

*****Note regarding Skyline Condominium CCR's *****

Skyline Condominium CCR's are also subject to the following Sunriver CCR's recorded documents in the records of Deschutes County, Oregon in addition to the pages following this cover page.

Recording information: June 20, 1968, Book 159, Page 198

Supplemented by instrument:

Recording information: October 19, 1976, in Book 239, page 270

Supplemented by instrument:

Recording information: December 30, 1977, in Book 265, Page 75

Supplemented by instrument:

Recording information: January 3, 1986 in Book 113, Page 1158

Modification and or/amendment by instrument:

Recording information: September 27, 1997 in Book 463, Page 2303

Modification and or/amendment by instrument:

Recording information: November 15, 1997 in Book 469, Page 2232

Modification and or/amendment by instrument:

Recording information: October 16, 2001 in Book 2001, Page 50677

Modification and or/amendment by instrument:

Recording information: September 19, 2003 in Book 2003, Page 64972

Sunriver Declaration Establishing Meadow Village

Recording Information: June 20, 1968 Book 159 Page 237

BYLAWS
OF
SKYLINE CONDOMINIUM
ASSOCIATION OF UNIT OWNERS

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BYLAWS
OF
SKYLINE CONDOMINIUM
ASSOCIATION OF UNIT OWNERS

1. PLAN OF UNIT OWNERSHIP

1.1 Declaration of Unit Ownership. The Condominium, located in Deschutes County, Oregon, known as Skyline Condominium, has been submitted to the provisions of the Oregon Condominium Act by Condominium Declaration for Skyline Condominium (Declaration).

1.2 Definitions. The terms of these Bylaws shall have the meaning set forth in the Oregon Condominium Act and the Declaration.

1.3 Bylaws Applicability. The provisions of these Bylaws are applicable to the Condominium, the Association and the officers, directors, agents and employees of the Association.

1.4 Personal Application. All present or future owners, tenants, future tenants or their employees, or any other person that might use the facilities of the Condominium in any manner, are subject to the regulations set forth in these Bylaws. The acquisition, occupancy or rental of any of the units of the condominium or the mere act of occupancy of any said units will constitute acceptance and ratification of these Bylaws and agreement to comply with all the provisions hereof.

2. ASSOCIATION MEMBERSHIP, VOTING MAJORITY OF OWNERS, QUORUM, PROXIES.

2.1 Membership in the Association. Upon recordation of a conveyance or contract to convey a unit, the grantee or purchaser named in such conveyance or contract shall automatically be a member of the Association, and shall remain a member of the Association until such time as such person's ownership ceases for any reason. For all purposes of the Declaration, and the administration of the Condominium, unit ownership shall be determined from the records maintained by the Association. The record shall be established by the unit owner filing with the Association a copy of the deed to or land sale contract (or memorandum thereof) for the owner's unit, affixed with the certificate of the recording officer of Deschutes County, Oregon, showing the date and place of recording of the deed or contract (or memorandum thereof). No person shall be recognized as a unit owner unless a copy of the deed or contract (or memorandum thereof) has been filed with

the Association as provided above showing that person to be the current owner or contract purchaser of a unit. Notwithstanding the foregoing, the Declarant shall be the owner of all previously unsold units, although no deed or land sale contract, with respect to such units, has been filed with the Association.

2.2 Voting. The owner or co-owners, as the case may be, of each unit shall be entitled to one vote per unit. The calling and conducting of meetings of the Association and the exercise of voting rights shall be controlled by Sections 2 and 3.

2.3 Majority of Owners. As used in these Bylaws, the term "majority" means those owners holding over 50 percent of the voting rights allocated to the unit owners in accordance with the Declaration and Section 2 above. "Majority of owners present" means owners holding over 50 percent of the votes present at any legal meeting.

2.4 Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of owners holding 40 percent or more of the outstanding votes in the Condominium, as defined in Section 2.2, shall constitute a quorum. Provided, however, the quorum at any adjourned meeting, as described in Section 3.3 shall be reduced to 25 percent of the outstanding votes in the Condominium.

2.5 Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the secretary before or during the appointed meeting. The proxies may require the holder to cast a vote for or against any special proposal set out in the notice calling the meeting. A meeting of the Association may be by proxy ballot, as the directors may elect, rather than at a formal gathering. Ballots for such meeting must be properly executed and returned in sufficient quantity to constitute a quorum and to pass the proposal specifically propounded on the ballot. Unless withdrawn, a proxy given to another person to vote at a specific meeting shall also be valid at an adjourned meeting called under the provisions of Section 3.8.

2.6 Authority to Vote. All owners shall be entitled to vote, including those who have leased their premises to a third party. An owner's right to vote may not be revoked. A purchaser under a land sale contract entitled to immediate possession of the unit shall be deemed the owner thereof, unless otherwise provided in such contract.

2.7 Fiduciaries and Joint Owners. A personal representative, guardian, trustee or other fiduciary may vote, in person or by proxy, at any meeting of the Association with respect to any unit owned or held by that person in a fiduciary capacity, whether or not the same shall have been transferred to his or her name; provided, the fiduciary shall satisfy the secretary that he or she is a fiduciary holding the unit in such capacity. Whenever any unit is owned by two or more persons jointly according to the records of the Association, the vote of such unit may be exercised by any one of the owners then present, in the absence of protest by a co-owner. In the event of such protest, no one co-owner shall be entitled to

vote without the approval of all co-owners. In the event of disagreement among the co-owners, the vote of such units shall be disregarded completely in determining the proportion of votes given with respect to such matter.

3. ADMINISTRATION

3.1 Association Responsibilities. The owners of the units will constitute the Association who will have the responsibility of administering the project, approving the annual budget, establishing and collecting monthly assessments and arranging for the operation, management and maintenance of the condominium, including negotiating and contracting with and supervising any person, persons or business entity with respect to such matters. Unless otherwise provided in the Declaration of these Bylaws to the contrary, the Association shall have the authority specified in ORS 100.405. The Association shall be an unincorporated association. Provided, however, nothing herein shall preclude the unit owners, upon majority vote, from electing to incorporate under the nonprofit corporation laws of the State of Oregon. Except as otherwise provided in the Declaration or these Bylaws, decisions and resolutions of the Association shall require approval by a majority of owners present at any legal meeting. A legal meeting is one duly called pursuant to these Bylaws where a quorum is present in person or by proxy at a formal gathering, or if the meeting is held by ballot, when ballots are returned representing more than 50 percent of the vote.

3.2 Place of Meetings. Formal meetings of the Association shall be held at the principal office of the Condominium or such other suitable place convenient to the owners as may be designated by the Board of Directors. The vote of a ballot meeting shall be determined by the Board of Directors within 48 hours of the deadline for return of ballots. Each unit owner shall be notified by mail or other delivery of written notice of the results of the ballot meeting or that a quorum of ballots was not returned, within ten days after the ballots have been counted.

3.3 Turnover Meeting. The turnover meeting (which shall constitute the initial organizational meeting) shall be held not later than 90 days following the conveyance to persons other than the Declarant of 75 percent of the units in the last stage of the condominium or five years from the date of conveyance of the first unit in the condominium, whichever is earlier. The turnover meeting shall be called by notice to all unit owners of the time, place and purpose thereof not less than seven nor more than 50 days before the meeting. If such meeting is not called by the Declarant within the time specified, the meeting may be called and notice given by a unit owner.

At the turnover meeting the Declarant shall relinquish control of the administration of the Association and the unit owners shall assume such control and the unit owners shall elect a Board of Directors in accordance with Section 4.6. Additionally, the Declarant shall deliver to the Association those items specified in the Oregon Condominium Act to be

turned over by the Declarant at the turnover meeting. In order to facilitate an orderly transition, during the three-month period following the turnover meeting, the Declarant or an informed representative shall be available to meet with the Board of Directors on at least three mutually acceptable dates to review the documents delivered to the Association as required by the Oregon Condominium Act and referred to above.

3.4 Annual Meetings. The first annual meeting of the Association shall be held in the calendar year following the calendar year in which the turnover meeting is held and shall be set by action of the Board of Directors. This meeting, at the discretion of the Board of Directors, may be changed from time to time, but must be held annually under the rules and regulations as set out in these Bylaws. At such meetings, new members of the Board of Directors shall be elected by the owners in accordance with the requirements of Section 4.6, to replace those directors whose terms have expired. The owners may also transact such other business of the Association as may properly come before them.

3.5 Special Meetings. It shall be the duty of the chairperson to call a special meeting of the owners as directed by resolution of the Board of Directors or upon a petition signed by ten percent or more of the owners having been presented to the secretary. All meetings called because of petition of unit owners shall be held at a formal gathering and not by ballot, and shall be held within 60 days after receipt of the petition. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice unless by consent of all the owners of the units or as otherwise set out in these Bylaws.

3.6 Notice of Meetings. It shall be the duty of the secretary to mail a notice of each annual, special or meeting by ballot, stating the purpose thereof and the time and place where it is to be held, to each owner of record at least seven but not more than 50 days prior to such meeting or the date when ballots for a ballot meeting are required to be returned. The mailing shall be to the owner's address last given the secretary in writing by the unit owner or his or her vendee. If the unit ownership is split or the unit has been sold on a contract, notice shall be sent to a single address, of which the secretary has been notified in writing by such parties. If no address has been given the secretary in writing, then mailing to the condominium unit shall be sufficient. The mailing of a notice in the manner provided in this paragraph shall be considered notice served.

3.7 Adjourned Meetings. If any gathering of owners is not a legal meeting because a quorum has not attended, the owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than 48 hours nor more than ten days from the time the original meeting was called. The adjournment provisions of this paragraph do not apply to meetings by ballot.

3.8 Order of Business. The order of business at all meetings of the owners of units shall be as follows:

- 3.8.1 Roll call.
- 3.8.2 Proof of Notice of meeting or waiver of notice.
- 3.8.3 Reading of minutes of the preceding meeting.
- 3.8.4 Reports of officers.
- 3.8.5 Reports of committees.
- 3.8.6 Election of inspectors of election.
- 3.8.7 Election of directors.
- 3.8.8 Unfinished business.
- 3.8.9 New business.

