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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:

97 SEP 17 PM 12:00

MARY SUE PENHOLLOW
COUNTY CLERK

BY: *G. G. G. G.* DEPUTY
NO. 97-33704 FEE 300-
DESCHUTES COUNTY OFFICIAL RECORDS

DECLARATION OF OSPREY POINTE CONDOMINIUMS

Dated: July 2, 1997

RETURN TO:
FRED A. AST, JR. & ASSOCIATES
P.O. Box 751
SISTON, OR 97759

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Exhibits to Declaration

- Exhibit A - Property Description
- Exhibit B - Bylaws of Osprey Pointe Condominium Owners' Association
- Exhibit C - Form of Supplemental Declaration
- Exhibit D - Allocation of Common Expenses

DECLARATION OF OSPREY POINTE CONDOMINIUMS
MADE PURSUANT TO THE OREGON CONDOMINIUM ACT

This Declaration, to be effective upon its recording in Deschutes County, Oregon, pursuant to the provisions of the Oregon Condominium Act, is made and executed this 2nd day of July, 1997, by Osprey Pointe Marketing L.L.C., an Oregon limited liability company ("Declarant").

Declarant proposes to create a residential condominium to be known as Osprey Pointe Condominiums, anticipated to be composed of not more than 24 Units, located in Deschutes County, Oregon. The purpose of this Declaration is to submit Osprey Pointe Condominiums to the condominium form of ownership and use in the manner provided by the Oregon Condominium Act.

1. Definitions and Interpretation

1.1 Definitions. As used in this Declaration, the Articles of Incorporation of Osprey Pointe Condominiums Owners' Association, its Bylaws, its Rules and Regulations, and any exhibits hereto and thereto, unless the context shall otherwise require, the following definitions shall be applied:

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 Association shall mean the nonprofit corporate entity responsible for the administration, management, and operation of the Condominium.

1.1.3 Board shall mean the Board of Directors of the Association.

1.1.4 Bylaws shall mean the Bylaws of the Association, as amended from time to time.

1.1.5 Common Elements shall mean all those portions of the Condominium exclusive of the Units and the Variable Property.

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

1.1.7 Declaration shall mean this Declaration of Osprey Pointe Condominiums and any amendments hereto.

1.1.8 General Common Elements shall mean those Common Elements designated as such pursuant to Section 7 or any Supplemental Declaration.

1.1.9 Legal Requirements shall mean any and all valid laws, orders, rules, and regulations of any governmental entity.

1.1.10 Limited Common Elements shall mean those Common Elements designated as such pursuant to Section 6 or any Supplemental Declaration.

1.1.11 Master Association shall mean Crosswater Owners' Association, Inc.

1.1.12 Master Association Assessment shall mean the Base Assessment (as that term is defined in the Master Declaration) allocable to the Condominium.

1.1.13 Master Committee shall mean the Design Review Committee as that term is defined in the Master Declaration.

1.1.14 Master Declaration shall mean that certain Declaration of Covenants, Conditions, and Restrictions for Crosswater recorded July 21, 1994 in Book 346, Page 1105 of the Official Records of Deschutes County, Oregon, as amended from time to time in accordance with its terms.

1.1.15 Master Design Guidelines shall mean the Design Guidelines as that term is defined in the Master Declaration. The Master Guidelines shall not apply to Declarant's activities in constructing, or causing to be constructed, improvements on or to any Unit or the Variable Property.

1.1.16 Mortgage shall include a deed of trust and a contract for the sale of real estate.

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

1.1.18 Owner shall mean the owner or owners of a Unit or of Variable Property, but does not include a Mortgagee unless in possession of a Unit or of Variable Property.

1.1.19 Plans shall mean the plat for the Condominium which is being recorded in the deed records of Deschutes County, Oregon, concurrently with this Declaration and any revisions of or supplements to such plat subsequently recorded.

1.1.20 Property shall mean the property submitted to the provisions of the Act, as described more particularly in Section 2.

1.1.21 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.

1.1.22 Supplemental Declaration shall mean any declaration described in Section 14, the recording of which causes all or a portion of the Variable Property to be reclassified as a Unit and Common Elements and/or which divides the Variable Property into multiple parcels of Variable Property.

1.1.23 Termination Date shall mean the date described in Section 14.1.

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

1.1.25 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.

1.1.26 Variable Property shall mean that part of the Condominium designated as such pursuant to Section 14 or any Supplemental Declaration.

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 may be given in the Act to such terms unless the context clearly requires otherwise or definition in this manner would have an unlawful consequence.

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 shall be deemed a separate Mortgagee as to each such Unit.

1.4 Original Owner of Units and Variable Property. Declarant is the original Owner of all Units and Variable Property and will continue to be deemed the Owner of such Units and Variable Property until a conveyance or other documents changing the ownership of such Units and Variable Property are filed of record.

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

1.6 Miscellaneous. All terms and words used in this Declaration, regardless of the number or gender in which they are used, shall be deemed to include any other number and any other gender as the context may require. "And/or" when applied to two or more matters or things shall be construed to apply to any one or more or all thereof, as the circumstances 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.

2. Property Submitted. The Property hereby submitted to the provisions of the Act is the land owned in fee simple by 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.

3. Name. The name by which the Property is to be identified is "Osprey Pointe Condominiums."

4. Units.

4.1 General Description of Buildings. The Condominium shall initially include five buildings, each of which shall be a Unit. The Units are situated on a generally level site. The Units are of wood construction with one story. The roofs of Units are of shingle or tile construction.

4.2 General Description, Location, and Designation of Units. The approximate area, dimensions, designation, and location of the Units are shown on the Plans.

4.3 Boundaries of Units. Each Unit shall be bounded by the exterior surfaces of its roof (including any portions of the roof that overhang the perimeter walls), perimeter walls, exterior windows and doors, and exterior foundation, by any other exterior surfaces which constitute the outermost part of the structures forming a part thereof, and by a plane lying ten feet below the plane that extends along the finished floor elevation of the Unit structure and is bounded by the perimeter walls of the Unit structure. Exterior lighting fixtures that are attached to the Unit structure shall form a part of the Unit.

5. Owner's Interest in Common Elements. Each Owner shall be entitled to an undivided percentage ownership interest in the Common Elements determined by the ratio which the number of Units owned by each Owner bears to the total number of all Units then in existence, as shown on the Plans and as supplemented by any Supplemental Declarations.

6. Limited Common Elements. The Limited Common Elements consist primarily of landscaping, driveways, walkways, and exterior lighting fixtures that are not attached to the Unit structure, as well as of pipes, ducts, conduits, wires, and other utility installations which are within areas shown as Limited Common Elements on the Plans and which serve the associated Unit. The use of each of the Limited Common Elements is reserved on an exclusive basis for the Unit (or Units, in the case of those Units that are served by a common driveway) to which such elements are assigned as shown on the Plans. The dimensions, designation, and location of the Limited Common Elements are shown on the Plans.

7. General Common Elements. The General Common Elements consist of a tract containing monumentation for the Condominium and associated improvements (including mailboxes for the Owners) and a landscaped island located in that portion of Canoe Camp Drive serving the Condominium. The dimensions, designation, and location of the General Common Elements are shown on the Plans. In addition, in the event any of the Variable Property is not reclassified into Units and Common Elements by the Termination Date, such Variable Property

shall automatically become, and be administered as, General Common Elements as described in Section 14.

8. Variable Property. The Variable Property is a distinct parcel of real property separate and apart from the Units and Common Elements. The dimensions and location of the Variable Property are shown on the Plans.

9. Allocation of Common Profits and Expenses; Enforcement of Assessments.

9.1 Method of Allocation.

9.1.1 The common profits of the Condominium shall be allocated in the manner shown on the attached Exhibit D.

9.1.2 The common expenses of the Condominium shall be allocated in the manner shown on the attached Exhibit D.

9.1.3 Assessments for common expenses shall commence upon closing of the first sale of a Unit, provided that Declarant may elect to defer the commencement of common expenses (other than assessments for reserves pursuant to Section 18.3). Assessments for reserves pursuant to Section 18.3 shall commence upon closing of the first sale of a Unit. Declarant shall give not less than 10 days' written notice to all Owners of the commencement of all common expenses. Until the commencement of assessments for all common expenses, Declarant shall be responsible for payment of all common expenses of the Association (other than assessments for reserves pursuant to Section 18.3).

9.2 No Exception. 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 the Variable Property, as the case may be, or by abandonment by the Owner of the Owner's Unit or Variable Property, as the case may be.

9.3 Default in Payment of Common Expenses. In the event of default by any Owner in paying to the Association the assessed common expenses (including, but not limited to, reserve assessments or any other special assessments), such Owner shall be obligated to pay interest on such common expenses from the due date thereof, together with all expenses, including attorneys' fees, incurred by the Association in any proceeding brought to collect such unpaid expenses, or any appeal therefrom. No interest or late charges will be assessed on common expenses paid within 30 days after the due date therefor. Delinquent payments of common expense assessments shall bear interest from the date thereof at a rate equal to four percentage points over the prime or base rate of interest offered by U.S. National Bank of Oregon, or a similar rate of interest at a similar institution if the foregoing rate or bank no longer exists, as in effect on the due date for such payment, but in no event higher than the maximum rate permitted by law. The Board of Directors may also establish and impose charges for late payments of assessments. The Board of Directors shall have the right and duty to recover for the Association such common expenses, together with interest thereon, late charges, if any, and expenses of the proceeding, including attorneys' fees, by an action brought against such Owner or

by foreclosure of the lien which the Board of Directors shall have upon such Owner's Unit or Variable Property, as the case may be, with respect to all such obligations.

9.4 Foreclosure of Liens for Unpaid Common Expenses. In any action brought by the Association to foreclose a lien on a Unit or Variable Property, as the case may be, because of unpaid common expenses, the Owner shall be required to pay a reasonable rental for the use of the Unit or Variable Property during the pendency of the suit, and the plaintiff in such foreclosure suit shall be entitled to the appointment of a receiver to collect such rental. The Board of Directors, acting on behalf of the Association, shall have the power to purchase such Unit or Variable Property at the foreclosure sale and to acquire, hold, lease, mortgage, vote the votes appurtenant to, convey, or otherwise deal with the Unit or Variable Property. An action to recover a money judgment for unpaid common expenses shall be maintainable without foreclosing any lien securing the same.

9.5 First Mortgages; Liability of Subsequent Purchaser. Any lien of the Association against a Unit or Variable Property for common expenses shall be subordinate to tax and assessment liens and any first Mortgage of record, unless there has been compliance with all requirements of Section 100.450(7) of the Act. Where the purchaser or Mortgagee of a Unit or Variable Property obtains title to the Unit or Variable Property as a result of foreclosure of a first Mortgage or by deed in lieu of foreclosure, such purchaser or Mortgagee and his successors and assigns shall not be liable for any of the common expenses chargeable to such Unit or Variable Property which became due prior to the acquisition of title to such Unit or Variable Property by such purchaser or Mortgagee except to the extent provided in Section 100.475(2) of the Act; provided, in the case of a deed in lieu of foreclosure, that the Mortgagee complies with the requirements of Section 100.465(1) of the Act; and provided further, that any sale or transfer of a Unit or Variable Property pursuant to a foreclosure shall not relieve the purchaser or transferee of such Unit or Variable Property from liability for, nor such Unit or Variable Property from the lien of, any common expenses thereafter becoming due. In a voluntary conveyance of a Unit or Variable Property, the grantee shall be jointly and severally liable with the grantor for all unpaid assessments against the grantor of the Unit or Variable Property to the time of grant of conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor. However, upon request of a prospective purchaser, the Board of Directors shall make and deliver a statement of the unpaid assessments against the prospective grantor of the Unit or Variable Property, and the grantee in such case shall not be liable for, nor shall the Unit or Variable Property when conveyed be subject to, a lien filed thereafter for any unpaid assessments against the grantor in excess of the amounts therein set forth.

10. Voting Rights. Subject to the provisions of Section 25 of this Declaration, one vote shall be allocated to each Unit. Owners of Units shall also have the voting and appointment rights with respect to the Master Association set forth in the Master Declaration, which may be exercised only as provided in the Master Declaration.

