assessment liens, and first priority mortgage or trust deed liens of record.

ARTICLE VIII

Insurance Coverage

1. Casualty and Liability Insurance. The Board shall obtain and maintain at all times and shall pay for out of the common expense funds, insurance which at a minimum satisfies the requirements in Section 19 of the Declaration, including without limitation intended, the following insurance covering both the common elements and individual Condominium units:

(a) Property insurance including, but not limited to, fire, extended coverage, vandalism and malicious mischief; and

(b) Insurance covering the legal liability of the Corporation, its directors, officers, the unit owners individually and the Condominium manager, incident to ownership, supervision, control or use of the Condominium property. There may be excluded from the policy required under this paragraph, coverage of a unit owner, other than coverage as a member of the Corporation or Board, for liability arising out of acts or omissions of that unit owner and liability incident to the ownership or use of the part of the

property as to which that unit owner has exclusive use or occupancy. Liability insurance required under this paragraph shall be issued on a comprehensive liability basis and shall provide a cross liability indorsement providing that the rights of a named insured under the policy shall not prejudice any action against another named insured.

2. Workers' Compensation. The Board shall obtain and maintain at all times and shall pay for out of the common expense funds, workers' compensation insurance to the extent necessary to comply with any applicable law.

3. Fidelity Bond. The Board shall obtain and maintain a fidelity bond covering the manager and any other person designated by the Board, as principals, and the Corporation and unit owners, as obligees, in an amount at least equal to fifty percent (50%) of the total common Condominium expense assessments collected during the preceding year.

4. Best's Insurance Reports Rating. All policies shall be written by a company licensed to provide insurance in the State of Oregon, which have a "Best's Letter Rating" of not less than "A" ("Excellent"), with no adverse "Rating Modifier," and a "Financial Size Category" of not less than "Class VIII" (or their then current equivalents) in the most current "Best's Key Rating Guide" or a substitute or successor publication selected by the Board.

ARTICLE IX

Books, Records, Annual Financial Statement and Report

1. Financial Records. The Corporation shall keep financial records sufficient for proper accounting purposes.

2. Audited Financial Statement. Within 90 days after the end of the Corporation's fiscal year or as soon thereafter as feasible, the Treasurer shall distribute to each unit owner a copy of the annual financial statement for the preceding fiscal year. [Declaration Sec 25 requires annual audit and distribution of copies to owner (Vol 182, page 125)]

3. Examination of Records. The documents, information and records described in Paragraphs 1 and 2. and all other records of the Corporation shall be reasonably available for examination by a unit owner and any mortgagee of a unit. Upon the written request of an owner or mortgagee of a unit, the Corporation shall make the documents, information and records available for duplication during reasonable hours.

4. Duplication of Documents for Unit Owners. The Corporation shall maintain a copy, suitable for the purpose of duplication, of the following:

(a) The declaration, articles, bylaws, Condominium rules and regulations and any amendments or supplements thereto;

(b) The most recent annual financial statement prepared in accordance with Paragraph 2 above; and

(c) The current operating budget of the Corporation.

5. Duplication of Documents for Prospective Purchasers. Upon the written request of a prospective purchaser, the Corporation shall make available for examination and duplication during reasonable hours the documents and information specified in Paragraph 4 above.

6. Charges for Duplication. The Corporation may charge a reasonable fee for furnishing copies of any documents, information or records described in this Article IX.

7. Annual Reports. Pursuant to ORS 100.250, the Board shall file with the Secretary of State, an Annual Report described in ORS 100.260 (2) every year not later than the report date.

ARTICLE X

Miscellaneous

1. Subordinate to Declaration. These bylaws are subject and subordinate to the provisions of the Declaration.

2. Execution of Instruments. All checks, drafts, notes, bonds, acceptances, deeds, leases, contracts and other instruments shall be signed by such person or persons as may be designated by general or special resolution of the Board and, in the absence of any such general or special resolution applicable to any such instrument, then such instrument shall be signed by the Chairman.

3. Definitions. The terms used in these bylaws shall have the meaning defined in the Oregon Condominium Act and the Declaration. "Condominium" as defined in these bylaws is the equivalent of "project" as defined in said Declaration.

4. Persons Affected. All unit owners, tenants of such owners, employees of owners and tenants, and any other person who may in any manner use the Condominium shall be subject to these bylaws and all rules and regulations promulgated pursuant to these bylaws as amended from time to time.

5. Provisions Independent. The provisions of these bylaws shall be deemed independent and severable. The invalidity or partial invalidity or unenforceability of any one provision or portion thereof shall not affect the validity or enforceability of any other provision of these bylaws.