4. **BOARD OF DIRECTORS**

4.1 Number and Qualification. The affairs of the Association shall be governed by a Board of Directors composed of three persons, all of whom must be a unit owner or the co-owner of a unit. An officer or employee of a corporation, or the trustee of a trust, or personal representative of an estate, or an employee of the trust or estate may serve on the Board of Directors, if the corporation, trust or estate owns a unit.

4.2 Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law or by these Bylaws directed to be exercised and done by the owners.

4.3 Other Duties. In addition to the duties imposed by these Bylaws or by resolutions of the Association, the Board of Directors shall have authority to carry out and be responsible for the following matters:

4.3.1 Care, upkeep and supervision of the condominium and the general common elements and the limited common elements, if any, and assigning, supervising assignments or approving any assignment of the use of any common element, general or limited, as may be required by the Declaration.

4.3.2 Establishment and maintenance of replacement reserve accounts and other reserves which are required to be maintained by the Oregon Condominium Act or these Bylaws, the Declaration and the Oregon Condominium Act.

4.3.3 Designation and collection of monthly assessments from the owners, in accordance with these Bylaws, the Declaration and the Oregon Condominium Act.

4.3.4 Establishment of a budget and payment of all common expenses of the Association and institution and maintenance of a voucher system for such payment, which shall require a sufficient number of signatories thereon as may be reasonably necessary to prevent any misuse of Association funds.

4.3.5 Obtaining and maintaining insurance policies and payment of premiums therefor out of the common expense funds in respect to both the common elements and individual units as more specifically provided in Section 8.

4.3.6 Designation and dismissal of the personnel necessary for the maintenance and operation of the condominium, the general common elements and the listed common elements, if any.

4.3.7 Causing the preparation and distribution of annual financial statements of the condominium to each of the unit owners as more specifically provided in Section 12.

4.3.8 Filing of an Annual Report and any amendment with the Secretary of State in accordance with ORS 100.250.

4.3.9 Adoption and amendment of administrative rules and regulations governing the details of operation and use of the common elements. Provided, however, any such rules or regulations shall always be subject to rescission or amendment by the Association upon majority vote of owners present at any properly called meeting.

4.3.10 Causing the Association to comply with ORS 100.480 relating to maintenance of documents delivered to the Association by the Declarant and maintenance and distribution of financial statements. Also to maintain copies suitable for duplication of the following: Declaration, Bylaws, Association rules and regulations and any amendments thereto, the most recent annual financial statement and the current operating budget of the Association.

4.4 Management Agent. The Board of Directors may employ a management agent, to be compensated in an amount established by the Board of Directors, to perform such duties and services as the Board of Directors shall authorize, including, but not limited to, the duties listed in Section 4.3.

4.5 Interim Directors. Upon the filing of the Declaration submitting the condominium to the Oregon Condominium Act, the Declarant shall appoint an interim board of not less than two directors (who need not be owners of units), who shall serve until replaced by Declarant or their successors have been elected by the unit owners as hereinafter provided at the turnover meeting.

4.6 Election and Term of Office. At the turnover meeting of the Association, the term of office of two directors shall be fixed for two years. The term of office of three directors shall be fixed at one year. Should more directors be added, the same sequential election terms shall apply as nearly as is practicable. At the expiration of the initial term of office of each respective director, his or her successor shall be elected to serve a term of two years. The directors shall hold office until their successors have been elected and hold their first meeting. At the turnover meeting, upon agreement by vote of the owners, the Board of Directors may be elected by a single ballot with each owner permitted to vote for five nominees. In such event, the two directors and the three nominees receiving the next highest number of votes shall be the one year directors. The Association may increase or decrease the number of directors and length of terms for which each is elected upon amendment of this Section 4.6.

4.7 Vacancies. Vacancies on the Board of Directors caused by any reason other than the removal of a director by a vote of the Association shall be filled for the balance of the term of each directorship by vote of a majority of the remaining directors, even though they may constitute less than a quorum; and each person so elected shall be a director until a successor is elected upon expiration of the term for which such person was elected by the other directors to serve.

4.8 Removal of Directors. At any legal annual or special meeting, other than a meeting by ballot, any one or more of the directors may be removed, with or without cause, by a majority vote and a successor may be then and there elected to fill the vacancy thus created. Any director whose removal has been proposed by the owners shall be given an opportunity to be heard at a meeting. Any director or directors who fail(s) to attend three successive meetings of the Board of Directors which have been properly called, or who has failed to attend more than one-third of the Board of Directors meetings during a 12-month period which have been properly called, may be removed by a majority of the remaining directors.

4.9 Organizational Meeting. The first meeting of a newly-elected Board of Directors shall be held within ten days of election at such place as shall be fixed by the directors at the meeting at which such directors were elected, and no notice shall be necessary to the newly-elected directors in order to legally hold such meeting, providing a majority of the newly-elected directors are present.

4.10 Regular 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. Notice of regular meetings of the Board of Directors may be called by the chairperson on three days' notice to each director, given personally or by mail, telephone or telegraph, which notice shall state the time, place (as provided above) and purpose of the meeting.

4.11 Special Meetings. Special meetings of the Board of Directors may be called by the chairperson or secretary or on the written request of at least three directors. Special meetings of the Board of Directors may be called on three days' notice to each director, given personally or by mail, telephone, telegraph or facsimile transmission which notice shall state the time, place (as provided above) and purpose of the meeting.

4.12 Waiver of Notice to Directors. Before, at or after any meeting of the Board of Directors, any director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board of Directors shall be a waiver of notice by him of the time and place thereof. If all the directors are present at any meeting of the Board of Directors, no notice to directors shall be required and any business may be transacted at such meeting.

4.13 Board of Directors' Quorum. At all meetings of the Board of Directors, a majority of the existing directors shall constitute a quorum for the transaction of business, and the acts of the majority of the directors shall be the acts of the Board of Directors. If at any meeting of the Board of Directors there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

4.14 Board of Directors Meetings Open to All Association Members. All meetings of the Board of Directors shall be open to any and all members of the Association. Provided, however, no Association member shall have a right to participate in the Board of Directors meetings unless such member is also a member of the Board of Directors. The chairperson shall have authority to exclude any Association member who disrupts the proceedings at a meeting of the Board of Directors.

4.15 Telephonic Meetings. Telephonic meetings may be held by the Board of Directors only in the case of an emergency or when less than a majority of the units in the Condominium are the principal residences of the occupants. Such telephonic meetings shall be carried on by means of a "conference call" in which each director may speak with any of the other directors. The directors shall keep telephone numbers on file with the chairperson to be used for telephonic meetings. No notice to directors shall be required for a telephonic meeting of the Board of Directors to be held for any emergency action. Provided, however, no such telephonic meeting shall occur unless at least 75 percent of the Board of Directors

participate in the same and after an attempt has been made to call each director at the telephone number maintained on file with the Board of Directors for such purpose.

4.16 Compensation of Directors. No director shall be compensated in any manner, except for out-of-pocket expenses, unless such compensation is approved by vote of the unit owners.

5. OFFICERS

5.1 Designation. The principal officers of the Association shall be a chairperson, a secretary and a treasurer, all of whom shall be elected by the directors. The directors may appoint an assistant treasurer and an assistant secretary, and any such other officers as in their judgment may be necessary.

5.2 Election of Officers. The officers of the Association may be elected by the Board of Directors at the organizational meeting of each new board or any board meeting thereafter, and shall hold office at the pleasure of the board.

5.3 Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular or special meeting of the Board of Directors.

5.4 Chairperson. The chairperson shall be the chief executive officer of the Association. The chairperson shall preside at all meetings of the Association and of the Board of Directors. The chairperson shall have all of the general powers and duties which are usually vested in the office of president of an association, including, but not limited to, the power to appoint committees from among the owners from time to time as he or she may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Association.

5.5 Secretary. The secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Association; shall have charge of such books and papers as the Board of Directors may direct; and shall, in general, perform all duties incident to the office of secretary.

5.6 Treasurer. The treasurer shall have the responsibility for Association funds and securities not otherwise held by the managing agent, and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. The treasurer shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board of Directors.

5.7 Directors as Officers. Any director may be an officer of the Association.

6. OBLIGATIONS OF THE OWNERS

6.1 Assessments. All owners are obligated to pay monthly assessments imposed by the Association to meet all the condominium's general common expenses, which shall include premiums for insurance required or permitted under Section 8. The monthly assessment shall commence at the time of the first conveyance by the Declarant to a unit owner. Prior to such time, the Declarant shall pay all operating expenses of the condominium. All of the reserve accounts set up pursuant to these Bylaws shall be funded by allocation and payment from the monthly assessment of unit owners. The assessment of all unit owners who may be benefitted by expenditure of reserve funds may be increased as necessary, so the reserve fund in question can be maintained in an amount sufficient to meet the needs for which such fund was established.

Each unit will be liable for the general common expense in equal proportion, excepting for fire and casualty insurance (which shall be shared in proportion to the amount of coverage placed on each unit), and the funding of the replacement reserves which shall be apportioned among the units based upon the approximate square footage of each unit. The allocation among the units need not be exact.

The monthly assessment of units shall include the following items:

- 6.1.1 Expense Items.
- a. Expenses of administration.
 - b. Expenses of maintenance, repair or replacement of common elements.
 - c. The Association's share of expenses of maintenance and repair of the private roadway that provides access to the Condominium.
 - d. Any deficit in common expenses for any prior period.
 - e. Utilities for the common elements and other utilities with a common meter or commonly billed, such as water and sewer.
 - f. The cost of any professional management if required by first mortgagees or desired by the Board of Directors.
 - g. The costs of any joint use agreement between the Association and the Association of Unit Owners of Quelah Condominiums for the use of the recreational facilities of Quelah Condominiums. The Association shall have the power to enter into an agreement with the Association of Unit

Owners of Quelah Condominiums for the use of the recreational facilities of Quelah Condominiums or the joint use of the recreational facilities of both Quelah Condominiums and Skyline Condominium on such terms and conditions as are determined by the Board of Directors of the Association. The costs incurred by the Association pursuant to any such agreement shall be considered common expenses.