11. Use. The Units are intended for residential use. Rental of Units (or parts thereof) shall be permitted in accordance with the Rules and Regulations.

12. Master Declaration. The Condominium shall be subject to the provisions of the Master Declaration, on the terms contained therein.

13. 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.

14. Inclusion of Variable Property.

14.1 Rights of Declarant. Declarant reserves, with respect to the Variable Property, the rights provided for under Section 100.150(1)(a) of the Act. Declarant has designated the Variable Property nonwithdrawable and, accordingly, Declarant shall not have the right to withdraw the Variable Property from the Condominium under Section 100.150(1)(b) of the Act. A metes and bounds legal description of the Variable Property is shown on the Plans. Upon reclassification of any of the Variable Property as Units or Common Elements, Declarant (or Declarant's successor in title to the Variable Property to be reclassified) shall record a supplemental declaration, substantially in the form of the Supplemental Declaration attached as Exhibit C, and plat in accordance with Section 100.120 of the Act, a copy of which will be provided to any governmental authority if required in connection with a guaranty of, or the issuance of insurance with respect to, a Mortgage by such authority. The rights reserved by Declarant under Section 100.150(1)(a) of the Act shall terminate on the seventh anniversary of the date of recording of the conveyance of the first Unit to a person other than Declarant (the "Termination Date").

14.2 Additional Units. Declarant may construct, or cause to be constructed, additional residences on the Variable Property. No more than 19 residences may be created on the Variable Property. No portion of the Variable Property shall be allocated an undivided interest in the Common Elements. As each additional Unit is created by the recording of a Supplemental Declaration, such Unit's undivided interest in the Common Elements shall be equal to each other Unit's undivided interest in the Common Elements. The maximum number of Units in the Condominium shall be 24. No portion of the Variable Property shall be reclassified as a Unit and as Common Elements until all improvements intended to be constructed on that portion of the Variable Property are substantially complete in accordance with the applicable provisions of the Master Design Guidelines and approved by the Master Committee (unless constructed or installed by Declarant). The quality of construction of all improvements to be constructed on the Variable Property shall be consistent with that of the initial Units and Common Elements shown on the Plans. Assuming 24 Units are ultimately created within the Condominium, the allocation of common profits and common expenses to any Unit shall be 4.1667 percent of the total common profits or common expenses of the Condominium. The allocation of assessments as between Owners of Units and the Owner of the Variable Property is described in Section 9.1.

14.3 Existing Improvements. There are no existing improvements on the Variable Property.

14.4 Creation of Limited Common Elements. Declarant reserves the right to create Limited Common Elements within the Variable Property, including, without limitation, landscaping, driveways, walkways, utility installations, and exterior lighting fixtures not attached to a Unit structure, each of which shall be reserved for the use of the Unit (or Units, in the case of Units that are served by a common driveway) to which the Limited Common Elements are assigned as shown on each Supplemental Declaration and corresponding supplement to the Plans.

14.5 Automatic Reclassification; Common Expenses. The Variable Property is designated nonwithdrawable. If, by the Termination Date, all or a portion of the Variable Property has not been reclassified, such property shall automatically become General Common Elements of the Condominium and any interest in such property held for security purposes shall be automatically extinguished. If this happens, the Association may, with respect to the Variable Property reclassified as General Common Elements, exercise any rights previously held by Declarant if the exercise of such rights is approved by at least a majority of all voting rights. In the event of automatic reclassification, the common expenses arising out of or related to maintenance, repair, replacement, use, or obligations of or pertaining to the General Common Elements shall be assessed equally to each Owner of a Unit. If a document is required to be recorded to memorialize the automatic reclassification of the Variable Property, such document shall be executed by the chairperson and secretary of the Association and their signatures shall be acknowledged.

14.6 Nonwithdrawable Variable Property. The Plans show the location and dimensions of the Variable Property, each of which are labeled "NONWITHDRAWABLE VARIABLE PROPERTY." A metes and bounds legal description of the Variable Property is shown on the Plans. The improvements that may be made on the Variable Property include detached residences and associated improvements such as landscaping, driveways, walkways, utility installations, and exterior lighting fixtures. All such improvements are intended for residential use; rental of such improvements is permitted in accordance with the Bylaws.

14.7 Division of Variable Property. Declarant reserves the right to divide the Variable Property into multiple parcels of Variable Property by recording a Supplemental Declaration and supplemental plat. The Supplemental Declaration shall state the allocation of common expenses to each such parcel of Variable Property. Pursuant to such Supplemental Declaration, Declarant may provide for the assignment of certain of its rights with respect to the Variable Property to Owners of parcels thereof. Such division of the Variable Property shall not affect its status as nonwithdrawable.

14.8 Other Rights and Responsibilities. The Owner of the Variable Property shall be responsible for the payment of any assessments, taxes, and other expenses on or relating to the Variable Property and shall discharge any liens arising in connection with construction of improvements on the Variable Property. Ownership or occupancy of the Variable Property shall not confer any right to use any Unit or the Common Elements, subject to the rights of Declarant pursuant to Sections 19.4 and 25.4. Ownership or occupancy of a Unit shall not confer a right to use any portion of the Variable Property, subject to the rights of Declarant pursuant to Sections

19.4 and 25.4. Prior to the Termination Date, Variable Property shall be subject to assessments for expenses of the Condominium as set forth above in Section 9.1.

15. Restrictions on Merger. Nothing in this Declaration shall authorize the merger of the Condominium with a successor condominium, which merger may be effected only with the prior written approval of the Secretary of Veterans Affairs or his designee.

16. Authority Regarding Easements and Other Property Rights. The Association has the authority, pursuant to Section 100.405(5) of the Act, to execute, acknowledge, deliver, and record on behalf of the Owners leases, easements, rights of way, licenses, and other similar interests affecting the Common Elements and to consent to vacation of roadways within and adjacent to the Condominium, in each case, which are reasonably necessary to the ongoing development and operation of the Condominium. The granting of any interest pursuant to this Section 16 (other than leases having a term of two years or less) shall first be approved by the Owners holding at least 75 percent of the voting power of the Association.

17. No Restrictions on Alienation. This Declaration and the Bylaws impose no restrictions on the alienation of any Unit.

18. Maintenance and Repairs; Reserve Fund.

18.1 Maintenance of Common Elements and Variable Property. The necessary work to maintain, repair, or replace the Common Elements and landscaping located on the Variable Property shall be the responsibility of the Board and shall be carried out as provided in the Bylaws. If the Mortgagee of any Unit determines that the Board is not providing an adequate maintenance, repair, and replacement program for the Common Elements, such Mortgagee, at its option, may deliver a notice to the registered agent of the Association, as required pursuant to Section 100.550 of the Act, setting forth the particular defect(s) which it believes exists in the maintenance, repair, and replacement program. If the specified defect(s) are not corrected within 60 days after receipt of such notice, then the Mortgagee, upon written notice to the registered agent that it is exercising its proxy rights thereunder, shall have the right to attend succeeding annual or special meetings of the Association and to cast a vote for each Unit on which it holds a Mortgage on all business coming before such meeting, which proxy rights shall continue until the defect(s) described in the notice are corrected.

18.2 Maintenance of Units. All maintenance of and repairs to any Unit shall be made by the Owner of such Unit, who shall keep the same in good order, condition, and repair and shall do all redecorating, painting, and staining which at any time may be necessary to maintain the good appearance and condition of his Unit. If an Owner fails properly to perform his or her maintenance and repair responsibility, the Association may enter on to the Owner's Unit and associated Limited Common Elements and perform such maintenance and/or repair and assess all costs incurred by the Association against the Unit and the Owner as a special assessment pursuant to Section 5.2.11 of the Bylaws.

18.3 Reserve Fund for Replacing Common Elements. Declarant shall establish in the name of the Association a reserve fund for replacement of Common Elements which will

normally require replacement in more than three and fewer than 30 years. The common expenses of the Condominium shall be calculated on the basis of expected replacement costs and life expectancy of the items comprising the Common Elements which will normally require replacement in more than three and fewer than 30 years such that the reserve fund is reasonably expected to provide sufficient funds for replacement of such Common Elements. Declarant in establishing the reserve fund shall make a good faith projection of the requirements of the Association with respect to replacement of such Common Elements, but such projection may vary substantially from the actual requirements of the Association. The Association shall administer the reserve fund and shall adjust at regular intervals the amount of the periodic payments into it to reflect changes in current replacement costs over time. Following the second year after the Turnover Meeting, future assessments for the reserve fund may be reduced, eliminated, or increased by an affirmative vote of Owners holding at least 75 percent of the voting power of the Association. Any funds established for any of the purposes mentioned in this Section shall be deemed to be a reserve fund notwithstanding that it may not be so designated by the Board of Directors. The amount of the reserve fund shall constitute an asset of the Association and shall not be distributed to any Owner except on termination of the Condominium and the Association. The reserve fund is to be used only for replacement of the Common Elements which will normally require replacement in more than three and fewer than 30 years and is to be kept separate from the assessments described in Section 5.3 of the Bylaws. After the Turnover Meeting, however, the Board of Directors may borrow amounts from the reserve fund to meet high seasonal demands on funds obtained from regular assessments or to meet other temporary expenses which will later be paid from special or regular assessments.

19. Rights of Access and Use.

19.1 In General. Each Owner shall have a perpetual right of reasonable access and use to, through, over, and of each of the Limited Common Elements adjoining such Owner's Unit as may be required for ingress to and egress from such Owner's Unit; for the support of such Owner's Unit; and for the installation, operation, repair, maintenance, and replacement of utilities and other systems serving such Owner's Unit, including, but not limited to, water, natural gas, air conditioning, cable television, electrical power and wiring, light, or plumbing. The specific reference to or reservation of any rights of access and use in this Declaration does not limit or negate the general easement for Common Elements created by the Act.

19.2 Additional Rights Created by Association. The Association, upon prior approval of the Owners holding at least 75 percent of the voting power of the Association, may create on behalf of the Owners additional rights of access and use with respect to the Common Elements. No such right may be granted with respect to a Common Element unless the Owners and Mortgagees of the Units having the right to use such Common Elements consent to the creation of such a right. Nothing in this Section 19.2 shall be construed to enable the Association to revoke, alter, modify, or terminate any easements, rights of way, licenses, or similar interests of record on the date this Declaration is recorded.

19.3 Right of Entry. The Board, acting on behalf of the Association, or a managing agent, manager, or any other person authorized by the Board, shall have the right to enter any Unit or the associated Limited Common Elements in the case of any emergency

originating in or threatening the Common Elements or other Units to protect public safety, whether or not the Owner is present at the time. Each Owner shall also permit such persons to enter the Owner's Unit or the associated Limited Common Elements for the purpose of performing installations, alterations, or repairs to any Unit or Common Element, preventing damage to the Common Elements or another Unit, or inspecting the Unit to verify that the Owner is complying with the restrictions and requirements described in this Declaration, the Bylaws, and/or the Rules and Regulations, provided that requests for entry to a Unit or Limited Common Elements are made in advance and that such entry is at a time reasonably convenient to the Owner.

19.4 Right of Access and Use for Declarant. Declarant and Declarant's agents, successors, and assigns shall have a right of access and use to, through, over, and of the Common Elements for the purpose of (i) planning, designing, developing, constructing, maintaining, or repairing structures on the Property (including the Variable Property); and (ii) carrying out sales activities reasonably necessary for the sale of Units or Variable Property, including, without limitation, the right to use the Units or Variable Property owned by Declarant as sales offices or model units, until all Units have been conveyed to persons other than Declarant and all Variable Property has been reclassified as Units and Common Elements.

20. Encroachments.

20.1 Each Unit shall have an easement over all 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, except as otherwise provided in Section 20.2, the rights and obligations of Owners shall not be altered in any way by the encroachment.

20.2 The easement described in Section 20.1 does not relieve an Owner of liability in case of willful misconduct of an Owner or relieve the Declarant or any contractor, subcontractor, or materialman of liability for failure to adhere to the Plans.