6. Previous Bylaws Superseded. These bylaws supersede all previous bylaws of the Condominium including those adopted February 13, 1970, recorded February 25, 1970, in Book 168 at Page 917, deed records, of Deschutes County, Oregon, as amended December 30, 1973 and recorded January 4, 1974 in Book 202 at Page 144, as amended June 2, 1974 and recorded July 25, 1974 in Book 208 at Page 922, as amended and recorded June 2, 1980 in Book 322 at Page 555, as amended December 17, 1981 and recorded February 2, 1982 in Book 353 at Page 425, as amended May 11, 1994 and recorded June 30, 1994 in Book 344 at Page 1732.

ARTICLE XI

Amendment

Amendments of these bylaws may be introduced at any annual meeting or any special meeting of the Corporation in the notice of which such amendment is announced. No amendment shall be effective unless and until (i) approved unit owners owning at least sixty percent (60%) of the undivided percentage interest in the general common elements; and (ii) a copy of the amendment, certified by the Chairman and Secretary, is recorded with the Clerk of Deschutes County, Oregon.

CERTIFICATION

The undersigned chairman and secretary of The Association of Unit Owners of the Inn of the Seventh Mountain, hereby certify that the bylaws set forth above, consisting of 13 pages including this page, are a true and complete copy of the bylaws adopted by the unit owners who own at least 75% of the undivided percentage interest in the common elements of the Condominium.

Dated: October 17, 1998

Fred Bartel, Chairman
Fred Bartel, Chairman

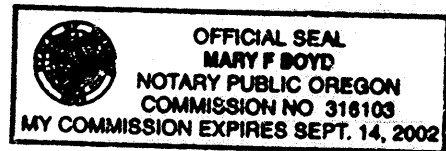
John X. O'Brien
John X. O'Brien Secretary

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STATE OF OREGON)
COUNTY OF DESCHUTES)

This instrument was acknowledged before me on 10/17/98,
1998 by Fred Bartel as Chairman of The Association of Unit Owners
of the Inn of the Seventh Mountain.

Mary F. Boyd
Notary Public, State of Oregon
My commission expires 9/14/02



STATE OF OREGON)
COUNTY OF DESCHUTES)

This instrument was acknowledged before me on 10/17/98,
1998 by John O'Brien as Secretary of The Association of Unit Owners
of the Inn of the Seventh Mountain.

Mary F. Boyd
Notary Public, State of OREGON
My commission expires 9/14/02

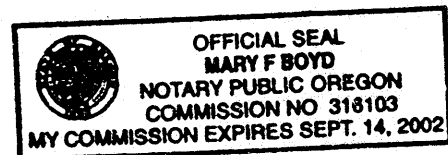


EXHIBIT "A"

The real property demised by the following lease instruments:

(a) That certain Lease dated February 13, 1970 ("Original Lease"), between Condominium Land Co., as lessor, and Condominiums Northwest, Inc., as lessee, recorded in the public records of Deschutes County ("Public Records"), in Volume 168 at Page 874; as modified by

(b) That certain Errata dated August 11, 1971, between Condominium Land Company, as lessor, and Condominiums Northwest, Inc., as lessee, recorded in the Public Records, in Volume 178 at Page 302, as modified by

(c) That certain Amendment dated December 10, 1971 ("December 1971 Amendment"), between Condominium Land Co., Inc., as lessor, and Condominiums Northwest, Inc., as lessee, recorded in the Public Records in Volume 180 at Page 991, as modified by

(d) That certain Lease Amendment dated May 18, 1972, between McMillan Inns, Inc., as lessor, and Condominiums Northwest, Inc., as lessee, recorded in the Public Records in Volume 185 at Page 574, as modified by

(e) That certain Lease Amendment Correction dated July 24, 1972, between McMillan Inns, Inc. and Condominiums Northwest, Inc., recorded in the Public Records in Volume 186 at Page 902; as modified by

(f) That certain Addendum and Correction to Lease dated March 12, 1973, between McMillan Inns, Inc. and Condominiums Northwest, Inc., recorded in the Public Records in Volume 193 at page 449, as modified by

(g) That certain Assignment and Rental Reservation Agreement dated July 7, 1980, between Lewis B. Huff and Doris J. Huff, as grantee, and United Savings Bank, Mutual, as grantor, recorded in the Public Records in Volume 324 at Page 561, as modified by

(h) That certain Assignment of Rental Reservation Agreement dated June 7, 1985, between United Savings Bank, Mutual, as assignor, and The Association of Unit Owners of the Inn of the Seventh Mountain, as assignee, recorded in the Public Records as Microfilm Document No. 85.-12411, as modified by

(i) That certain Amendment to Lease dated May 29, 1985, between Lewis B. Huff and Doris J. Huff, as lessor, and The Association of Unit Owners of the Inn of the Seventh Mountain,

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as lessee, recorded in the Public Records as Microfilm Document No. 85-12609, as modified by

(j) That certain unrecorded Agreement dated May 29, 1985, between Lewis B. Huff and Doris J. Huff, as lessor, and The Association of Unit Owners of the Inn of the Seventh Mountain, as lessee