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

6.1.2 Reserve Items.

a. A reserve account for replacements by the allocation and payment monthly to such reserve account of an amount determined by the directors. The reserve account is for the purpose of effecting replacements of structural elements, mechanical equipment and other common elements of the condominium. Payment into this account shall be deemed a contribution to capital improvement as and when made. Pursuant to provisions of the Oregon Condominium Act, the Declarant has established a reserve account for replacement in more than three years and less than 30 years. The reserve accounts credited hereunder shall be funded by assessment against the individual units which are assessed for the maintenance of the items for which the reserve accounts are being established. Accordingly, reserve accounts for replacement of general common elements, the maintenance of which is provided by assessment against all owners shall be created by assessment against all owners; and reserve accounts for replacement of limited common elements, the maintenance of which is provided by assessment of less than all units, shall be created by assessing only against the specific units responsible for the maintenance of such limited common elements. Such reserve accounts shall take into consideration the estimated remaining life of the items for which the reserves are created and the estimated replacement cost of such items. The amount of the periodic payments to the reserve accounts shall be adjusted at regular intervals to recognize changes in replacement costs over a period of time. The reserve accounts shall be used only for replacement of common elements and shall be kept separate from accounts for maintenance.

b. A general operating reserve account by allocation and payment thereto monthly of an amount determined by the Board of Directors. The existence of this reserve fund shall be discretionary with the Board of Directors.

c. Such other special reserve funds as may be set up by the directors by special assessment of the unit owners who benefit thereby as may

be required by the Declaration or otherwise determined by the Association of Unit Owners to be appropriate, including a reserve fund for any lease payments.

Each reserve account shall be kept in an account with a safe and responsible depository, shall be accounted for separately and, if invested, the obligation or security shall be fully guaranteed as to principal by the United States of America or one of its agencies. Assessments paid to the reserve accounts are the property of the Association and are not refundable to sellers of units. Provided, however, nothing herein shall prevent sellers of units from treating their outstanding allocable share of reserve accounts as a separate or reimbursable item in a sales agreement. No unit owner shall have any individual rights in any of these reserves, although it is understood that the value of their respective units may increase in proportion to each unit's right to receive repair, maintenance and replacement therefrom.

6.2 Initial Assessment. The initial assessment to unit owners, other than the Declarant, shall be determined by the Declarant. The monthly assessment shall thereafter be subject to review by the Board of Directors. The monthly assessment for all units shall be payable from the date the Declaration is recorded.

6.2.1 At the time of closing, each purchaser shall contribute a sum equal to two times the monthly assessment as a one-time contribution to the budget of the condominium. Within 60 days after conveyance by the Declarant of the first unit in the condominium, the Declarant shall make such contribution in respect to all units in the condominium which have not yet been conveyed to a purchaser. If the Declarant has made such contribution, no further contribution shall be required to the Association, but each purchaser shall reimburse the Declarant at the time of closing for the amount of the contribution made by the Declarant in respect to the unit conveyed to the purchaser. In the further event that the monthly assessments are reduced pursuant to the authority granted to the Declarant herein, the initial deposit to the Association budget equal to twice the monthly assessment shall be based on the projected amount of such assessments after substantial or full occupancy of the units rather than on the reduced assessment.

6.2.2 If the Declarant or any other person pays all of the operating expenses of the condominium or subsidizes such expenses, the monthly assessment shall be reduced by such amount, but shall not be reduced to a sum less than the total amount of the replacement reserve. In respect to units not yet conveyed by the Declarant, the Declarant may accrue the replacement reserve. At the time of conveyance of the unit for which the replacement reserve has been accrued, the accrued reserve must be paid to the Association.

The Declarant, or such other person paying all operating expenses or subsidizing such expenses, shall give ten days' written notice to individual unit owners prior to the commencement of their obligation to pay the full monthly assessment. Thereafter, each owner, including the Declarant or such other person, shall pay the monthly assessments to the Association. In the event the Declarant has collected initial assessments from unit purchasers at closing and thereafter elects to pay or subsidize the operating expenses thereby causing the assessment to be reduced, the one-time initial contribution collected from unit purchasers shall be held by the Declarant in a separate Association account. On the date unit owners are required to pay full monthly assessments, the aggregate sums held in such separate account shall be deposited to the Association's general account to be used as working capital.

6.2.3 If the Association expenses are temporarily less than projected by the Declarant because some or most of the units are not yet sold or occupied, the Declarant shall have the authority to temporarily reduce the monthly assessment to reflect the lower expenses of the project.

6.3 Initial Assessments of Units in Future Stages. The initial assessment for owners of units in stages annexed to the condominium subsequent to the submission of units in Stage I to unit ownership shall be an amount equal to three times the monthly assessment then in effect for similar units in the condominium, plus a prorated portion of the assessment for the month during which the units in such stages are annexed to the condominium. An amount equal to one month's assessment, plus the prorated month's assessment, shall constitute the assessment for the first partial month and the next full month. Thereafter, the owners of units in such stage shall be assessed directly by the Association. The additional initial assessment equal to two full months of the current assessment shall be a one-time contribution to the budget of the condominium. The total initial assessment of units in subsequent stages shall be collected by the Declarant and delivered to the Association with 30 days from the time that units in each stage are annexed to the condominium. Provided, however, upon the annexation of additional units to the condominium in future stages, the Board of Directors shall promptly prepare a new budget reflecting the addition to the condominium and shall recompute any previous assessment covering any period after the annexation.

6.4 Payment of Assessments. Subject to the provisions of Sections 6.2 and 6.3, from the date the Declaration is recorded, the Declarant shall:

6.4.1 Pay assessments due for operating expenses on all unsold units;
and

6.4.2 Pay assessments due for reserves on all unsold units, or, at the Declarant's option, pay or require the unit owner to pay all accrued reserve assessments against the unit at the time of the initial sale to the unit owner.

6.5 Budget; Income Tax Returns; Determination of Fiscal Year.

6.5.1 The fiscal year of the Association shall be the calendar year unless otherwise determined by the Board of Directors.

6.5.2 The Board of Directors, in its sole discretion, shall determine the manner in which all necessary income tax returns are filed and of selecting any and all persons to prepare such tax returns.

6.5.3 At least 60 days before the beginning of each fiscal year, the Board of Directors shall adopt a budget for the Association containing an estimate of the total amount considered necessary to pay the cost of maintenance, management, operation, repair and replacement of the common elements and those parts of the units as to which it is the responsibility of the Association to maintain, repair and replace, and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be common expenses by the Oregon Condominium Act, the condominium instruments or a resolution of the Association and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the condominium and the rendering to the unit owners of all related services.

Such budget shall also include such reasonable amounts as the Board of Directors considers necessary to provide working capital, a general operating reserve and reserves for contingencies and replacements. The amount designated for replacement reserves shall be adjusted annually to reflect current replacement costs. At least 30 days before the beginning of each fiscal year, the Board of Directors shall send to each unit owner a copy of the budget in a reasonably itemized form which sets forth the amount of the common expenses and any special assessment payable by each unit owner. Such budget shall constitute the basis for determining each unit owner's assessment for the common expenses of the condominium.

6.5.4 The failure of the Board of Directors to timely prepare and/or to present a budget to the unit owners shall not be cause for any owner to fail or refuse to pay assessments. Assessments shall continue, based upon the last adopted or accepted budget, until a new budget is created and announced. Retroactive increases and/or special assessments may be made by the Board of Directors to make up for any deficiency.

6.5.5 In the event the Board of Directors fails to timely adopt a budget for a new fiscal year, unit owners holding a majority of the votes of the entire Association, at any general or specially called meeting, may adopt such a budget, announce it to the unit owners and immediately commence assessments based on the newly-adopted budget. Additionally, at any general or specially called meeting, unit

owners holding a majority of the votes of the entire Association may amend any budget adopted by the Board of Directors. Thereafter, assessments to unit owners shall be based on the budget as so amended until a new budget is adopted in accordance with Section 5.

6.6 Default. Failure by an owner to pay any assessment of the Association shall be a default by such owner of his or her obligations pursuant to these Bylaws and the Oregon Condominium Act. In addition to the interest which may be charged on delinquent assessments, the Board of Directors, at its option, may impose a late charge penalty in respect to any monthly assessment not paid within ten days from the due date. Such penalty may not exceed the sum of ten percent of the monthly assessment. The Association shall be entitled to a lien which may be enforced upon compliance with the provisions of ORS 100.450. In any foreclosure suit by the Association with respect to such lien, the Association shall be entitled to collect reasonable rent from the defaulting owner for the use of his or her unit or shall be entitled to the appointment of a receiver pursuant to ORS 100.460. Any default by the owner in any provisions of these Bylaws or of the Oregon Condominium Act shall be deemed to be a default by the owner of any mortgage to which the owner is a party or to which the unit is subject.

6.7 Maintenance and Repair.

6.7.1 Every owner must perform promptly all maintenance and repair work within the owner's own unit, which if omitted would affect the common elements of the condominium or a part thereof belonging to other owners, and shall be responsible for the damages and liabilities that his or her failure to do so may cause.

6.7.2 All repairs of internal installations of each unit, such as water, lights, gas, power, sewage, telephones, air conditioners and sanitary installations, doors, windows, lamps and all other accessories belonging to the unit area shall be at the sole expense of the owner of such unit.

6.7.3 An owner shall reimburse the Association for any expenditures incurred in repairing or replacing any common elements and/or facility damaged through the owner's fault, not otherwise covered by insurance policies carried by the Association for the owner's and Association's benefit.

6.8 Right of Entry; Encroachments; Easements for Maintenance.

6.8.1 In case of an emergency originating in or threatening an owner's unit, the owner shall grant the right of entry to the management agent or to any other person authorized by the Board of Directors or the Association, whether the owner is present at the time or not.

6.8.2 An easement is reserved to the Association in and through any unit and the common elements providing access at reasonable times and with reasonable notice for purposes of maintenance, repair and replacement of the common elements. If, in the process of such repair and maintenance by the Association, it is necessary to alter or damage any unit or common elements, such alterations or damages will be permitted without compensation, provided the unit and/or common elements are promptly restored to substantially their prior condition by the Association.

6.8.3 If any portion of the common elements encroaches upon a unit, or a unit encroaches upon any portion of the common elements, a valid easement for the encroachment and for the maintenance of the same, so long as it stands, shall be and does exist. In the event the structures are partially or totally destroyed, and then rebuilt, the owners of the units agree that minor encroachment of parts of the common elements due to such rebuilding shall be allowed and an easement shall exist for such purpose.