20.3 The encroachments described in Section 20.1 shall not be construed to be encumbrances affecting the marketability of title to any Unit.

21. Notices to Mortgagees. The Association shall provide timely written notice of the following matters to any Mortgagee of a Unit, or any insurer or guarantor of a Mortgage on a Unit, who makes a written request therefor to the Association:

21.1 Any condemnation or casualty loss that affects either a material portion of the Condominium or a Unit in which it holds an interest;

21.2 Any delinquency of 45 days in the payment of common expenses assessed to a Unit in which it holds an interest;

21.3 A lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association; and

21.4 Any proposed action that requires the consent of a specified percentage of Mortgagees under this Declaration or the Bylaws.

22. Operating Entity. Osprey Pointe Condominium Owners' Association, an Oregon nonprofit corporation, has been organized to administer the operation and management of the Condominium and to undertake and perform all acts and duties incident thereto in accordance with the terms of its Articles of Incorporation and the Bylaws. A copy of the Bylaws, which have been adopted by the Declarant as required by Section 100.410(1) of the Act, are attached hereto as Exhibit B. The Owner of each Unit shall automatically become a member of the Association upon such Owner's acquisition of an ownership interest in any Unit and the membership of an Owner shall terminate automatically upon such Owner's being divested of all of such Owner's ownership interest in the Units, regardless of the means by which such ownership interest is divested. Each Owner shall be entitled to vote in the manner prescribed in the Articles of Incorporation of the Association and the Bylaws. Until the Turnover Meeting, the members of the Board need not be Owners. No person or entity holding any Mortgage, lien, or other encumbrance on any Unit shall be entitled, by virtue of such Mortgage, lien, or other encumbrance, to membership in the Association or to any of the rights or privileges of such membership, except as specifically described in this Declaration. In the administration of the operation and management of the Condominium, the Association shall have and is hereby granted the authority and power to enforce the provisions of this Declaration, to levy and collect assessments, and to adopt, promulgate, and enforce Rules and Regulations in the manner provided herein and in the Bylaws. Acquisition of an ownership interest in a Unit by an Owner shall constitute appointment of the Association as that Owner's attorney-in-fact in connection with proceedings, negotiations, settlements, and agreements arising from condemnation, destruction, liquidation, or termination of the Condominium, subject to the rights of the Owners described in the Bylaws.

23. Managing Agent. Subject to the rights of the Association to terminate such agreement without penalty or cause upon not less than 30 days' written notice given not later than 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 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.

24. Taxation of Units. Each Unit, together with the undivided percentage interest in the Common Elements, and the Variable Property 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.

25. Administrative Control. Except as otherwise provided in this Declaration, the Master Declaration, or in the Bylaws, until the earlier to occur of the date that is five years after the date on which the first Unit is conveyed or the date at which 18 Units (representing 75 percent of the maximum of 24 Units planned for the Condominium) have been conveyed to persons other than the Declarant:

25.1 Declarant may appoint and remove officers and members of the Board;

25.2 Declarant shall have five votes with respect to each Unit owned by it, as well as additional votes equal to the product of (i) five and (ii) the excess of (a) 24 over (b) the number of Units then created within the Condominium, notwithstanding the provisions of Section 10;

25.3 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 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 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; and

25.4 Declarant shall have the right to approve amendments proposed by the Owners to this Declaration, the Bylaws, the Plans, and the Rules and Regulations.

In addition, as to matters governed by the Master Association, Declarant shall have the voting power described in Section 9.3.2 of the Master Declaration for the period of time described in such Section of the Master Declaration.

26. Casualty.

26.1 Responsibility of Association. The Association shall be responsible for repairing, reconstructing, or rebuilding all damage or destruction of the Common Elements by casualty and, to the extent of the Association's insurance coverage, all such damage or destruction to the Units. Each Owner shall be responsible for the repairing, reconstructing, or rebuilding of his Unit to the extent not covered by the Association's insurance within 12 months of the occurrence of such casualty. The Association shall rebuild and restore the damaged or destroyed portions of the Common Elements and, to the extent of the Association's insurance coverage, of the Units, so that the Property is rebuilt and restored to substantially the same condition in which it existed prior to such damage or destruction, unless Owners of at least 75 percent of the Units and 75 percent of all first Mortgagees of Units agree that the Property shall not be rebuilt or restored. The Association shall represent the Owners in any proceeding, negotiation, settlement, or agreement relating to the payment of proceeds under any insurance policies held by the Association. Any such proceeds shall be payable to the Association to the extent of its interest therein. If the Property is to be rebuilt and restored and the proceeds of the insurance policies held by the Association are insufficient to fund the full cost of rebuilding and

restoration, the difference between the amount of such proceeds and such cost may be charged to all Owners as a common expense. If the required number of Owners and first Mortgagees agree that the Property shall not be rebuilt and restored, the Property shall be considered removed from the provisions of the Act in accordance with Section 100.605 thereof, and any proceeds resulting from such removal shall be distributed in accordance with Section 100.615 of the Act.

26.2 Responsibility of Owner. If, due to the act or neglect of an Owner, or of a member of his family or his household pet or of a guest, servant, invitee, or other authorized occupant or visitor of such Owner, damage shall be caused to the Common Elements or to a Unit or a portion of Variable Property owned by others, or maintenance, repairs, or replacements shall be required which would otherwise be a common expense, then such Owner shall pay for such damage and such maintenance, repairs, and replacements as may be determined by the Association, to the extent not covered by the Association's insurance. In the event of casualty to a Unit or Variable Property not covered by the Association's insurance, the Owner of such Unit or Variable Property shall cause it to be repaired or rebuilt to a good and neat condition in accordance with the Master Design Guidelines within 12 months of the occurrence of such casualty, unless the casualty is part of a casualty affecting other portions of the Property and Owners of at least 75 percent of the Units and 75 percent of all first Mortgagees of Units agree that the Property shall not be rebuilt or restored. Owners of Units are required to carry homeowner's insurance on a Unit, and the Owner of the Variable Property is required to carry liability insurance, as specified in Section 9 of the Bylaws. Each Owner shall be responsible for repairing, reconstructing, or rebuilding his Unit.

27. Condemnation.

27.1 Total Condemnation. In the event of condemnation of the whole of the Condominium, the compensation to be paid to Owners of Units shall be negotiated and finalized, including, if required, by representation in any proceeding, by the Association, subject to ratification of such compensation by the Owners of at least 75 percent of the Units at a special meeting called for that purpose, whether or not proceedings are necessary, and compensation, less expenses involved, if any, in obtaining the compensation shall be paid to the Association and then distributed among the Owners of Units in equitable proportions and payable to any Mortgagee to the extent required to obtain a discharge of Mortgage. Notwithstanding the award for the condemnation of the whole Condominium, the rights of each Owner of a Unit shall be separate to negotiate and finalize his personal compensation for improvements made to the Unit, cost of moving, and other similar items personal to each Owner. In the event of condemnation of the whole of the Condominium, the Owner of the Variable Property shall deal with the condemning authority with regard to compensation relating to the Variable Property.

27.2 Partial Condemnation. In the event of a partial condemnation of the Condominium which includes some Units and portions of the Variable Property and/or Limited Common Elements, each Owner whose Unit, portion of Variable Property, or associated Limited Common Elements are condemned shall deal with the condemning authority with regard to compensation therefor, and the compensation for such Unit, portion of Variable Property, or Limited Common Elements shall be paid to such Owner (or the Mortgagee of that Owner's Unit). The Association shall negotiate compensation relating to any General Common Elements. The

cost, if any, of restoring the balance of the Condominium so that it may be used shall be determined by the Association and the Association shall negotiate with the condemning authority with regard to compensation for this expenditure and shall, unless the Condominium is terminated within 30 days after the receipt of such compensation in accordance with the Act, reconstruct the Condominium, using the funds received for such reconstruction. Any moneys received by the Association for any such reconstruction shall be held in trust by the Association for the purpose of such reconstruction.

28. Fidelity Bond. The Board of Directors shall require that any person or entity, including, but not limited to, employees of any professional manager, who handles or is responsible for Association funds, whether or not such person or entity receives compensation for services, shall furnish a fidelity bond as the Board of Directors deems adequate under this Section 28. Such bonds shall name the Association as the obligee and shall cover the maximum funds that may be in the custody of the Association or any manager at any time while such bonds are in force but, in any event, not less than the sum of three months of common expense assessments on all Units and Variable Property. Any such bond shall include a provision requiring not less than ten days' written notice to the Association and any Mortgagee of a Unit requesting a copy thereof before cancellation or substantial modification of the bond for any reason. The premiums on such bonds shall be paid by the Association.

29. Amendment.

29.1 Approval by Owners. 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 75 percent of the voting power of the Association. No provisions herein regarding Variable Property may be changed unless the Owner of the Variable Property agrees to such change as evidenced by its signature on an Amendment to the Declaration implementing such change. The unanimous consent of all Owners shall be required for amendments of Sections 19.2 and 21 of this Declaration. Except as otherwise provided in the Act, no amendment may change the size, location, or rights to a Unit or Common Element or of Variable Property or method for determining liability for common expenses, right to common profits, or voting rights of or with respect to any Unit or the Variable Property, as applicable, unless such amendment has been approved by the Owners of the affected Units or the Variable Property. For as long as Declarant remains the Owner of one or more Units or any portion of the Variable Property, the Bylaws, the Rules and Regulations, and this Declaration may not be modified, added to, amended, or repealed so as to eliminate, change, or impair any rights, privileges, easements, licenses, or exemptions granted therein or herein to Declarant or its designee, or otherwise so as adversely to affect Declarant or such designee, without Declarant's or such designee's prior written consent in each instance.

29.2 Approval by Mortgagees. Amendment of any of the following provisions of this Declaration shall require the prior written approval of at least 51 percent 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:

- 29.2.1 Section 4.3, which addresses Unit boundaries;
- 29.2.2 Section 6, which addresses the Limited Common Elements;
- 29.2.3 Section 9.1, which addresses the allocation of common profits and expenses and related matters;
- 29.2.4 Section 10, which addresses voting rights;
- 29.2.5 Section 14, which addresses the Variable Property;
- 29.2.6 Section 17, which addresses restrictions on alienation of Units;
- 29.2.7 Section 18, which addresses maintenance and repairs and the establishment of a reserve fund;
- 29.2.8 Sections 19.1, 19.2, and 19.4, which address use of and access to Units and Common Elements;
- 29.2.9 Section 21, which addresses notices to Mortgagees;
- 29.2.10 Section 26, which addresses casualty loss;
- 29.2.11 Section 27, which addresses condemnation;
- 29.2.12 Section 28, which addresses fidelity bonds;
- 29.2.13 This Section 29;
- 29.2.14 Section 30, which addresses termination of the Condominium; and
- 29.2.15 Any other provision of this Declaration which expressly benefits Mortgagees of a Unit or insurers or guarantors of a Mortgage on a Unit.

In addition, except as otherwise provided in the Act, no amendment to this Declaration may change the size, location, attribution of rights in the Limited Common Elements, method for determining liability for common expenses, right to common profits, or voting rights of or with respect to any Unit unless such amendment has been approved by the holders of any Mortgages on the affected Units. Any approval of a Mortgagee required under this Section 29.2 may be presumed by the Association if such Mortgagee fails to submit a response to a written proposal

for an amendment to this Declaration within 30 days after it receives notice of such proposal by certified or registered mail, return receipt requested.

29.3 Approval by Governmental Authorities. The Association shall use reasonable efforts to obtain the approval of an amendment to this Declaration by a governmental authority engaged in the guaranty of, or the issuance of insurance with respect to, Mortgages, if required by such authority.

29.4 Recordation. Amendments to this Declaration shall be effective upon recordation of the Declaration as amended, or of the amendment thereto, certified by the chairman and secretary of the Association and approved by the county assessor and the Oregon Real Estate Commissioner, if required by law, in the deed records of Deschutes County, Oregon.

30. 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 67 percent 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.

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

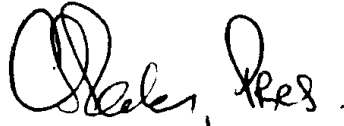
IN WITNESS WHEREOF, Declarant has caused this Declaration to be executed this 1st day of July, 1997.

Declarant:

OSPREY POINTE MARKETING L.L.C., an
Oregon limited liability company

By: Sunriver Resort Limited Partnership, a
Delaware limited partnership, a member

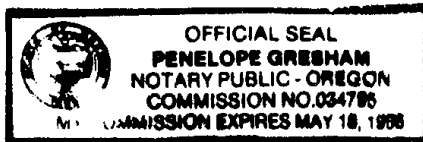
By: Lowe Sunriver, Inc., a California
corporation, General Partner

By: 
Charles S. Peck, President

STATE OF OREGON)
) ss.
 County of Deschutes)

The foregoing instrument was acknowledged before me on this 1 day of July, 1997, by Charles S. Peck, who is the President of Lowe Sunriver, Inc., a California corporation, General Partner of Sunriver Resort Limited Partnership, a Delaware limited partnership, member of Osprey Pointe Marketing L.L.C., an Oregon limited liability company, on behalf of the limited liability company.

Penelope Gresham
 Notary Public for Oregon
 My Commission Expires: May 18, 1998



Tim Warell
 County Assessor

Macl
 County Tax Collector

The foregoing Declaration is approved pursuant to ORS 100.110 this 15 day of August, 1997.

SCOTT W. TAYLOR
 Real Estate Commissioner

By: Scott W. Taylor

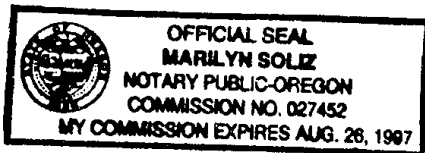
The undersigned, the holder of a Deed of Trust, Security Agreement, and Assignment of Leases and Rents on the property subject to this Declaration, executes this Declaration for the purpose of consenting to the property being submitted to the provisions of ORS 100.005 to 100.625 and the terms and conditions of the Declaration and Bylaws.

UNITED STATES NATIONAL BANK OF
OREGON

By: [Signature]
Title: Vice President

STATE OF OREGON)
) ss.
County of Multnomah)

The foregoing instrument was acknowledged before me on this 18th day of August, 1997, by Richard High, who is the Vice President of United States National Bank of Oregon, on behalf of the company.



Marilyn Soliz
Notary Public for Oregon
My Commission Expires: 8-28-97

EXHIBIT A

Property Description

Tracts M, N, and W, CANOE CAMP, Deschutes County, Oregon

EXHIBIT B

Bylaws

462 - 1162

BYLAWS

OF

OSPREY POINTE CONDOMINIUMS OWNERS' ASSOCIATION

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BYLAWS
OF
OSPREY POINTE CONDOMINIUM OWNERS' ASSOCIATION

1. GENERAL PROVISIONS.

1.1 Identity. Osprey Pointe Condominium Owners' Association, a nonprofit corporation organized under the laws of the State of Oregon, the Articles of Incorporation of which were filed in the Office of the Oregon Corporation Commissioner on the 3044 day of June, 1997 (the "Association"), has been organized for the purpose of administering the operation and management of Osprey Pointe Condominiums (the "Condominium"), in accordance with the terms of these Bylaws. The Condominium was established by Osprey Pointe Marketing L.L.C., an Oregon limited liability company (the "Declarant"), in accordance with the provisions of ORS Chapter 100 (the "Act"). The Condominium is located upon property in Deschutes County, Oregon, as more particularly described in the Declaration of Osprey Pointe Condominiums (the "Declaration"), which is being recorded simultaneously herewith in the records of Deschutes County, Oregon.

1.2 Bylaws Subject to Other Documents. The provisions of these Bylaws are applicable to the Condominium and are expressly subject to the terms, provisions, and conditions contained in the Articles of Incorporation of the Association (the "Articles") and in the Declaration.

1.3 Defined Terms. All defined terms used in these Bylaws and not specifically defined herein shall have the meaning given such terms in the Declaration.

1.4 Applicability. All owners of Units ("Owners"); all owners of Variable Property; tenants and occupants of any Unit or Variable Property; and their respective agents, servants, invitees, licensees, and employees that use the Condominium, or any part thereof, are subject to these Bylaws, and all rules and regulations thereunder as promulgated from time to time.

1.5 Office. The office of the Association shall be at c/o Sunriver Resort, Administrative Office, P.O. Box 3589, Sunriver, Oregon 97707, or at any other place within Sunriver, Oregon designated by the Association.

2. MEETINGS OF OWNERS.

2.1 Administrative Control. Notwithstanding any other provisions of these Bylaws, until the Turnover Meeting, the Declarant shall have the powers and authorities reserved to the Declarant in Section 25 of the Declaration.

2.2 Transitional Committee. Unless the Turnover Meeting has been held, the Declarant shall call a meeting of the Owners within 60 days after the conveyance to persons other

than the Declarant of 50 percent of all Units planned for the Condominium. Notice of the meeting shall be given as provided in Section 2.7 to each Owner at least seven but not more than 50 days prior to the meeting. The notice shall state the purpose, time, and place of the meeting. If the meeting is not called by the Declarant within the time specified, the meeting may be called and notice given by any Owner. If at the meeting the Owners other than the Declarant fail to select a transitional committee (the "Transitional Committee"), the Declarant shall have no further responsibility to form such a committee. The Transitional Committee shall be advisory only and shall consist of two or more members selected by Owners other than the Declarant and shall not include more than one representative of the Declarant. The members of the Transitional Committee shall serve until the Turnover Meeting. The Transitional Committee shall function to ease the transition from control of the administration of the Association by the Declarant to control by the Owners. The Transitional Committee shall have access to the information, documents, and records which the Declarant must turn over to the Owners pursuant to Section 2.3.

2.3 Turnover Meeting. The Turnover Meeting, which shall constitute the initial meeting of the Association, shall be called by the Declarant within 90 days of the expiration of the period of Declarant's administrative control described in Section 25 of the Declaration. The Declarant shall give notice (as provided in Section 2.7) of the Turnover Meeting to each Owner at least seven but not more than 50 days prior to the meeting. The notice shall state the purpose, time, and place of the meeting. If the meeting is not called by the Declarant, the meeting may be called and notice given by any Owner or by any first Mortgagee of a Unit. At the Turnover Meeting, the Declarant shall relinquish control of the administration of the Association to the Owners and the latter shall assume control; the Owners shall elect a board of directors as set forth in these Bylaws; and the Declarant shall deliver to the Association the items specified in Section 100.210(5) of the Act. During the three-month period following the Turnover Meeting, the Declarant or an informed representative thereof shall be available to meet with the Board on at least three mutually acceptable dates to review the documents delivered pursuant to Section 100.210(5) of the Act. If the Declarant has complied with the terms of Section 100.210 of the Act, then, unless the Declarant otherwise has sufficient voting rights as an Owner to control the Association, the Declarant shall not be responsible for the failure of the Owners to comply with the provisions of Section 100.210(4) of the Act, and the Declarant shall be relieved of any further responsibility for the administration of the Association except as an Owner for any unsold Unit.

2.4 Annual Meetings. In the first November following the month in which the Turnover Meeting is held, the first annual meeting of Owners shall be held. At such meeting, the three incumbent directors of the Association (any director of the Association, a "Director") elected at the Turnover Meeting shall resign and three directors (who may have previously served as Directors) shall be elected by the Owners in accordance with these Bylaws. Thereafter, annual meetings shall be held in the same month as the initial annual meeting or in the month following, at such hour and on such date as the chairman of the Board of Directors (the "Chairman") may designate or, if the Chairman fails to designate such date by the last day of the first month in which the meeting may be held, the meeting shall be held on the second Wednesday of the second month in which the meeting may be held, unless such date shall be a legal holiday, in which event the meeting shall be held on the next succeeding business day. At such meetings,

the Owners shall elect Directors to fill vacancies or to succeed retiring Directors as provided in Article 3 of these Bylaws and shall also transact such other business of the Association as may properly come before the meeting.

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

2.6 Special Meetings. It shall be the duty of the Chairman to call a special meeting of the Association if so directed by resolution of the Board or upon a petition signed and presented to the secretary of the Association (the "Secretary") by the Owners of not less than 35 percent of the Units stating the purpose of the meeting. The notice of any special meeting shall state the purpose, time, and place of such meeting. No business shall be transacted at a special meeting except as stated in the notice.

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

2.8 Voting. The total number of votes of all owners shall be equal to the total number of Units in the Condominium and each Owner shall be entitled, subject to the provisions of Section 25 of the Declaration (which grants the Declarant five votes for each Unit owned by it, as well as to additional votes with respect to the Variable Property it owns, prior to the Turnover Meeting) and to Section 3.1 of these Bylaws regarding the election of Directors, to a number of votes equal to the number of Units owned by such Owner. The Declarant shall be entitled to vote as the Owner of any Units retained by the Declarant, and the Board shall be entitled to vote on behalf of any Unit which has been acquired by or on behalf of the Association; provided, however, that the Board shall not be entitled to vote such Units in any election of Directors.

2.9 Proxies. A vote may be cast in person or by proxy. A proxy given by an Owner to any person who represents such Owner at meetings of the Association shall be in writing, signed by such Owner, may be given to any person or persons of legal age, and shall be filed with the Secretary. No proxy shall be valid after the meeting for which it was solicited, unless otherwise expressly stated in the proxy, and every proxy shall automatically cease upon sale of a Unit by its Owner. An Owner may pledge or assign such Owner's voting rights to a Mortgagee. In such case, the Mortgagee or its designated representative shall be entitled to

receive all notices to which the Owner is entitled hereunder and to exercise the Owner's voting rights from and after the date that the Mortgagee shall give written notice of such pledge or assignment to the Board of Directors. Any first Mortgagee may designate a representative to attend all or any meetings of the Association.

2.10 Fiduciary, Corporate and Joint Owners. An executor, administrator, conservator, guardian or trustee may vote, in person or by proxy, at any meeting of the Owners 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, however, that he shall satisfy the Secretary that he is the executor, administrator, conservator, guardian or trustee holding such Unit in such capacity. Any person voting on behalf of a Unit owned by a corporation or other entity shall provide the Secretary with written evidence, satisfactory to the Secretary, that such person is the duly constituted representative thereof. Whenever any Unit is owned by two or more persons jointly, according to the records of the Association, the vote of such Unit may be exercised by any of the Owners then present, in the absence of protest by a co-Owner. In the event of disagreement among the co-Owners, the vote of such Unit shall be disregarded completely in determining the proportion of votes given with respect to the matter voted upon.

2.11 Quorum. At any meeting of the Association, the presence, in person or by proxy, of a number of Owners holding 51 percent or more of the voting power of the Association shall constitute a quorum. The subsequent joinder of an Owner in the action taken at a meeting, evidenced by that Owner signing and concurring in the minutes thereof, shall constitute the presence of such person for the purpose of determining a quorum. When a quorum is once present to organize a meeting, it cannot be broken by the subsequent withdrawal of an Owner or Owners. If any meeting of the Association cannot be organized because of lack of a quorum, the Owners who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present; provided, however, that a quorum shall not be necessary to proceed with and hold a binding Turnover Meeting.

2.12 Binding Vote. The vote of more than 50 percent of the voting power of the Association, present in person or by proxy, at a meeting at which a quorum is constituted shall be binding upon all Owners for all purposes except where a higher percentage vote is required by law, the Declaration or these Bylaws.