7. USE AND OCCUPANCY RESTRICTIONS; RULES OF CONDUCT

Failure by an owner (or an owner's family, invitees or lessees) to comply with the rules of conduct and restrictions set forth herein or others promulgated by the Board of Directors shall be cause for which the Board of Directors may deny or restrict such owner's right to use any common element facility with respect to which such owner otherwise had a right to use.

7.1 Use as Private Dwelling Only. Each of the units will be occupied as a single family private dwelling by its owner or the owner's tenants, visitors and guests and for no other purpose. All common elements shall be used in a manner conducive to such purpose. No unit owner may lease less than the entire unit. Any lease agreement shall be required to provide that the terms of the lease shall be subject in all respects to the provisions of the Declaration and the Bylaws and that any failure by the lessee to comply with the terms of such documents shall be a default under the lease.

7.2 Restriction on Alteration to Unit. No owner shall make structural modifications or alterations in his or her unit or installations located therein without previously notifying the Association in writing, through the management agent, if any, or through the chairperson of the Board of Directors, if no management agent is employed. The Association shall have the obligation to answer within 30 days, and failure to do so within the stipulated time shall mean that there is no objection to the proposed modification or alteration. Provided, however, nothing herein contained shall waive or limit an owner's obligation to comply with the provisions of ORS 100.535.

7.3 Use of the Common Elements. No owner shall place or cause to be placed in the lobbies, patios, decks, ramps, vestibules, stairways and other areas and facilities of the condominium of a similar nature, any furniture, packages or objects of any kind, except that suitable furniture may be placed on the decks and patios without the prior written consent of the Board of Directors. Such areas shall be used for no purpose other than what is normal.

7.4 Pets. An owner may keep a reasonable number of cats or dogs in his or her unit. Pets on any of the common elements of the condominium shall be on leashes and shall be attended by their owners. Any unit owner who maintains any pet upon any portion of the condominium shall be deemed to have indemnified and agreed to hold the Association, each of its members, and the Declarant free and harmless from any loss, claim or liability of any kind or character whatever arising by reason of keeping or maintaining such pet within the condominium. Each such unit owner shall further abide by applicable sanitary regulations, leash laws, and rules or regulations of the Association created by the Board of Directors. The Board of Directors shall have the power to require any person whose pet is a nuisance to remove such pet from the premises.

7.5 Appearance of Condominium Building(s). No unit owner will cause anything to be hung, displayed, or placed on the walls, doors, windows, walkways, ceilings of walkways, or roof of the condominium building(s), or any other common element, nor otherwise change the appearance of any portion of the common elements without the prior written consent of the Board of Directors. Each unit owner shall provide draperies at all windows which shall be lined with white material sufficiently opaque so as to not disclose the color of the interior portion of such draperies. No clotheslines or similar devices, and no "For Sale" signs, will be allowed on any part of the condominium property without the prior written consent of the Board of Directors, except that the Declarant may post reasonable signs in reasonable places on the condominium property advertising any unsold unit for sale.

7.6 Nuisances. No nuisances will be allowed upon the condominium property, nor any use or practice that is the source of annoyance to residents or which interferes with the peaceful possession and proper use of the property by its residents. Residents shall exercise extreme care about creating disturbances, making noises or using musical instruments, radios, televisions and amplifiers that may disturb other residents. All parts of the condominium will be kept in a clean and sanitary condition, and no rubbish, refuse or garbage and trash shall be placed inside disposal containers. No unit owner will permit any use of his or her unit or make any use of the common elements that will increase the cost of insurance upon the condominium property.

No owner shall hang garments, rugs and similar items from the windows or from any of the facades, decks or terraces of the condominium, nor shall any owner hang or shake dust rags, mops and similar items from the windows or porches or terraces, or clean such items by beating on an exterior part of the condominium.

7.7 Improper, Offensive or Unlawful Use. No improper, offensive or unlawful use will be made of the condominium property nor any part of it; all valid laws, zoning ordinances and regulations of governmental bodies having jurisdiction will be observed. The responsibility of meeting the requirements of governmental bodies for maintenance, modification or repair of the condominium property will be carried out and paid for in the same manner as the responsibility for the maintenance and repair of the property concerned.

7.8 Restriction on Exterior Installations. No owner, resident or lessee shall install wiring for electrical or telephone installation, exterior antennae, machines or air conditioning units or similar devices on the exterior of the condominium building(s) or cause them to protrude through the walls or the roof of the condominium except as authorized by the Board of Directors. No window guards, awnings or shades shall be installed without the prior consent of the Board of Directors.

7.9 Parking. The parking spaces designated as general common elements in the Declaration are intended for use of automobiles of owners and guests. The directors may make such rules as may be necessary to govern the use of any general or any limited common element parking areas by which all owners and other users shall be bound. Provided, however, no such rule shall prohibit, restrict, or change a parking assignment without the written consent of the owner of the unit to which such assignment or right pertains.

7.10 Vehicle Restrictions. Vehicular traffic on the parking areas and driveways on condominium property shall be limited to five miles per hour as a safety precaution. This speed limit shall apply to bicycles, motor scooters, motorcycles, automobiles and trucks. No recreational vehicles, campers, trailers, boats, boat trailers, vehicles in disrepair or similar things may be parked or kept on condominium property without the prior written consent of the Board of Directors.

7.11 Use of Spa and Common Facilities. The spa, when developed, and all other common elements, including any common garden and common patio or storage areas are provided for the use of the owners and their guests. Rules and regulations will be posted, setting out the hours the various facilities will be available for use, and the conditions attendant thereto. Compliance with such rules as determined by the Board of Directors is essential to the harmonious operation of the facilities.

7.12 Additional Rules. Rules and regulations concerning other use of the condominium property may be made and amended from time to time by the Association or the Board of Directors. Copies of such rules and regulations will be furnished to all unit owners and residents of the condominium, upon request.

7.13 Covenants, Conditions, Restrictions and Easements in Other Documents.

Each owner of a unit in the condominium is subject to covenants, conditions, restrictions, easements and assessments as set forth in the following documents:

7.13.1 Agreement for permanent release, including the terms and provisions thereof, between E. S. Huckeba, et ux and the United States of America, recorded April 8, 1953, in Book 103, Page 521, Deschutes County Deed Records.

7.13.2 The Plan of Sunriver and the supplement thereto, including the terms and provisions thereof, and subject to all covenants, conditions, restrictions and easements contained therein, recorded June 20, 1968, in Book 159, Page 198, and October 19, 1976, in Book 239, Page 270, respectively, Deschutes County Deed Records. As amended by instrument recorded January 3, 1986, in Book 113, Page 1158, Deschutes County Records.

The above plan provides for levies and assessments of the Administrator of Sunriver.

7.13.3 Sunriver Declaration Establishing Meadow Village - Area 1, including the terms and provisions thereof, and subject to all covenants, conditions, restrictions and easements contained therein, recorded June 20, 1968, in Book 159, Page 237, Deschutes County Deed Records.

7.13.4 Easement, including the terms and provisions thereof, affecting the portion of said premises and for the purposes stated therein
 As granted to: Cascade Natural Gas Corporation
 Recorded: November 17, 1969
 Book/Page: 167/665, Deed records.
 Affects: Certain public roads, private ways, and common areas

7.13.5 Easement, including the terms and provisions thereof, affecting the portion of said premises and for the purposes stated therein
 As granted to: Sunriver Utilities Company, an Oregon corporation
 Recorded: February 3, 1970
 Book/Page: 168/620, Deed records.

7.13.6 Sunriver Declaration Establishing Lake Aspen Condominiums and Annexing it to Meadow Village, including the terms and provisions thereof, and subject to all covenants, conditions, restrictions and easements contained therein, recorded June 21, 1979, in Book 301, Page 546, Deed Records.

7.13.7 Reservation of Bicycle Path Easement, Sanitary Sewer Easements and Waterline Easement, including the terms and provisions thereof,

reserved in Deed from Sunriver Properties, Inc., to Terraform, Inc., of Oregon, an Oregon Corporation, recorded June 21, 1979, in Book 301, Page 566, Deed Records.

7.13.8 Right of Way Contract, including the terms and provisions thereof
 As granted to: Cascade Natural Gas Corporation, its successors and assigns
 Recorded: August 12, 1991
 Book/Page: 242/895 Deschutes County records.

7.13.9 Development Agreement, including the terms and provisions thereof, by and between Deschutes County, a political subdivision of the State of Oregon, and Ronald W. Braatz, Christian M. Braatz and Frederick Braatz, III, dba Tedron Properties, and Harry Rubenstein and Barry Rubenstein, dba BHR Investors, collectively doing business as River Ridge Development, an Oregon Corporation, recorded September 6, 1991, in Book 244, Page 1207, Deschutes County Records.

7.14 Prohibition of Time-sharing. Time-share division of a unit within the condominium into separate fee title interests or rights of use is prohibited. Provided, however, a unit may be owned and used by co-tenants of not more than four persons. For such purposes, a husband and wife shall be treated as a single person; and trusts, estates and corporations shall be treated as a single owner. Provided, further, trusts with multiple beneficiaries shall be treated as multiple owners to the extent of the persons who hold the beneficial interest (with husband and wife continuing to be treated as a single person for such purpose).

8. INSURANCE

The Board of Directors shall obtain and maintain at all times insurance of the type and kind and in the amounts hereinafter provided, and including insurance for such other risks of a similar or dissimilar nature as are or shall hereafter customarily be covered with respect to other condominiums similar in construction, design and which insurance shall be governed by the provisions in this Section.

8.1 Types of Insurance Policies. For the benefit of the Association and the owners, the Board of Directors shall obtain and maintain at all times, and shall pay out of the common expense funds, the following insurance:

8.1.1 A policy or policies of property insurance including, but not limited to, fire, extended coverage vandalism and malicious mischief, for the full insurable replacement value, if available, of all units and common elements, and such other fire and casualty insurance as the Board of Directors shall determine, to give substantially equal or greater protection to the owners and their mortgagees, as their respective interests appear, which said policy or policies shall provide for a separate

loss payable endorsement in favor of the mortgagee or mortgagees, of each unit, if any. For the purposes of any policy or policies of fire insurance, the term "building" shall include fixtures, installations or additions comprising a part of the building within the unfinished interior surfaces of the perimeter walls, floors and ceilings of the individual condominium units initially installed or replacement thereof, in accordance with the original condominium plans and specifications, or installed by or at the expense of any unit owner or owners.

8.1.2 A policy or policies insuring the Association, its Board of Directors, the unit owners individually, and the manager against any liability to the public or the owners of units and their invitees or tenants, incident to the ownership, supervision, control or use of the project. Limits of liability under such insurance shall be not less than \$1,000,000 per occurrence for bodily injuries and property damage liability. Such limit and coverage shall be reviewed at least annually by the Board of Directors which may increase the limit of and/or coverage, in its discretion. Said policy or policies shall be issued on a comprehensive liability basis and shall provide cross liability endorsements wherein the rights of named insured under the policy or policies shall not be prejudiced as respects his, her or their action against another named insured.

8.1.3 Workers' compensation insurance to the extent necessary to comply with any applicable laws.

8.1.4 A fidelity bond naming such persons as may be designated by the Board of Directors as principals of the Association and the owners as obligees, for the amount determined by the Board of Directors. Provided, however, the Board of Directors shall require that all officers and employees of the Association handling or responsible for Association funds obtain adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

The Association shall not be responsible for any loss or damage to personal property of any owner, whether stored on the common elements or in the owner's unit, nor shall the Association maintain any insurance coverage for such loss.

8.2 Insurance Companies Authorized. All policies shall be written by a company licensed to do business in Oregon and holding a "Commissioner's rating" of "A+" and a size rating of "AAA," or better, by Best's Insurance Reports, or as may be otherwise acceptable to all mortgagees and directors.

8.3 Authority to Adjust Losses. All losses under policies hereinafter in force regarding the property shall be settled exclusively with the Board of Directors or its authorized representative; provided, however, that where a first mortgage has been designated as a loss payee by a unit owner, such mortgagee shall be entitled to settle losses

as to the mortgaged unit, provided that the loss which occurs is severable. Releases and proofs of loss shall be executed by at least two directors.

8.4 Value of Owner Improvements. Each owner must inform the Board of Directors of the value of improvements made to the owner's unit in excess of \$1,000 so that the Board of Directors may make any desired adjustments in insurance coverage. Nothing in this paragraph shall permit an owner to make improvements without first obtaining the approval of the Board of Directors pursuant to Section 7.

8.5 Provision in Insurance Policies. The Board of Directors shall make every effort to secure insurance policies that will provide for the following:

8.5.1 A waiver of subrogation by the insurer as to any claim against the Board of Directors, the manager, the unit owners and their respective servants, agents and guests.

8.5.2 A provision that the master policy on the condominium cannot be canceled, invalidated or suspended on account of the conduct of any one or more individual owners.

8.5.3 A provision that the 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.

8.5.4 A provision that any "no other insurance" clause in the master policy exclude individual owner's policies from consideration.

8.5.5 A rider on the master policy in the nature of "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.

8.6 Review of Insurance Policies. At least annually, the Board of Directors shall review all insurance carried by the Association of Unit Owners, which review shall include an appraisal of all improvements made to the project by a representative of the insurance carrier writing the master policy.

9. DAMAGE AND DESTRUCTION

9.1 Insurance Proceeds Sufficient to Cover Loss. In case of fire, casualty or any other damage and destruction, the insurance proceeds of the master policy, if sufficient to reconstruct the buildings damaged or destroyed, shall be applied to such reconstruction.

9.2 Insurance Proceeds Insufficient to Cover Loss. If the insurance proceeds are insufficient to reconstruct the damaged or destroyed buildings, the damage to, or destruction of, such buildings shall be promptly repaired and restored by the manager or the Board of Directors, using the proceeds of insurance, if any, on such buildings for that purpose and all the unit owners shall be liable for assessment for any deficiency for such reconstruction, such deficiency to take into consideration as the owner's contribution any individual policy insurance proceeds provided by such owner. Provided, however, if three-fourths or more in value of all the buildings are destroyed or substantially damaged and if the owners of at least 60 percent of the units so vote, and upon the approval of mortgage holders holding mortgages on units which have at least 51 percent of the votes of units in the condominium, the manager or Board of Directors shall record with the County Recorder a notice setting forth such facts, and upon the recording of such notice.

9.2.1 The condominium property shall be deemed to be owned in common by the owners.

9.2.2 The respective interest of each unit owner in the property shall be determined by the provisions of ORS 100.610 which are in effect on the date the Declaration is recorded.

9.2.3 Any liens affecting any of the units shall be deemed to be transferred in accordance with the existing priorities to the undivided interests of the owners in the project.

9.2.4 The condominium shall be subject to an action for partition at the suit of any owner. If a decree of partition orders the sale of the condominium property, the net proceeds of sale, together with the net proceeds of the policies of insurance on the condominium, if any, shall be considered as one fund and shall be divided among all of the owners in proportion to their respective undivided interests, after first paying, out of the respective shares of the owners, to the extent such share is sufficient for the purpose, all liens on the undivided interest in the project owned by each owner.

9.3 Architectural Changes After Damage or Destruction. Reconstruction of the damaged or destroyed building as used in this Section means restoring the buildings to substantially the same condition in which they existed prior to the fire, casualty or disaster and shall be performed substantially in accordance with the Declaration and the original

plans and specifications unless other action is approved by the mortgage holders holding mortgages on units which have at least 51 percent of the vote of the units in the condominium. Such reconstruction shall be accomplished under the direction of the manager or the Board of Directors. Notwithstanding all other provisions hereof, the owners may, by an affirmative vote of sufficient owners to amend these Bylaws, cause an amendment to be made to the condominium documents so as to facilitate architectural changes that the owners affected thereby and the Association deem desirable if, and only if, the partial or total destruction of the condominium, or any buildings thereof, by fire, casualty or any other disaster is so great as to require the substantial reconstruction of the whole of the condominium, or said buildings, and upon approval by mortgage holders holding mortgages which have at least 51 percent of the votes in the condominium. Provided, however, any such amendment of such condominium documents shall be valid only upon (1) compliance with all applicable provisions of the Oregon Condominium Act; (2) approval by the Oregon Real Estate Commissioner; (3) recording thereof with the recording officer of Deschutes County; and (4) recording with that recording officer of the approval thereof of each mortgagee and each other lienholder of record having a lien against any part of the project, or building, affected by such amendment.

9.4 Reallocation of Percentage Interest. In the event of a partial destruction of the condominium buildings or units therein, the unit owners may not reallocate percentage interest in the common elements without the prior approval of mortgage holders holding mortgages on all the remaining units, whether existing in whole or in part, and which have at least 51 percent of the votes of such remaining units in the condominium. Provided, however, any such reallocation shall also comply with the Oregon Condominium Act and other provisions of the Declaration, any applicable Supplemental Condominium Declaration and Bylaws.

10. CONDEMNATION

The Board of Directors shall have the sole authority to negotiate with any public or private body or person having the power of eminent domain and to sue or defend in any litigation involving such bodies or persons with respect to the common elements of the condominium and shall assist the unit owner whose unit or a part thereof is the subject of any condemnation or eminent domain proceeding. Provided, however, nothing in this or any document or agreement relating to the condominium shall be construed to give a unit owner or any party priority over the rights of the first mortgagees of any condominium units in the case of a distribution to the unit owner of any such condemnation awards for losses to or a taking of a unit and/or the common elements. In the event of a taking or acquisition of part or all of the common elements by a condemning authority, the award or proceeds of settlement shall be payable to the Association, or any trustee, for the use and benefit of the unit owners and their mortgage holders as their interest may appear. The Board of Directors shall distribute the proceeds of any such award or settlement on a reasonable and equitable basis among the unit owners.

11. AMENDMENTS TO BYLAWS

The Bylaws may be amended by the Association in a duly-constituted meeting or ballot meeting called for such purpose, and no amendment shall take effect unless approved by owners holding a majority of the voting rights as otherwise set forth in the Declaration and any Supplemental Condominium Declaration. Any amendments adopted hereby shall be reduced in writing, certified by the chairperson and secretary of the Association of Unit Owners to be the amendment so adopted by the Association of Unit Owners, and such amendment so certified shall be recorded in the Deed Record of Deschutes County, Oregon. Provided, however, no amendment of these Bylaws reducing or eliminating the right of any first mortgagee shall be made without the prior written consent of such first mortgagees. Provided, further, no amendment of these Bylaws may be made without the consent of the Declarant so long as Declarant owns any unit in the condominium, but no such consent shall be required after conveyance to owners other than the Declarant of 75 percent of the units in the last stage of the condominium or five years after the first conveyance of a unit in the condominium, whichever is earlier. If required by the Oregon Condominium Act, any amendments to these bylaws must be approved by the Oregon Real Estate Commissioner prior to recording.

12. RECORDS AND AUDITS

12.1 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.

12.2 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 unit owners and mortgagees at convenient hours of weekdays.

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

12.4 Payment of Vouchers. The treasurer shall pay all vouchers up to \$1,000 signed by the chairperson, managing agent, manager or other person authorized by the Board of Directors. Any voucher in excess of \$1,000 shall require the signature of the chairperson.

12.5 Reports and Audits. The Board of Directors shall prepare or cause to be prepared an annual report of the receipts and expenditures of the Association and a balance sheet and income and expense statement setting forth the financial condition of the Association as at the end of each year. The report shall be prepared according to generally accepted accounting procedures and shall be distributed to all unit owners and to all mortgagees of units within 90 days after the end of the fiscal year. At any time any owner or mortgagee may, at his/her/its expense, cause an audit or inspection to be made of the books and records of the Association.

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

13. COMPLIANCE

These Bylaws are intended to comply with the provisions of the Oregon Condominium Act, which are incorporated herein and to supplement the provision in the Condominium Declaration. In case any of the provisions hereof conflict with the provisions of said statutes, the statutory provisions shall apply. In case of any conflict between the provisions hereof and the Declaration, the provisions in the Declaration shall apply.

14. INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS

14.1 Directors and Officers. The Association shall indemnify to the fullest extent permitted by law, any person who is made, or threatened to be made, a party to or witness in, or is otherwise involved in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, investigative, or otherwise (including any action, suit or proceeding by or in the right of the Association) by reason of the fact that the person is or was a director or officer of the Association.

14.2 Employees and Other Agents. The Association may indemnify its employees and other agents to the fullest extent permitted by law.