2.13 Order of Business. The order of business at an annual meeting of the Association shall be:

- 2.13.1 Calling of the roll and certifying of proxies;
- 2.13.2 Proof of notice of meeting or waiver of notice;
- 2.13.3 Reading of minutes of preceding meeting;
- 2.13.4 Reports of officers;
- 2.13.5 Reports of committees, if any;

2.13.6 Election of directors;

2.13.7 Unfinished business;

2.13.8 New business; and

2.13.9 Adjournment.

3. BOARD OF DIRECTORS.

3.1 Number, Term and Qualification. The affairs of the Association shall be governed by the Board of Directors, which shall consist of three persons. Until the Turnover Meeting shall have been held, the Board of Directors shall consist of the three Directors named in the Articles of Incorporation of the Association, subject to the appointment and removal powers of the Declarant described in Section 25 of the Declaration. At the Turnover Meeting, three Directors shall be elected by all Owners to serve until the first annual meeting of the Association. At the first annual meeting of the Association, two Directors shall be elected by the Owners to serve for a term of two years and one Director shall be elected by the Owners to serve for a term of one year. Election by the Owners shall be by plurality. At the expiration of the initial term of office of each Director elected or appointed at the first annual meeting of the Association, his successor shall be elected or appointed as provided in this Section 3.1 to serve for a term of two years. The Directors shall hold office for the term herein fixed and until their successors have been qualified and elected. There shall be no limit on the number of successive terms a Director may serve on the Board of Directors, if elected or appointed as herein provided. After the Turnover Meeting, all Directors shall be Owners and no Director shall continue to serve on the Board of Directors after he ceases to be an Owner. For purposes of this Section 3.1, the officers of any corporation, the trustee of any trust, the partners of any partnership, or the members or managers of any limited liability company which owns a Unit shall be considered co-owners of any such Unit.

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

3.2.1 Operation, care, upkeep, repair and maintenance of the Common Elements and the landscaping located on the Variable Property.

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

3.2.3 Collection of the common expenses from the Owners.

3.2.4 Provision for the designation, hiring and removal of employees and other personnel, including lawyers and accountants and personnel necessary for the maintenance,

upkeep and repair of the Common Elements and the landscaping located on the Variable Property; engagement of or contracting for the services of others; contracting with the Master Association for goods or services for the benefit of the Condominium; and making purchases for the maintenance, repair, replacement, administration, management and operation of the Condominium and delegating any such powers to the manager or managing agent (and any such employees or other personnel as may be employees of the managing agent); provided, however, that any agreement for management services entered into after the Turnover Meeting on behalf of the Association must be terminable by the Association for cause upon not more than 30 days' notice, must have a reasonable term not exceeding two years, and must be renewable with the consent of the Association and the manager.

3.2.5 Adoption and amendment of reasonable rules and regulations of the Condominium ("Rules and Regulations") pursuant to Section 7.16 hereof.

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

3.2.7 Purchasing, leasing or otherwise acquiring, in the name of the Association or its designee, corporate or otherwise, on behalf of the Owners, Units offered for sale or lease or surrendered by their Owners to the Association.

3.2.8 Purchasing Units at foreclosure sales (judicial or non-judicial) or other judicial or execution sales, in the name of the Association or its designee, corporate or otherwise, on behalf of all Owners upon the consent or approval of the Owners of not less than 75 percent of the Units.

3.2.9 Selling, leasing, mortgaging, voting the votes appurtenant to (other than for the election of directors), or otherwise dealing with Units of the Condominium acquired by the Association or its designee on behalf of all the Owners.

3.2.10 Organizing corporations to act as designees of the Association in acquiring title to or leasing Units by the Association on behalf of all Owners.

3.2.11 Obtaining and reviewing bonds and insurance, including directors' liability insurance, for the Association and the Condominium, including the Units, pursuant to the provisions of these Bylaws.

3.2.12 Making repairs, additions and improvements to, or alterations of, the Condominium and repairs to and restoration of the Condominium in accordance with these Bylaws and Sections 26 and 27 of the Declaration after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings or settlement under the threat thereof.

3.2.13 Making additions and improvements to, or alterations of, the Common Elements; provided, however, that no such project of a non-structural or non-capital nature may be undertaken by the Board of Directors if the total cost will exceed the amount of Ten Thousand Dollars (\$10,000), unless (i) the Owners have enacted a resolution authorizing the

project by a vote of Owners holding at least 75 percent of the voting power of the Association, present in person or by proxy at a meeting of the Owners or (ii) the expenditure is authorized in the annual budget of the Association. This limitation shall not be applicable to repairs or maintenance undertaken pursuant to Subsection 3.2.1.

3.2.14 Levying fees, late charges, fines and/or interest against the Owners for violations of the Declaration, Bylaws, and/or Rules and Regulations; provided, that for any offense for which a fine is levied, the minimum fine shall be Seventy-Five Dollars (\$75) for the first offense, One Hundred Dollars (\$100) for the second offense and Two Hundred Fifty Dollars (\$250) for the third or any later offenses of the same nature, and that the maximum fine for any single offense shall in no event exceed Two Hundred Fifty Dollars (\$250) per occurrence.

3.2.15 Borrowing money on behalf of the Association when required in connection with the operation, care, upkeep, and maintenance of the Common Elements; provided, however, that (i) the consent of Owners holding at least 75 percent of the voting power of the Association, obtained at a meeting duly called and held for such purpose in accordance with the provisions of these Bylaws, shall be required for the borrowing of any sum in excess of an amount or amounts, aggregated for the calendar year in question, exceeding 15 percent of the estimated budget of the Association for that calendar year to cover the operation, care, upkeep and maintenance of the Common Elements, and (ii) no lien to secure repayment of any sum borrowed may be created on any Unit or its appurtenant interest in the Common Elements without the consent of the Owner of such Unit. If any sum borrowed by the Board of Directors on behalf of the Association pursuant to the authority contained in this Subsection 3.2.15 is not repaid by the Association, an Owner who pays to the creditor such proportion thereof equal to his interest in the Common Elements shall be entitled to obtain from the creditor a release of any judgment or other lien which said creditor shall have filed or shall have the right to file against such Owner's Unit.

3.2.16 Adjusting and settling claims under insurance policies and executing and delivering releases on settlement of such claims on behalf of all Owners, all holders of Mortgages or other liens on the Units, and all Owners of any other interest in the Condominium.

3.2.17 Bidding for and purchasing any Unit or Variable Property at a sale pursuant to a foreclosure of the lien for common expenses under the Act, or at a sale pursuant to an order or direction of a court, or other involuntary sale, upon the consent or approval of the Owners holding not less than 75 percent of the voting power of the Association.

3.2.18 Filing all appropriate income tax returns.

3.2.19 Filing of the Annual Report described in Section 100.260 of the Act with the Real Estate Agency pursuant to Section 100.250 of the Act.

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

3.2.21 Voting 13% of the total Class A voting power of the Master Association and appointing the member of the board of directors of Crosswater Owners' Association, Inc. that the Association is entitled to appoint pursuant to Section 9.3.1 of the Master Declaration.

3.3 Limitation. The powers of the Board of Directors enumerated in these Bylaws shall be limited in that the Board of Directors shall have no authority to (i) acquire and pay for out of the maintenance fund of the Association any structural alterations or capital improvements of, or capital additions to, the Common Elements (other than for purposes of repairing, replacing or restoring portions of the Common Elements, subject to all the provisions of these Bylaws) requiring an expenditure in excess of an amount or amounts, aggregated for the calendar year in question, exceeding 10 percent of the estimated total budget of the Association for such calendar year, or (ii) enter into agreements having a term in excess of three years, except agreements specifically authorized in these Bylaws, without, in each case, the prior approval of the Owners holding at least 75 percent of the voting power of the Association.

3.4 Organizational Meeting. Within 30 days following the annual meeting of the Association or following any meeting at which an election of Directors has been held, the Board of Directors shall hold an organizational meeting at such place and time as shall have been fixed by the Directors at the meeting at which the election was held.

3.5 Regular and Special Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors. Special meetings of the Board of Directors may be called by the Chairman and must be called by the Secretary at the written request of at least two Directors. Notice of any special meeting shall be given to each Director, personally or by mail, telephone, or telecopy at least two days prior to the day named for such meeting, and shall state the time, place and purpose of such meeting. All meetings of the Board of Directors shall be open to the Owners. Such meetings may be conducted by telephonic communication, except that if a majority of the Units are principal residences of the occupants, then: (i) for other than emergency meetings, notice of each meeting of the Board of Directors shall be posted at a place or places on the Property at least three days prior to the meeting, or notice shall be provided by a method otherwise reasonably calculated to inform the Owners of such meeting; and (ii) only emergency meetings of the Board of Directors may be conducted by telephonic communication.

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

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

3.8 Removal. At any regular or special meeting of the Owners, any one or more of the members of the Board of Directors may be removed with or without cause, but only by approval of at least a majority of the Owners, notwithstanding the quorum provisions of Section 2.11, and a successor may then and there or thereafter be elected by the Owners to fill the vacancy thus created. The notice of any such meeting shall state that such removal is to be considered, and any Director whose removal has been proposed shall be given an opportunity to be heard at the meeting.

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

3.10 Vacancies. Vacancies on the Board of Directors caused by any reason other than the removal of a member pursuant to Section 3.8 shall be filled by vote of a majority of the remaining Directors at a special meeting of the Board of Directors held for that purpose promptly after the occurrence of any such vacancy, even though the Directors present at such meeting may constitute less than a quorum. Each person so elected or appointed shall be a member of the Board of Directors for the remainder of the term of the member whose position was vacated and until a successor shall be elected or appointed as provided in these Bylaws at the next annual meeting of the Owners.

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

3.12 Liability and Indemnification of Directors, Officers, Manager or Managing Agent. To the fullest extent authorized by law and the Articles, the personal liability of each Director to the Association or its Owners for monetary damages for conduct as a Director shall be eliminated. Each Director and officer and the manager or managing agent, if any, shall be indemnified and held harmless by the Association, to the fullest extent permitted by law, from and against all expenses and liabilities, including attorneys' fees, reasonably incurred or imposed upon such person in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of being or having been a Director, officer, manager or managing agent and shall be indemnified upon any reasonable settlement thereof. The foregoing rights of indemnification shall be in addition to and not exclusive of any and all other rights conferred on such persons under any agreement, vote of the Owners or otherwise.

3.13 Insurance. The Board of Directors shall comply with the insurance requirements contained in Article 9 of these Bylaws. In addition, the Board of Directors, in its discretion, may obtain such other insurance as it deems necessary to protect the interests of the Association, the Board of Directors or the Owners.

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

4. OFFICERS.

4.1 Designation. The principal officers of the Association shall be the Chairman, the Secretary and a treasurer (the "Treasurer"), all of whom shall be elected by the Board of Directors. The Board of Directors may appoint a vice chairman (the "Vice Chairman"), an assistant treasurer (an "Assistant Treasurer"), an assistant secretary (an "Assistant Secretary") and such other officers as in its judgment may be desirable. None of the officers need be Owners until the Board of Directors is elected by the Owners at the Turnover Meeting. Thereafter, all officers shall be Owners (or officers, directors, shareholders, partners, employees or beneficiaries, or members of the respective families, of Units owned by corporations, partnerships, fiduciaries or Mortgagees).

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

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

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

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

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

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

4.8 Execution of Instruments. All agreements, contracts, deeds, leases and other instruments of the Association, except checks, shall be executed by such person or persons as may be designated by general or special resolution of the Board of Directors and, in the absence of any general or special resolution applicable to any such instrument, then such instrument shall be signed by the Chairman. All checks shall be signed by the Treasurer, or in his absence or disability, by the Chairman or any duly elected Assistant Treasurer. Notwithstanding the foregoing, all checks of Two Thousand Five Hundred Dollars (\$2,500) or more shall require the signatures of at least two authorized signatories.

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

5. BUDGET, EXPENSES AND ASSESSMENTS.

5.1 Budget. The Board of Directors shall from time to time, at least annually, prepare a budget for the Association, estimate the common expenses expected to be incurred, less any previous overassessment, and assess the common expenses in accordance with Section 9.1 of the Declaration. The budget shall provide for an adequate reserve fund for maintenance, repairs

and replacement of those Common Elements which will normally require replacement in more than three and fewer than 30 years. The Board of Directors shall advise each Owner in writing of the amount of common expenses payable by him, and furnish copies of each budget and amended budget on which such common expenses are based to all Owners and, if requested, to their Mortgagees, at least 30 days prior to the annual meeting of the Association. Failure to deliver a copy of any budget or amended budget to each Owner shall not affect the liability of any Owner for any such assessment. Nothing herein contained shall be construed as restricting the right of the Board of Directors to, at any time, in their sole discretion, levy any additional assessment in the event that the budget originally adopted shall appear to be insufficient to pay costs and expenses of operation and management of the Condominium, or in the event of emergencies. Any budget for the Association prepared by the Declarant or during the period of Declarant's administrative control of the Association pursuant to Section 25 of the Declaration shall be based on the Declarant's good faith projection of the requirements of the Association for the period in question, but such projection may vary substantially from the actual requirements of the Association for such period. After the Turnover Meeting, the Board of Directors shall be responsible, in its sole discretion, for preparation of the budget of the Association and shall not rely upon prior budgets or projections prepared by the Declarant.