14.3 Advances of Expenses. The expenses incurred by a director or officer in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, investigative, or otherwise, which the director or officer is made or threatened to be made a party to or witness in, or is otherwise involved in, shall be paid by the Association in advance upon written request of the director or officer, if the director or officer:

14.3.1 Furnishes the Association a written affirmation of his or her good faith belief that he or she is entitled to be indemnified by the Association; and

14.3.2 Furnishes the Association a written undertaking to repay such advance to the extent that it is ultimately determined by a court that he or she is not entitled to be indemnified by the Association. Such advances shall be made without regard to the person's ability to repay such expenses and without regard to the person's ultimate entitlement to indemnification under this or otherwise.

14.4 Nonexclusivity of Rights. The rights conferred on any person by this Section 14 shall be in addition to any rights to which a person may otherwise be entitled under any articles of incorporation, bylaw, agreement, statute, policy of insurance, vote of shareholders or Board of Directors, or otherwise.

14.5 Survival of Rights. The rights conferred on any person by this Section 14 shall continue as to a person who has ceased to be a director, officer, employee or agent of the Association; and shall inure to the benefit of the heirs, executors and administrators of such person.

14.6 Amendments. Any repeal of this Section 14 shall be prospective only and no repeal or modification of this Section 14 shall adversely affect any right or protection that is based upon this Section 14 and pertains to an act or omission that occurred prior to the time of such repeal or modification.

15. ASSESSMENT COLLECTION COSTS

Unit owners shall be obligated to pay reasonable fees and costs including, but not limited to, attorney fees incurred in connection with efforts to collect delinquent and unpaid assessments. In addition to the monthly assessment for operating expenses and the funding of reserves, such assessments may include fees, late charges, fines and interest imposed pursuant to ORS 100.405.

In the event action is commenced by the directors for the collection of any amounts due pursuant to these Bylaws or for the enforcement of any provisions of the Bylaws or of the Oregon Condominium Act, the owner or owners, jointly and severally, will in addition to all other obligations, pay the costs of such suit or action, including reasonable attorney fees to be fixed by the trial court and, in the event of an appeal, the cost of the appeal, together with reasonable attorney fees in the appellate court to be fixed by such court.

16. MISCELLANEOUS

16.1 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. All notices to any unit owner shall be sent to such address as may have

been designated by him or her from time to time, in writing, to the Board of Directors, or if no address has been designated, then to the owner's unit.

16.2 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.

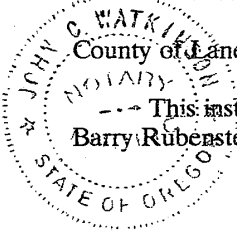
16.3 Invalidity; Number; Captions. The invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these Bylaws. As used herein, the singular shall include the plural, and the plural the singular. All captions used herein are intended solely for convenience of reference and shall in no way limit any of the provisions of these Bylaws.

The undersigned Declarant hereby adopts the foregoing Bylaws which shall become effective upon the recording of this document.

DATED this 6 day of November, 1991.

River Ridge Development

By: Barry Rubenstein
Barry Rubenstein
Attorney-in-Fact

STATE OF OREGON)
) ss.
County of Lane)


This instrument was acknowledged before me on this 6th day of Nov, 1991 by Barry Rubenstein as attorney-in-fact for River Ridge Development.

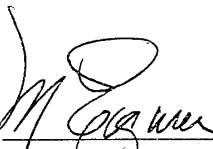
John C. Watkins
Notary Public for Oregon
My Commission Expires: 2-13-92

STATE OF OREGON)
COUNTY OF DESCHUTES) SS.

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

91 DEC 17 PM 4: 26

MARY SUE PENHOLLOW
COUNTY CLERK

BY:  DEPUTY
NO. 91-37302 FEE 165-
DESCHUTES COUNTY OFFICIAL RECORDS

CONDOMINIUM DECLARATION

FOR

SKYLINE CONDOMINIUM

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✓ Ron Beemts
WPA

Bend Title Company

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CONDOMINIUM DECLARATION
FOR
SKYLINE CONDOMINIUM

This Declaration is made by River Ridge Development, a partnership, pursuant to the provisions of the Oregon Condominium Act.

RECITALS

Declarant is the owner of certain real property located at Sunriver, Deschutes County, Oregon, more particularly described below, and desires to submit that property to the condominium form of ownership in accordance with the Oregon Condominium Act.

DECLARATION

Declarant declares on behalf of itself, its successors, grantees and assigns, as well as to any and all persons having, acquiring or seeking to have or acquire any interest in any of the property which is the subject of this Declaration as follows:

1. Definitions. Except as otherwise provided or modified by this section, the terms in this Declaration shall have the meaning set forth in the Oregon Condominium Act, ORS 100.005 et sequitur, which statute and definitions are incorporated herein. As used in this Declaration and the Bylaws, the following terms shall have the following meanings:

1.1 Association. The Skyline Condominium Association of Unit Owners.

1.2 Bylaws. The Bylaws of the Association referred to in Section 10.1 of this Declaration.

1.3 Condominium. The land, all buildings, improvements and structures thereon, and all easements, rights and appurtenances belonging thereto, which are herewith submitted to the provisions of the Oregon Condominium Act.

1.4 Declarant. River Ridge Development, a partnership.

1.5 Declaration. This Condominium Declaration for Skyline Condominium.

1.6 Eligible Mortgage Insurer or Guarantor. The insurer or government guarantor of any first mortgage who requests notice of certain matters from the Association, as set forth in Section 12.1 of this Declaration.

1.7 Eligible Mortgagee. Any first mortgagee who requests notice of certain matters from the Association as set forth in Section 12.1 of this Declaration.

1.8 Majority of Unit Owners. As defined in Section 7.

1.9 Mortgage and Mortgagee. Respectively, a recorded mortgage, trust deed or contract of sale which creates a lien against a unit, and the holder, beneficiary or vendor of such a mortgage, trust deed or contract of sale.

1.10 Property. The real property described on attached Exhibit A which is submitted by this Declaration to the condominium form of ownership.

2. Submission of Property to Unit Ownership. Declarant hereby submits the Property, in fee simple, to the condominium form of ownership pursuant to the Oregon Condominium Act.

3. Name and Unit Description.

3.1 Name. The name by which the Condominium shall be known is Skyline Condominium.

3.2 Boundaries of Units. Each unit shall be bounded by the interior surfaces of its perimeter walls, floors, ceilings, windows and window frames, doors and door frames and trim. The units shall include all lath, furring, wallboard, plasterboard, plaster, paneling, tiles, wallpaper, paint, finished flooring, and any other materials constituting any part of its finished surfaces and the exterior surfaces so described. All other portions of the walls, floors or ceilings shall be a part of the common elements. In addition, each unit shall include the following:

3.2.1 All spaces, nonbearing interior partitions, windows, window frames, exterior doors, door frames, and all other fixtures and improvements within the boundaries of the unit; and

3.2.2 All outlets of utility service lines, including, but not limited to, power, light, gas, hot and cold water, heating, refrigeration, air conditioning and waste disposal within the boundaries of the unit, but shall not include any part of such lines or ducts themselves.

In interpreting deeds, mortgages, deeds of trust and other instruments, for any purpose whatsoever or in connection with any matter, the existing physical boundaries of the unit or of a unit reconstructed in substantial accordance with the original plans hereof shall be conclusively presumed to be the boundaries regardless of settling, rising or lateral movement of the building and regardless of variances between boundaries as shown on the plat and those of the actual building or buildings.

3.3 Building Description and Unit Designation. The Property submitted by this Declaration has two buildings thereon in which condominium units are located. The buildings, which are two-story wood frame construction on concrete foundations with cedar siding and cedar shake shingle roofs, contain four units each, for a total of eight units. In subsequent stages, some buildings may contain two units each. The vertical and horizontal boundaries, number designation, location and dimension of each unit are shown on the plat. The plat is being recorded simultaneously with this Declaration.

The allocation to each unit in Stage I of an undivided interest in the common elements was determined by dividing the sum of the approximate floor space of all units into the approximate floor space of each respective unit.

The unit designation, approximate area and percentage ownership in common elements in Stage I is as follows:

Unit No.	Approximate Area	Percentage Ownership in Common Elements as of Stage I
1	1455	12.5
2	1455	12.5
3	1455	12.5
4	1455	12.5
5	1455	12.5
6	1455	12.5
7	1455	12.5
8	1455	<u>12.5</u>
	TOTAL	100.0

NOTE: The approximate area of the units as shown above includes only the square footage of the units, and does not include the square footage of the storage areas, trash enclosures and the unattached carports, as shown on the plat, all of which are limited common elements.

3.4 Description of Staged Development. The Declarant proposes to develop the Condominium in several stages with the maximum number of units, maximum number of stages, the additional common elements, minimum allocation of undivided interest in the common elements and election dates as follows:

3.4.1 The maximum number of units to be included in the Condominium development is 14.

3.4.2 The maximum number of stages in the development, including the initial stage, is three.

3.4.3 The additional general common elements to be annexed at each stage of development shall include the portion of the Condominium buildings not included within a unit or a limited common element, the land and landscaping. The Declarant may, at its option, annex bare land in subsequent stages for any purpose, including, without limitation, increasing the open space of the Condominium or meeting applicable land use, zoning or other laws, codes or regulations. At the option of the Declarant, the Declarant may annex to the Condominium, as a general common element, a sundeck with spa in a subsequent stage. Upon the annexation of such a facility, the owners of units will be required to pay assessments sufficient for the operation, maintenance and repair of the facilities.

3.4.4 The quality of construction and the exterior style of the buildings annexed in subsequent stages will be compatible with those of Stage I. In all events, the minimum allocation of undivided interest in the common elements of each unit in Stage I upon completion of the development will not be less than seven percent. The method used to establish allocation of undivided interest in the common elements will be based upon the square footage of each unit expressed as a percentage of the sum of the square footage in all units in the Condominium at each such respective stage of development.