5.2 Determination of Common Expenses. Common expenses shall include:

5.2.1 Expenses of administration.

5.2.2 Cost of insurance or bonds obtained in accordance with these Bylaws.

5.2.3 A general operating reserve, sufficient to pay the amount of the deductible on any insurance policy held by the Association under Section 9.1.1.

5.2.4 Reserve for replacements and deferred maintenance, as set forth in Section 5.1.

5.2.5 Any deficit in common expenses for any prior period, and any accrued interest or late charges thereon.

5.2.6 Utilities for the Common Elements and other utilities not separately metered or charged.

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

5.2.8 Professional management services, gardening, landscaping, snow removal, waste removal, cleaning, and maintenance, decorating, repair and replacement of the Common Elements and the Variable Property and such machinery and equipment for the Common Elements and the Variable Property as the Board of Directors shall determine are necessary and proper, which the Board of Directors shall have the exclusive right and duty to acquire for the Common Elements and the Variable Property.

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

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

5.2.11 Maintenance and repair of any Unit if the Board of Directors determines that the Owner of a Unit has failed or refused to perform such maintenance or repair in accordance with Section 18.2 of the Declaration within a reasonable time after written notice of the necessity of such maintenance or repair delivered by the Board of Directors to such Owner, provided that the Board of Directors may levy a special assessment against such Owner for the cost of such maintenance or repair.

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

5.3 Assessment of Common Expenses. All Owners shall be obliged to pay on a monthly basis in advance common expenses assessed to them by the Board of Directors on behalf of the Association pursuant to these Bylaws and the Declaration, including amounts applicable to the reserve fund described in Section 18.3 of the Declaration. Assessments may not be waived due to limited use or nonuse of Limited Common Elements. The Declarant shall be assessed as the Owner of any unsold Unit, but such assessment shall be prorated to the date of sale of the Unit. Assessments shall commence in accordance with Section 9.1.3 of the Declaration. At the time of closing of the initial sale of each Unit, the purchaser shall make the contribution described in Section 5.4.3 to the working capital fund. The Board of Directors, on behalf of the Association, shall assess the common expenses against the Owners from time to time, and at least annually, and shall take prompt action to collect from an Owner any common expense due which remains unpaid by him for more than 30 days from the due date for its payment (except as provided above for the Declarant).

5.4 Special Assessments.

5.4.1 Capital Improvements. In the case of any duly authorized capital improvement to the Common Elements, the Board of Directors may by resolution establish separate assessments for the same, which may be treated as capital contributions by the Owners, and the proceeds of which shall be used only for the special capital improvements described in the resolution.

5.4.2 Other Reserve Trust Funds. The Board of Directors may also build up and maintain a reasonable reserve for contingencies and replacements not covered by Section 18.3 of the Declaration. Extraordinary expenditures not originally included in the annual estimate which may become necessary during the year may be charged against such reserve. If the estimated cash requirement proves inadequate for any reason, including nonpayment of any Owner's assessment, the Board of Directors may at any time levy a further assessment, which shall be assessed to the Owners according to each Owner's percentage ownership in the Common Elements. The Board of Directors shall serve notice of such further assessment on all Owners by a statement in writing giving the amount and reasons therefor, and such further assessment shall become effective with the first monthly assessment of common expenses which is due more than 30 days after the delivery or mailing of such notice of further assessment. Any reserve fund established by the Declarant shall be based upon the Declarant's good faith projection of the applicable reserve requirements of the Association, but such projection may vary substantially from the actual requirements of the Association.

5.4.3 Working Capital Fund. The Declarant shall establish in the name of the Association a working capital fund for the Association. Amounts paid into this fund shall not be considered advance payments of the monthly assessments for common expenses described in Section 5.3. At the time of closing of the initial sale of each Unit, the purchaser shall make an initial contribution to the working capital fund equal to three months of Association assessments for the Unit, but, in any event, not less than the amount that may have been contributed to the working capital fund on behalf of such Unit by the Declarant under this Section 5.4.3. At or prior to the Turnover Meeting, the Declarant shall make a contribution to the working capital fund equal to three months of Association assessments for all Units then existing but not yet conveyed to persons other than the Declarant; provided, however, that the contribution by the initial purchaser of a Unit described in the preceding sentence shall be paid to the Declarant at the closing of such purchase in reimbursement of contributions made to the working capital fund by the Declarant. At or prior to the Turnover Meeting, the Declarant shall transfer the amount of the reserve fund to the Association for deposit in a segregated fund and administration in accordance with Section 5.4.2. During the period of administrative control described in Section 25 of the Declaration, the Declarant shall not use any funds contained in the working capital fund to defray the Declarant's expenses, contributions to reserves, or construction costs, or to compensate for any deficits in the operating budget of the Condominium.

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

5.6 Violation by Owners; Remedies. The violation of any Rule or Regulation or other determination duly adopted by the Board of Directors, or the breach of any covenant or provision contained in the Declaration or these Bylaws, shall give the Board of Directors the right: (i) to enter upon that part of the Condominium where such violation or breach exists and summarily abate and remove, at the expense of the defaulting Owner or and the Variable Property owner, any structure, thing or condition that may exist thereon contrary to the intent and meaning of the provisions so violated, and the Board of Directors, or its agents, shall not thereby be deemed guilty in any manner of trespass; provided, however, that the Board of Directors must

institute legal proceedings before any item of construction may be altered or demolished in remedying such violation, and (ii) to enjoin, abate or remedy by appropriate legal proceedings the continuance of any breach. Any Owner aggrieved by such a violation shall also have the right, on behalf of the Association, to enjoin, abate, or remedy by appropriate legal proceedings any such violation and to recover its expenses in accordance with Section 11.1. All expenses of the Board of Directors in connection with such violation and such action or proceedings (including any action or proceeding brought on behalf of the Association), including engineering, architectural and other professional fees and costs, court costs and attorneys' fees and any other fees and expenses (including fees, fines, late charges and interest imposed pursuant to these Bylaws), and all damages, liquidated or otherwise, together with interest thereon at the rate provided in Section 9.3 of the Declaration until the amount outstanding is paid, shall be charged to and assessed against such defaulting Owner or Lot owner and shall be added to and deemed part of his respective share of the common expenses. The Board of Directors shall have a lien for all of the same upon the Unit or Variable Property of such defaulting Owner or Variable Property owner and upon all of his additions and improvements thereto and upon all of his personal property located in such Unit or Variable Property or elsewhere in the Condominium. Any and all of such rights and remedies may be exercised at any time and from time to time, cumulatively or otherwise, by the Board of Directors. Any violations by an Owner or Variable Property owner of the Declaration, these Bylaws or any Rules and Regulations which are deemed by the Board of Directors to be a hazard to public health or safety may be corrected immediately as an emergency matter by the Association, and the cost thereof shall be charged to the offending Owner or Variable Property owner as a specific item, which shall be a lien against the offending Owner's Unit (or Variable Property owner's Variable Property) with the same force and effect as if the charge were a part of the normal common expenses attributable to such Unit or Variable Property.

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

5.8 No Waiver. The failure of the Association or of an Owner to enforce any right, provision, covenant or condition which may be granted by any of the provisions of the Declaration, these Bylaws or any Rules or Regulations shall not constitute a waiver of the right of the Association or an Owner to enforce such right, provision, covenant or condition in the future.

6. RECORDS AND AUDITS.

6.1 General Records. The Board of Directors and the managing agent or manager, if any, shall keep detailed records of the actions of the Board of Directors and the managing agent or manager, minutes of the meetings of the Board of Directors and minutes of the meetings of the Association. The Board of Directors shall maintain a list of Owners entitled to vote at meetings of the Association and a list of all Mortgagees of Units. The Association shall maintain a copy, suitable for duplication, of: (i) the Declaration, these Bylaws, the Rules and Regulations and any amendments or supplements thereto; (ii) the most recent annual financial statement of the Association described in Section 6.4; and (iii) the current operating budget of the Association. Such documents shall be available for inspection by Owners, Mortgagees of Units, insurers and guarantors of such Mortgages, and prospective purchasers of Units during normal business hours.

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

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

6.4 Reports and Audits. An annual financial statement of the Association, consisting of at least a balance sheet and income and expense statement for the preceding fiscal year, shall be rendered by the Board of Directors to all Owners, and to all Mortgagees of Units or Lots who have requested the same, within 90 days after the end of each fiscal year. At any time any Owner or Mortgagee of a Unit may, at his own expense, cause an audit or inspection to be made of the books and records of the Association.

6.5 Notice of Sale, Mortgage, Rental or Lease. Immediately upon the closing of any sale, Mortgage, rental or lease of any Unit or sale of a Lot, the Owner or Lot owner shall promptly inform the Secretary or manager of the name and address of the purchaser, Mortgagee, lessee, or tenant.

6.6 Payment of Vouchers. The Treasurer shall pay all vouchers up to Two Thousand Five Hundred Dollars (\$2,500) signed by the Chairman, managing agent, or other person authorized by the Board of Directors. Any voucher in excess of Two Thousand Five Hundred Dollars (\$2,500) shall require the signature of the Chairman and one other officer of the Association.

7. OCCUPATION AND USE.

For purposes of this Section 7 only, the term "Owner" shall include the owner of a Lot.

7.1 Rental. The rental of a Unit (or parts of a Unit) shall be permitted in accordance with the Rules and Regulations.

7.2 Insurance Risk. No Unit, Common Elements, or Variable Property shall be occupied or used by anyone in such a manner as to result in an increase in the cost of casualty or liability insurance on the Condominium or the risk of cancellation, or threat of cancellation, of any policy of insurance on the Condominium or any Unit or any part of the Variable Property or Common Elements.

7.3 Compliance. Each Owner shall comply and shall require all residents, lessees, servants, invitees, employees and visitors to his Unit or Variable Property to comply with the Act, the Declaration, these Bylaws and the Rules and Regulations adopted pursuant thereto.

7.4 Alterations. No Owner shall make any alterations, additions, or improvements in, to, or of his Unit or Variable Property or the Common Elements without compliance in full with the Master Declaration and Master Design Guidelines.

7.5 Non-Interference. Each Unit shall be used only for such purpose and to such extent as will not overload or interfere with any Common Elements or the enjoyment of adjacent Common Elements by the other Owners.

7.6 Nuisances. No nuisances or noxious or offensive activities shall be allowed in the Condominium nor shall any use or practice be allowed which is improper or offensive in the opinion of the Board of Directors or which unreasonably interferes with or is an unreasonable annoyance to the peaceful possession or proper use of the Condominium by other Owners or occupants.

7.7 Unlawful or Improper Activities. No unlawful use shall be made of the Condominium or any part thereof, and all Legal Requirements shall be strictly complied with. Compliance with any Legal Requirements shall be accomplished by and at the sole expense of the Owner or Association, as the case may be, whichever shall have the obligation to maintain and repair the portion of the Condominium affected by any such Legal Requirement. Each Owner shall give prompt notice to the Board of Directors of any written notice received of the violation of any Legal Requirement affecting the Owner's Unit, Variable Property, or the Condominium. Notwithstanding the foregoing provisions, an Owner may, at his expense, defer compliance with and contest, by appropriate proceedings prosecuted diligently and in good faith, the validity or applicability of any Legal Requirement affecting any portion of the Condominium which such Owner is obligated to maintain and repair, and the Board of Directors shall cooperate with such Owner in such proceedings, provided that:

7.7.1 Such Owner shall pay and shall defend, save harmless, and indemnify the Board of Directors, the Association, and each other Owner against all liability, loss or damage which any of them respectively shall suffer by reason of such contest and any noncompliance with such Legal Requirement, including attorneys' fees and other expenses incurred;

7.7.2 Such Owner shall keep the Board of Directors advised as to the status of such proceedings; and

7.7.3 If any Owner conducts any activity or fails to comply with any Legal Requirement that increases the insurance premiums on insurance carried by the Association, or for which the Association is directly or indirectly responsible, such Owner shall pay such increased premium to the Association, upon demand, and if not so paid, such amount shall bear interest after the date of such demand at the rate provided in Section 5.6.