3.4.5 The Declarant shall have until December 31, 1995, to annex the units in subsequent stages. Provided, however, pursuant to ORS 100.105(3)(a), not later than two years following December 31, 1995, the Declarant may seek an amendment to the Declaration providing for an extension of time to annex additional units not

to exceed two years after December 31, 1995. Such annexation shall be accomplished by the recordation of one or more Supplemental Condominium Declarations, which shall set forth the number and type of units, if any, and a description of the common elements and the units' undivided interests therein. Each Supplemental Condominium Declaration shall be accompanied by a plat certifying the annexed units to be complete and depicting the units and common elements being annexed to the Condominium. All improvements being annexed in subsequent stages shall be substantially complete at the time of their annexation.

The land which is annexed with units to subsequent stages will be contiguous to the land of Stage I. The approximate description of all land that may be annexed to the Condominium in subsequent stages is attached as Exhibit B.

4. General Common Elements.

4.1 Description. The general common elements consist of all portions of the Condominium not part of a unit or a limited common element, including, but not limited to, the following:

4.1.1 The land;

4.1.2 The foundations, columns, girders, beams, supports, bearing walls, main walls, roofs, fire escapes, entrances and exits of the buildings;

4.1.3 The yards, gardens, recreational facilities, any outside storage areas, roads and driveways and undesignated parking areas;

4.1.4 Installations of central services, such as power, light, gas, hot and cold water, heating, refrigeration, air conditioning, waste disposal and incinerators, up to the outlets within any unit;

4.1.5 The tanks, pumps, motors, fans, compressors, ducts and, in general, all apparatus and installations existing for common use; and

4.1.6 All other elements of any building necessary or convenient to its existence, maintenance and safety, or normally in common use.

4.2 Maintenance, Repair and Replacement; Liability for General Common Expense. The performance and expense of the maintenance, repair and replacement of all common elements shall be the responsibility of the Association. Nothing herein contained, however, shall be construed so as to preclude the Association from delegating to persons, firms or corporations of its choice, such duties as may be imposed by the Association. Each unit will be liable for the general common expense in equal proportion, excepting for fire

and casualty insurance (which shall be shared in proportion to the amount of coverage placed on each unit), and the funding of the replacement reserves which shall be apportioned among the units based upon the approximate square footage of the unit. The allocation among the units need not be exact.

4.3 Income from Common Elements. All income derived from any coin-operated vending machine and/or any other income derived from the common elements shall be income of the Association. The Board of Directors may, in its discretion, use such income to help meet the expense of maintaining the common elements or for such other purpose as may benefit the Association and the Unit Owners in a substantially equal manner.

4.4 Rules and Regulations Promulgated by the Association. No person shall use the common elements or any part thereof in any manner contrary to or not in accordance with such rules and regulations pertaining thereto, as from time to time may be promulgated by the Association. Without, in any manner, intending to limit the generality of the foregoing, the Association shall have the right, but not the obligation, to promulgate rules and regulations limiting the use of the common elements to the members of the Association and their respective families, guests, invitees and servants. Such use may be conditioned upon, among other things, the payment by the unit owner of such assessments as may be established by the Association for the purpose of defraying the cost thereof.

5. Parking. Each unit has one covered carport and uncovered parking area appertaining to the unit as limited common elements. The location of each carport and parking area, together with the designation of the unit to which they pertain, is shown on the plat.

6. Limited Common Elements.

6.1 Description. The following shall constitute the limited common elements, the use of which shall be restricted to the units for which they appertain:

6.1.1 All patios, decks and courtyards and storage closets located on patios, decks and courtyards, each of which shall pertain to the unit which it adjoins.

6.1.2 Assigned carport, parking and uncovered parking spaces, including any storage areas within carports, each of which shall pertain to the unit whose number it bears on the plat.

6.1.3 Walkways, not within the unit, which provide access to the unit.

6.1.4 Enclosed trash receptacle and storage area, as shown on the plat.

6.1.5 The exterior surfaces of any fences which separate the decks, courtyards or patios of adjoining units.

6.2 Maintenance, Repair and Replacement of Limited Common Elements.

Because the limited common elements appertaining to each unit are nearly the same, for purposes of reducing the administrative burdens of the Association, the performance and expense of maintenance, repair and replacement of the limited common elements shall be the responsibility of the Association, as provided in Section 4.2, provided any damage caused by the negligence or intentional action of a unit owner, which is not covered by insurance maintained by the Association, shall be repaired by the unit owner causing such damage. The funding of replacement reserves for limited common elements shall be on the same basis described in Section 4.2.

7. Voting. The owner or co-owners of each unit shall be entitled to one vote per unit. "Majority" or "Majority of Unit Owners" means the owners of more than 50 percent of the voting rights allocated to the Units by the Declaration. The calling and conducting of meetings of the Association and the exercise of voting rights shall be controlled by Sections 2 and 3 of the Bylaws.

8. Use of Property. Each unit is to be used for residential, recreational and vacation purposes only. The common elements shall be used for the furnishing of services and facilities for the enjoyment of the unit owners. Additional restrictions and regulations are set forth in the Bylaws and rules or regulations adopted pursuant to the provisions of the Bylaws.

9. Contracts and Leases. All contracts or leases (including any management contract) which are entered into prior to the turnover meeting shall be terminable without penalty by the Association or the Board of Directors upon not less than 30 days' written notice to the other party by the Association given not later than 60 days after the turnover meeting. Provided, however, any such contracting or leasing party may request the Association to affirm the continuation of any such agreement for the balance of its stated term. Affirmation by the Association after transfer of control shall extinguish all termination rights of the Association under this section.

10. Bylaws; Association; Management.

10.1 Adoption of Bylaws. Declarant has adopted and recorded simultaneously with this Declaration the Bylaws of Skyline Condominium Association of Unit Owners. The Bylaws shall be effective upon the recording of this Declaration.

10.2 Association of Unit Owners; Membership. Each owner of a unit in the Condominium shall be a member of the Association, and membership therein shall be limited to unit owners only. The Association, which shall be organized upon the recording

of the Declaration and Bylaws, shall serve as a means through which the unit owners may take action with regard to the administration, management and operation of the Condominium. The Association shall be an unincorporated association. Provided, however, nothing herein contained shall preclude the Association, upon majority vote, from electing to incorporate under the nonprofit corporation laws of the State of Oregon. The Association shall operate under the name SKYLINE CONDOMINIUM ASSOCIATION OF UNIT OWNERS. If the Association is subsequently incorporated, the name of the Association shall include the complete name of the Condominium and shall be as close to the present name as is possible.

10.3 Management; Board of Directors. The affairs of the Association shall be governed by a Board of Directors as provided in the Bylaws. The Board of Directors shall elect officers consisting of a chairperson, secretary and treasurer. Pursuant to the provisions of the Bylaws and the Oregon Condominium Act, the Board of Directors may adopt administrative rules and regulations governing details of the operation, maintenance and use of the Condominium property. The Board of Directors may contract with a professional manager or management firm to manage the affairs of the Association.

10.4 Interim Board and Officers. The Declarant has reserved control over the administration of the Association by reserving the right in the Bylaws to appoint an interim Board of Directors to manage the Condominium until the turnover meeting. The turnover meeting shall be held within 90 days after conveyance to persons other than the Declarant of 75 percent of the units in the last stage of the Condominium or five years from the date of conveyance of the first unit in the Condominium, whichever is earlier. The three members of the interim board shall also serve as the interim chairperson, secretary and treasurer.

10.5 Powers and Duties of the Association. The Association and the Board of Directors shall have the powers and duties granted to them by this Declaration, any applicable Supplemental Condominium Declaration, the Bylaws, and ORS 100.405(4) together with other provisions of the Oregon Condominium Act.

11. Services of Process.

The designated agent to receive service of process in cases provided in ORS 100.550(1) is named in the Condominium Information Report which will have been filed with the Secretary of State in accordance with ORS 100.250(1)(a) within 90 days after the recording of this Declaration.

12. Mortgages. In the event of a conflict between this Section 12 and other provisions of this Declaration or any Supplemental Condominium Declaration, the provisions of this Section 12 will prevail.

12.1 Notice of Action. Upon written request to the Association identifying the name and address of the mortgage holder, and the unit number or address, any mortgagee, including, without limitation, any Eligible Mortgagee and any Eligible Mortgagee insurer or guarantor, will be entitled to timely notice of:

12.1.1 Any condemnation loss or any casualty loss which affects a material portion of the Condominium or any unit on which there is a first mortgage held, insured, or guaranteed by such mortgage;

12.1.2 Any delinquency in the payment of assessments or charges owed by an owner of a unit subject to a first mortgage held, insured or guaranteed by such mortgagee, which remains uncured for a period of 60 days;

12.1.3 Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;

12.1.4 Any proposed action which would require the consent of a specified portion of mortgagees as set forth in this Section 12.

12.2 Mortgagee Exempt from Certain Restrictions. Any mortgagee which comes into possession of the unit pursuant to the remedies provided in the mortgage, or foreclosure of the mortgage, or deed (or assignment) in lieu of foreclosure, shall be exempt from any "right of first refusal" or other restrictions on the sale or rental of the mortgaged unit, including, but not limited to, restrictions on the age of unit occupants and restrictions on the posting of signs pertaining to the sale or rental of the unit.

12.3 Subordination of Association Lien to Mortgage/Discharge of Lien Upon Foreclosure. Subject to ORS 100.450, the lien of the Association shall be subordinate to a first mortgage of record. Any Eligible Mortgagee which comes into possession of the unit pursuant to the remedies in the mortgage, by foreclosure of the mortgage, or by deed (or assignment) in lieu of foreclosure, shall take the property free of any claims for unpaid assessments or charges against the mortgaged unit until which accrue prior to the time such Eligible Mortgagee comes into possession of the unit (except for claims for a pro rata share of such assessments and charges resulting from a pro rata reallocation of such assessments or charges to all units, including the mortgaged unit).

12.4 Professional Management. Upon written request of the Eligible Mortgagees of at least 51 percent of the first mortgages of units in the Condominium, the Board of Directors shall employ a professional manager to manage the affairs of the Association. Any agreement for professional management shall provide that the management contract may be terminated for cause on 30 days' written notice. Without the prior written approval of the Eligible Mortgagees of 51 percent of the first mortgages on units in the Condominium, the Association of Unit Owners may not effect any decision to terminate professional

management and assume self-management of the Condominium. Additionally, if professional management has previously been required by any Eligible Mortgagee, any such decision to establish self-management shall require prior consent of the owners of units to which 67 percent of the votes in the Association are allocated.