7.8 Contested Legal Requirements. An Owner need not comply with any Legal Requirement so long as the Owner is contesting the validity or applicability thereof as provided in Section 7.7, provided that noncompliance shall not create a dangerous condition or constitute a crime or an offense punishable by fine or imprisonment, and that no part of the Condominium shall be subject to being condemned or vacated by reason of noncompliance or otherwise by reason of such contest. The Board of Directors may also contest any Legal Requirement without being subject to the conditions described in Section 7.7 as to contest and may also defer compliance with any Legal Requirement, subject to the conditions contained in this Section 7.8 as to deferral of compliance by an Owner, and the costs and expenses of any contest by the Board of Directors shall be a common expense.

7.9 Association Rules and Regulations. In addition to the foregoing requirements, the Board of Directors from time to time may adopt, modify, or revoke such Rules and Regulations, in addition to any rules and regulations issued by the Crosswater Owners' Association, Inc., governing the conduct of persons and the operation and use of the Units, Variable Property, and the Common Elements as it may deem necessary or appropriate in order to assure the peaceful and orderly use and enjoyment of the Condominium. Any such Rules and Regulations may be amended, modified or revoked by the Owners of Units in the same manner as these Bylaws. A copy of the Rules and Regulations, upon adoption, and a copy of each amendment, modification or revocation thereof, shall be delivered by the Board of Directors promptly to each Owner and shall be binding upon all Owners and occupants of all Units and Variable Property from the date of delivery.

7.10 Activities of the Declarant. Nothing in this Article 7 or in the other provisions of these Bylaws shall be construed to limit, modify, or otherwise restrict the rights of the Declarant pursuant to the Declaration with respect to the planning, designing, developing, and constructing of structures on Variable Property (as defined in the Declaration).

8. MAINTENANCE AND REPAIR.

Maintenance and repair of the Condominium shall be performed in accordance with Sections 18 and 26 of the Declaration.

9. INSURANCE.

9.1 Types. Each Owner shall be responsible for obtaining, at his own expense, insurance covering his property not insured under Subsection 9.1.1 below and against his liability not covered under Subsection 9.1.2 below, unless the Association agrees otherwise. For the benefit of the Association and the Owners, the Board of Directors shall obtain and maintain at all times, and shall pay for out of the common expense funds, the following insurance:

9.1.1 Insurance covering loss or damage under an all-risk replacement cost policy, which coverage must include fire, extended coverage, vandalism and malicious mischief, and such other coverages such as flooding, which the Association may deem desirable, for not less than the full insurable replacement value, including the cost of replacement in compliance with the then applicable building codes, of the Common Elements, including any fixtures, building service equipment, and common personal property and supplies belonging to the Association. Such policy or policies shall name the Association and the Owners as insureds, as their interests may appear, and shall provide for a separate loss payable endorsement in favor of the Mortgagee of each Unit, if any. No such policy shall contain a deductible exceeding the lesser of Ten Thousand Dollars (\$10,000.00), adjusted by any increase in the Consumer Price Index - All Items - for all urban consumers as published by the U.S. Bureau of Labor Statistics (or any comparable substitute index, if such shall be discontinued), the base year being 1997, or one percent of the face amount of the policy.

9.1.2 A policy or policies insuring the Declarant, the Association, the Board of Directors, the Owners and the managing agent, against liability to the public or to the Owners, and their employees, invitees, or tenants, incident to the supervision, control, operation, maintenance, or use of the Condominium, including all Common Elements, public ways, and any other areas under the supervision of the Association. There may be excluded from such policy or policies coverage of an Owner (other than as a member of the Association or Board of Directors) for liability arising out of acts or omissions of such Owner and liability incident to the ownership and/or use of the part of the Condominium as to which such Owner has the exclusive use or occupancy. Limits of liability under such insurance shall not be less than One Million Dollars (\$1,000,000.00) on a combined single limit basis. In addition to the indexing provided under Section 12.7, the foregoing policy limits of liability shall be increased, in the sole discretion of the Board of Directors, as indicated by the course of plaintiff's verdicts in personal injury claims in the Circuit Court of Deschutes County, State of Oregon, from time to time. Such policy or policies shall be issued on a comprehensive liability basis and shall provide cross liability endorsement wherein the rights of the named insured under the policy or policies shall not be prejudiced as respects any action against another named insured.

9.1.3 Workman's compensation insurance to the extent necessary to comply with any applicable laws.

9.1.4 Directors' liability insurance, if the Board of Directors deems such to be appropriate.

9.2 Mandatory Policy Provisions. Insurance obtained by the Association shall be governed by the following provisions:

9.2.1 All policies shall be written with the State of Oregon or a company domiciled in the United States and licensed to do business in the State of Oregon and holding a commissioner's rating of at least "A," and a size rating of at least "AAA," by the Best's Insurance Reports current at the time the insurance is written or, prior to the Turnover Meeting, holding ratings acceptable to the Declarant. Should reinsurance be involved, the Board of Directors shall

use its best efforts to obtain such coverage from a reinsurer having a size rating of at least "AAA."

9.2.2 All losses under policies hereafter in force placed by the Association regarding the Condominium shall be settled exclusively by the Board of Directors or its authorized representative. The Board of Directors may give such releases as are required, and any claimant, including the Owner of a damaged Unit, shall be bound by such adjustment; provided, however, that the Board of Directors may, in writing, authorize an Owner to adjust any loss to his Unit.

9.2.3 Each Owner shall be required to notify the Board of Directors of all improvements made by the Owner to the exterior of his Unit or Variable Property, the value of which is in excess of Five Hundred Dollars (\$500.00). Nothing in this subsection shall permit an Owner to make improvements other than in accordance with the Declaration and the other provisions of these Bylaws.

9.2.4 Any Owner who obtains individual insurance policies covering any portion of the Condominium other than his personal property and fixtures shall file a copy of such individual policy or policies with the Association within 30 days after the purchase of such insurance.

9.3 Discretionary Provisions. The Board of Directors shall make every effort to secure insurance policies that will provide for the following:

9.3.1 A waiver of subrogation by the insurer as to any claims against the Association, the Board of Directors, the manager, the Owners and their respective servants, agents, household members, and guests, except for arson and fraud;

9.3.2 A provision that any master policy on the Condominium cannot be canceled, invalidated, or suspended, nor coverage denied thereunder, on account of the conduct of any one or more individual Owners;

9.3.3 A provision that any master policy on the Condominium cannot be canceled, invalidated, or suspended on account of the conduct of any officer or employee of the Board of Directors or the manager without prior demand in writing that the Board of Directors or manager cure the defect;

9.3.4 A provision that any "no other insurance" clause in any master policy exclude individual Owners' policies from consideration, and a waiver of the usual proration clause with respect to such policies;

9.3.5 A provision that the insurer issue subpolicies specifying the portion of any master policy earmarked for each Owner's interest and that until the insurer furnishes written notice and a grace period to the Mortgagee insured under the loss payable clause thereof, the Mortgagee's coverage is neither jeopardized by the conduct of the mortgagor-Owner, the Association, or other Owners, nor canceled for nonpayment of premiums;

9.3.6 A rider on any master policy patterned after "Use and Occupancy" insurance which will provide relief from monthly assessments while a Unit is uninhabitable by the payment of the Condominium expenses thereof and any other fixed costs, including, but without being limited to, taxes, rent, insurance, and Mortgage payments. The proceeds from any casualty policy, whether held by the Association or an Owner, payable with respect to any loss or damage to the Common Elements, shall be held in trust for the benefit of all insureds as their interests may appear;

9.3.7 A waiver of the insurer's right to determine whether the damage should be repaired. If reasonably available, the policy or policies should contain a stipulated amount clause, or determinable cash adjustment clause, or similar clause, to permit a cash settlement covering specified value in the event of destruction and a decision not to rebuild;

9.3.8 A provision that such policy or policies of insurance shall not be canceled or substantially modified without at least 60 days' prior written notice to all parties whose interests appear thereon, including any Mortgagee who has given notice to the insurer;

9.3.9 Waivers of any defense based on co-insurance or of invalidity arising from the conduct or any act or omission or breach of a statutory condition of or by any insured;

9.3.10 A provision that the same shall be primary insurance in respect of any other insurance carried by any Owner;

9.3.11 An "inflation guard" endorsement;

9.3.12 An endorsement providing coverage with respect to changes that may be required under applicable codes or ordinances to undamaged portions of the Condominium in the event of a casualty affecting a portion of the Condominium; and

9.3.13 A provision that any insurance trust agreement will be recognized.

9.4 Additional Requirements.

9.4.1 Prior to obtaining any policy or policies of insurance under Section 9.1.1, or any renewal or renewals thereof and if any first Mortgagee holding Mortgages on at least 75 percent of the Units so requires, or at such other times as the Board of Directors may deem advisable, the Board of Directors shall obtain an appraisal from an independent qualified appraiser, of the "full replacement cost" of the Condominium, for the purpose of determining the amount of insurance to be obtained pursuant to Section 9.1.1, and the cost of such appraisal shall be a common expense; provided, however, that the full replacement cost of the Common Elements for the policy or policies of insurance placed in force upon recording of these Bylaws or the Declaration shall be determined by the Declarant.

9.4.2 No Mortgage may be placed against any Unit or Variable Property unless the Mortgagee agrees to waive any contractual or statutory provision giving the Mortgagee the right to have the proceeds of any insurance policy or policies applied on account of the

Mortgage and thereby prevent application of the proceeds of any insurance policy or policies towards the repair of the property pursuant to the provisions of these Bylaws. This Subsection 9.4.2 shall be read without prejudice to the right of a Mortgagee to vote on or to consent to certain matters, if the Mortgage itself contains a provision giving the Mortgagee that right, and also to the right of any Mortgagee to receive the proceeds of any insurance policy, if the insured property is not repaired.

9.4.3 A certificate or memorandum of all insurance policies and endorsements thereto shall be issued as soon as possible to each Owner and a duplicate original or certified copy of the policy or policies to each Mortgagee. Renewal certificates or certificates of new insurance policies shall be furnished to each Owner and Mortgagee not later than 10 days before the expiration of any current insurance policy. The master policy (or a copy thereof) for any insurance coverage shall be kept by the Association in its office, available for inspection by an Owner or Mortgagee on reasonable notice to the Association.

9.4.4 No insured, other than the Association, shall be entitled to amend any policy or policies of insurance obtained and maintained by the Association, or to direct that loss shall be payable in any manner other than as provided in these Bylaws.

9.5 By the Owner. It is acknowledged that the foregoing provisions specify the only insurance required to be obtained and maintained by the Association and that the following insurance shall be obtained and maintained by each Owner, as specified.

9.5.1 Insurance on a Unit shall be purchased and maintained by the Owner of such Unit for the full insurable value thereof. Insurance also shall be purchased for furnishings, fixtures, equipment, decorating and personal property and chattels of the Owner contained within his Unit, and his personal property and chattels stored elsewhere on the Property, including his automobile or automobiles, and for loss of use and occupancy of his Unit in the event of damage. Any such policy or policies of insurance shall contain waivers of subrogation against the Association, its manager, agents, employees and servants, and against the other Owners and any members of their households, except for vehicle impact, arson and fraud.

9.5.2 Public liability insurance in the amount reasonably set by the Board of Directors no more often than every three years with respect to a Unit or to Variable Property, covering any liability of any Owner to the extent not covered by any public liability and property damage insurance obtained and maintained by the Association.

10. AMENDMENTS TO BYLAWS.

10.1 How Proposed. Amendments to the Bylaws shall be proposed by either a majority of the Board of Directors or by the Owners holding at least 33 percent of the voting power of the Association. The proposed amendment must be reduced to writing and shall be included in the notice of any meeting at which action is to be taken thereon.

10.2 Adoption. A resolution adopting a proposed amendment may be proposed by either the Board of Directors or by the Owners and may be approved by the Owners at a

meeting called for this purpose. Owners not present at the meeting considering such amendment may express their approval in writing or by proxy delivered to the Board of Directors at or prior to such a meeting. Any resolution shall be approved by Owners holding at least a majority of the voting power of the Association, except that any resolution containing an amendment relating to age restrictions, pet restrictions, limitations on the number of persons who may occupy a Unit and limitations on leasing or rental of Units shall be approved by Owners holding at least 75 percent of the voting power of the Association, and except that any provision of these Bylaws that is required to be in the Declaration may be amended only in accordance with the requirements governing amendment of the Declaration. No provisions herein regarding Variable Property may be changed unless the Owner of the Variable Property consents in writing thereto. In addition to the foregoing approval requirements, amendment of the following provisions of these Bylaws shall require the prior written approval of at least 51 percent 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: (i) Section 8, which addresses maintenance and repair; (ii) Article 9, which addresses insurance requirements; and (iii) any other provision of these Bylaws which expressly benefits Mortgagees of Units or insurers or guarantors of such Mortgages. Any approval of a Mortgagee required under this Section 10.2 may be presumed by the Association if the Mortgagee fails to submit a response to a written proposal for an amendment to these Bylaws within 30 days after it receives notice of such proposal by certified or registered mail, return receipt requested. For so long as the Declarant remains the owner of one or more Units or of any Variable Property, the Bylaws may not be modified, added to, amended or repealed so as to eliminate, change, or impair any rights, privileges, easements, licenses or exemptions granted therein or herein to the Declarant or its designee, or otherwise adversely affect the Declarant or such designee, without the Declarant's or such designee's prior written consent in each instance.

10.3 Execution and Recording. An amendment shall not be effective until certified by the Chairman and Secretary of the Association, approved by the Real Estate Commissioner of the State of Oregon if required by law, and recorded as required by law.

10.4 Rights of the Declarant. Nothing in this Article 10 shall limit the right of the Declarant to approve amendments to the Bylaws pursuant to Section 25 of the Declaration.

11. LITIGATION.

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

11.2 Complaints Against. Complaints brought against the Association, the Board of Directors or the officers, employees, or agents thereof, in their respective capacities as such, or against the Property as a whole, shall be directed to the Board of Directors, which shall promptly give written notice thereof to the Owners and any Mortgagees who have requested notice thereof and shall be defended by the Board of Directors, and the Owners and Mortgagees shall have no right to participate other than through the Board of Directors in such defense. One or more Owners shall have the right to enjoin, abate, or remedy by appropriate legal proceedings any failure by the Association or the Board of Directors to comply with the provisions of the Declaration, these Bylaws, or any Rule or Regulation. Complaints against one or more, but less than all of the Owners, shall be directed to such Owners, who shall promptly give written notice thereof to the Board of Directors and to the Mortgagees having an interest in such Units, and shall be defended by such Owners.

12. MISCELLANEOUS.

12.1 Notices. All notices to the Association or to the Board of Directors shall be sent care of the managing agent, or if there is no managing agent, to the principal office of the Association or to such other address as the Board of Directors may hereafter designate from time to time by written notice thereof to each Owner. All notices to any Owner shall be sent to such address as may have been designated by him from time to time, in writing, to the Board of Directors, or if no address has been designated, then to the Owner's Unit.

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

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

12.4 Action Without a Meeting. Any action which the Act, the Declaration or the Bylaws require or permit the Owners or Board of Directors to take at a meeting may be taken without a meeting if a consent in writing setting forth the action so taken is signed by the requisite percentage of the Owners or Directors required to approve the matter. The consent, which shall have the same effect as a vote of the Owners or the Board of Directors, as the case may be, shall be filed in the records of minutes of the Association.

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

12.6 Liability Survives Termination. The sale or other disposition of his Unit shall not relieve or release any former Owner from any liability or obligation incurred or in any

way connected to such ownership, nor shall such termination impair any rights or remedies which the Association may have against such former Owner arising out of or in any way connected with such ownership and the covenants and obligations incident thereto.

12.7 Indexing. Whenever any dollar amount is specified in these Bylaws, such amount shall be automatically adjusted each January 1 based upon any changes in the Consumer Price Index - All Items - for all urban consumers published by the U.S. Bureau of Labor Statistics (or any generally accepted substitute for such index, if such index shall be discontinued) using the index for January, 1997 as the base year.

12.8 The Declarant as Owner. Except as expressly provided in these Bylaws and the Declaration, the Declarant shall, with respect to any Units and Variable Property owned by the Declarant, enjoy any and all rights, and assume any and all obligations, enjoyed or assumed by an Owner.

Dated at Sunriver, Oregon, this 30th day of June, 1997, being hereby adopted by the undersigned Declarant on behalf of the Association.

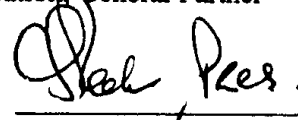
Declarant:

OSPREY POINTE MARKETING L.L.C., an
Oregon limited liability company

By: Sunriver Resort Limited Partnership,
a Delaware limited partnership, a
member

By: Lowe Sunriver, Inc., a California
corporation, General Partner

By:


Charles S. Peck, President

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EXHIBIT C

Form of Supplemental Declaration

**PROPOSED
SUPPLEMENTAL DECLARATION
OF OSPREY POINTE CONDOMINIUMS**

This SUPPLEMENTAL DECLARATION OF OSPREY POINTE CONDOMINIUMS (this "Supplemental Declaration"), to be effective upon its recording in the deed records of Deschutes County, Oregon pursuant to the provisions of the Oregon Condominium Act, is made and executed this ____ day of _____, by Osprey Pointe Marketing L.L.C., an Oregon limited liability company ("Developer").

Recitals:

A. Developer previously executed that certain Declaration of Osprey Pointe Condominiums, dated July __, 1997, and recorded in the deed records of Deschutes County, Oregon on _____, 1997 (the "Original Declaration"). The Original Declaration provided for the inclusion in Osprey Pointe Condominiums of certain variable property, including the variable property legally described on the attached Exhibit A (the "Additional Property"). Developer has the right, pursuant to Section 14 of the Original Declaration, to reclassify the Additional Property by recordation of a supplemental declaration and plat.

B. Developer now desires to reclassify the Additional Property as a Unit and Limited Common Elements (as such terms are defined in the Original Declaration) on the terms and conditions contained in this Supplemental Declaration.

Declarations:

1. Definitions. Except to the extent set forth in this Supplemental Declaration, capitalized terms used herein shall have the meaning given to such terms in the Original Declaration.

2. Property Subject to Reclassification. The Additional Property hereby reclassified pursuant to the provisions of the Act is the land legally 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.

3. Units.

3.1 General Descriptions of Buildings. The Additional Property shall contain one separate building which constitutes an additional unit (the "Additional Unit"). The Additional Unit is situated on a generally level site and is approximately ____ square feet in size. The Additional Unit is of wood construction with ____ stories. The roof of the Additional Unit is of shingle or tile construction.

3.2 General Description, Location, and Designation of Additional Unit. The approximate area, dimensions, designation, and location of the Additional Unit are shown on a supplemental plat of the Additional Property which is being recorded in the deed

records of Deschutes County, Oregon concurrently with this Supplemental Declaration and any revisions of such plats subsequently recorded (the "Supplemental Plat").

3.3 Boundaries of Units. Each Additional Unit shall be bounded in the same manner described in Section 4.3 of the Original Declaration with respect to Units.

4. Developer's Interest in Limited Common Elements. Each Unit Owner, whether of an Additional Unit or of a Unit created pursuant to the Original Declaration, shall be entitled to an equal undivided percentage ownership interest in the Common Elements determined by the ratio which the number of Units (including the Additional Unit) owned by each Developer bears to the total number of Units (including the Additional Unit) then in existence, as shown on the Plans, this Supplemental Declaration, and any other Supplemental Declarations. The minimum undivided interest in the Limited Common Elements allocated to any one Unit created pursuant to the Original Declaration upon completion of development of the Condominium is 4.167 percent. The general location of the Limited Common Elements on the Additional Property (the "Additional Limited Common Elements") is shown on the Supplemental Plat. The Additional Limited Common Elements consist of all parts of the Additional Property other than the Additional Unit and include, without limitation, landscaping, driveways, walkways, and exterior lighting fixtures that are not attached to the Additional Unit, as well as of pipes, ducts, conduits, wires, and other utility installations which are within areas shown as Limited Common Elements on the Supplemental Plat and which serve the Additional Unit. The use of the Additional Limited Common Elements is reserved on an exclusive basis for the Additional Unit [or, if a common driveway serves both the Additional Unit and another Unit, for both such Units].

5. General Common Elements. The Additional Property contains no general common elements.

6. Effect of Original Declaration. The Additional Property, the Additional Unit, and the Additional Limited Common Elements shall be governed by the provisions of the Original Declaration and shall be treated for all purposes as forming part of, respectively, the Property, the Units, and the Limited Common Elements. This Supplemental Declaration may be amended only in accordance with the provisions set forth in Section 29 of the Original Declaration with respect to amendment of the Original Declaration. Amendment of any of the provisions of this Supplemental Declaration shall also require the prior written approval of at least 51% of those holders of first Mortgages on Units (based upon one vote for each first Mortgage held) who have given notice to the Association requesting notification of any proposed action that requires the consent of a specified percentage of eligible Mortgagees. The Original Declaration, as supplemented by this Supplemental Declaration, remains in full force and effect.

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

IN WITNESS WHEREOF, Developer has caused this Supplemental Declaration to be executed this ____ day of _____, 1997.

Developer:

OSPREY POINTE MARKETING L.L.C., an
Oregon limited liability company

By: Sunriver Resort Limited Partnership, a
Delaware limited partnership, a member

By: Lowe Sunriver, Inc., a California
corporation, General Partner

By: _____
Charlie S. Peck, President

STATE OF OREGON)
) ss.
County of Deschutes)

The foregoing instrument was acknowledged before me on this ____ day of _____, 1997, by Charles S. Peck, who is the President of Lowe Sunriver, Inc., a California corporation, General Partner of Sunriver Resort Limited Partnership, a Delaware limited partnership, member of Osprey Pointe Marketing L.L.C., an Oregon limited liability company, on behalf of the limited liability company.

Notary Public for Oregon
My Commission Expires: _____

County Assessor

County Tax Collector

The foregoing Supplemental Declaration is approved pursuant to ORS 100.110
this ____ day of _____, 199__.

Real Estate Commissioner
By: _____

EXHIBIT A

Legal Description of Additional Property

[TO BE INSERTED]

EXHIBIT DAllocation of Common Expenses and Profits**A. Allocation of Common Expenses During Existence of Variable Property**

During the existence of Variable Property in the Condominium:

1. Master Association Assessment. The Master Association Assessment shall be divided into 24 equal parts. Each Owner of a Unit shall pay one such part, and the Owner(s) of the Variable Property shall pay the remaining parts.
2. General Expenses. General expenses shall be those common expenses that pertain to or benefit both the Units and the Variable Property, as determined conclusively by the Association's accountants. General expenses shall be divided into 24 equal parts. Each Owner of a Unit shall pay one such part, and the Owner(s) of the Variable Property shall pay the remaining parts.
3. Unit Expenses. Unit expenses shall be those common expenses that pertain to or benefit solely the Units, as determined conclusively by the Association's accountants. Unit expenses shall be allocated equally among the Owners of Units only.

B. Allocation of Common Expenses After Variable Property

After Variable Property no longer exists in the Condominium, all common expenses, including the Master Association Assessment, shall be allocated equally among the Owners of Units.

C. Allocation of Common Profits

Common profits of the Association shall be divided into 24 equal parts. Each Owner of a Unit shall be entitled to one such part; the remaining parts, if any, shall be paid to the Owner(s) of the Variable Property.