12.5 Consent of Mortgagees to Change Percentage Ownership to Common Elements. The unit owners may not reallocate the percentage interest in the common elements attributable to any unit without prior approval of Eligible Mortgagees holding 51 percent of the votes attributable to the units in respect to which the percentage ownership is proposed to be altered. Nothing in this Section 12.5 is or shall be construed to give the owners, the Association, or the Board of Directors any specific authority to alter such percentage ownership, and if any attempt is made to do so, full compliance shall be made with the Declaration, any applicable Supplemental Condominium Declaration, the Bylaws and the Oregon Condominium Act.

12.6 Consent of Mortgagee Required to Terminate Project. Except with respect to termination of the Condominium as a result of destruction, damage or condemnation, any termination of the Condominium shall require the approval of Eligible Mortgagees holding mortgages on units which have at least 67 percent of the votes in the Condominium. Additionally, any such termination shall be carried out by the owners pursuant to provisions of the Declaration, any applicable Supplemental Condominium Declaration, the Bylaws and the Oregon Condominium Act, and only after vote of the owners as provided therein.

12.7 Limited Right of Amendment. Except upon the approval of Eligible Mortgagees who hold mortgages on units in the Condominium which, in the aggregate, have allocated to such units at least 50 percent of the votes, no amendments may be made to the Declaration or the Bylaws which add to or amend any material provision of the Declaration or the Bylaws which establish, provide for, govern or regulate any of the following:

12.7.1 Voting;

12.7.2 Assessments, assessment liens or subordination of liens;

12.7.3 Reserves for maintenance, repair and replacement of common elements (or units, if applicable);

12.7.4 Insurance of fidelity bonds;

12.7.5 Rights to use of the common elements;

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

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

12.7.8 Boundaries of any unit;

12.7.9 The interests in the general or limited common elements;

12.7.10 Convertibility of units into common elements, or of common elements into units;

12.7.11 Leasing of units;

12.7.12 Imposition of any right of first refusal or similar restriction on the right of a unit owner to sell, transfer or otherwise convey his or her unit; and

12.7.13 Any provisions which are for the express benefit of Eligible Mortgagees.

The provisions of this paragraph are intended only to be a limitation on the right of the unit owners, Board of Directors and Association to amend the Declaration and the Bylaws, and are not intended to give any such party any specific right to effect any amendment. Any such amendment to the Declaration or the Bylaws shall be made only upon full compliance with the provisions of the Declaration and the Bylaws of the Condominium and the Oregon Condominium Act relating to the procedure and percentage of votes required for such amendment. An addition or amendment to the Declaration or the Bylaws shall not be considered material as to requiring consent or approval of Eligible Mortgagees, if it is for the purpose of correcting technical errors or for clarification only.

12.8 Request for Approval of Mortgagees. Any Eligible Mortgagee and any eligible mortgage insurer or guarantor who receives a written request to approve additions or amendments to the Declaration or the Bylaws, or to any other action to be taken by the Board of Directors, Association or unit owners, shall be considered to have given such approval unless a negative response is delivered or posted by such mortgagee or such eligible mortgage insurer or guarantor within 30 days after such request is received.

12.9 Proxy Held by Mortgagee in Certain Cases. An Eligible Mortgagee may attend a meeting of the Association of Unit Owners with the proxy of the mortgagor of said unit for the purpose of voting to paint or otherwise maintain the common elements. Provided, however, such right shall arise only in the event the Eligible Mortgagee reasonably believes that the Association of Unit Owners has failed to maintain the common elements in a sufficient manner to prevent excessive wear and tear.

12.10 Right to Examine Documents. The Association shall make available to unit owners and lenders and to Eligible Mortgagees current copies of the Declaration, the Bylaws, other rules concerning the Condominium, and the books, records and financial statements of the Association.

12.11 Right to Annual Reports. Mortgagees of 51 percent or more of the units shall be entitled to have an audited financial statement prepared at their expense if such statement is not otherwise available. The Association, its officers and directors and manager (if any), shall cooperate with such Eligible Mortgagees and their auditors to facilitate the necessary auditing and review process. Such financial statement shall be furnished within a reasonable length of time following request.

12.12 Right to Receive Written Notice of Meetings. The Association of Unit Owners shall give all Eligible Mortgagees and eligible mortgage insurers or guarantors, upon request, written notice of all meetings of the Association, and such Eligible Mortgagees and eligible mortgage insurers or guarantors shall be permitted to designate a representative to attend all such meetings.

13. Amendments to Declaration. Except where a larger vote is required by law, this Declaration may be amended from time to time by consent or approval of the unit owners holding 75 percent or more of the voting rights as otherwise set forth in this Declaration. Provided, however, no amendment of this Declaration reducing or eliminating the right of any Eligible Mortgagee shall be made without the prior written consent of all such Eligible Mortgagees.

13.1 Declarant's Approval Required. Declarant's prior written consent shall also be required so long as Declarant owns any unit in the Condominium. Provided, however, no such consent shall be required after conveyance to owners, other than the Declarant, of 75 percent or more of the units in the last stage in the Condominium, or five years after conveyance of the first unit in the Condominium, whichever is earlier. Provided, however, even after such time, no amendment may limit or reduce any of the Declarant's special rights reserved herein or otherwise provided by law. Except with respect to permitted Supplemental Condominium Declarations annexing additional property to the Condominium, no amendment may change the size, location, percentage interest in the common elements, method of determining liability for common expenses, right to common profits or voting power of any unit unless such amendment has been approved by the owners of the affected unit and the mortgagees of any such unit.

13.2 Recordation. The amendment shall be effective upon recordation in the Deed Records of Deschutes County, certified to by the chairperson and secretary of the Association and, if required by law, approved by the County Assessor and the Real Estate Commissioner.

14. **Subdivision.** No unit may be subdivided into divisions of any nature.

15. **Authority to Execute Leases, Easements, Rights-of-Way, Licenses and Other Similar Interests.** Pursuant to ORS 100.405(5) the Association shall have the authority to execute, acknowledge, deliver and record on behalf of the unit owners, leases, easements, rights-of-way, licenses and other similar interests affecting the general common elements and consent to the vacation of roadways within and adjacent to the condominium. The granting of a lease in excess of two years or any other interest or consent pursuant to this section shall first be approved by at least 75 percent of the unit owners as required by ORS 100.405(6). The instrument granting any such interest shall be executed by the chairperson and secretary of the Association and acknowledged in the manner provided for acknowledgement of such instruments by such officers and shall state that such grant was approved by at least 75 percent of the unit owners.

16. **Declarant's Special Rights.** The Declarant shall have the following special rights:

16.1 **Sales Office and Model.** The Declarant shall have the right to maintain a sales office and model in one or more of the units which the Declarant owns. The Declarant and prospective purchasers and their agents shall have the right to park automobiles in the parking area on the common elements and to use and occupy the sales office and models during reasonable hours any day of the week.

16.2 **"For Sale" Signs.** The Declarant may maintain a reasonable number of "For Sale" signs at reasonable locations on the Condominium property.

16.3 **No Capital Assessments Without Consent.** Neither the Association nor the Board of Directors shall make any assessments for new construction, acquisition or otherwise, without the prior written consent of the Declarant as long as the Declarant owns more than two units or five percent of the total number of units in the Condominium, whichever is greater. Provided, however, that no such consent shall be required pursuant to this Section 16.3 after the earlier of five years from the date of conveyance of the first unit in the Condominium, or 90 days after conveyance to persons other than the Declarant of 75 percent of the units in the last stage of the Condominium. Provided, further, nothing contained in this Section 16.3 is intended nor shall be construed as a limitation on the Declarant's obligation to pay common monthly assessments on units owned by the Declarant pursuant to requirements of the Oregon Condominium Act.

16.4 **Common Element Maintenance by the Association.** The Association shall maintain all common elements in a clean and attractive manner. Should the Association fail to do so, the Declarant may perform such maintenance at the expense of the Association.

16.5 **Declarant's Easements.** The Declarant, its agents and employees, shall have a blanket easement on and over the common elements for the completion of any portion

of the Condominium, including the furnishing and decoration of any unit, sales office or model.

16.6 Other Declarant Rights. The rights reserved to the Declarant, as set forth in this Section 16, are not intended to be in limitation of any other special Declarant rights which may be granted or afforded the Declarant pursuant to the provisions of the Oregon Condominium Act or as otherwise may exist. Upon the expiration of any or all special Declarant rights, the Declarant will have the same rights as any other owner in the Condominium in respect to such ownership.

16.7 Assignment of Declarant's Rights. The Declarant shall have the right to assign any and all of its rights reserved pursuant to provisions in this Declaration, including Declarant's special rights as set forth in Section 16 hereof.

16.8 Expiration of Declarant's Special Rights. Unless otherwise provided, the Declarant's special rights reserved in this Section 16 shall expire upon the conveyance by the Declarant of 75 percent of the units in the last stage of the Condominium or five years after conveyance of the first unit in the Condominium, whichever is earlier.

17. Covenants for Maintenance, Repair and Replacement of Private Sewer Lines. The sewer lines serving the Condominium are private and shall be maintained, repaired and replaced under the direction of the Association of Unit Owners. Each unit owner shall be responsible for his proportionate share of the expense of maintenance, repair and replacement of the private sewer lines, which amount shall be a part of the monthly assessment.

18. Easements Reserved to the Declarant. This Declaration may be recorded prior to completion of all aspects of the interiors of other units, the roadway over the common elements, with respect to Stage I of the Condominium. This Declaration will be recorded prior to construction of units, buildings, roadways and other improvements on land that may be annexed to the Condominium in subsequent stages. In order to facilitate the completion and decoration of all of the units and to facilitate completion of the roadway, landscaping and common elements of the Condominium, the Declarant hereby reserves unto itself, its successors and assigns an easement over all aspects of the common elements for the purpose of carrying out the Declarant's development scheme, including, without limitation, the right to store materials on the common elements at reasonable places and for reasonable lengths of time, and the use of the common elements for the completion and decoration of all of the units in the Condominium and for the completion of the roadway, landscaping and common elements with respect to all land that has been or may be annexed to the Condominium. Provided, however, the Declarant, its assignees, licensees and invitees shall take reasonable steps to insure that the use and enjoyment by unit owners of the Condominium is interfered with as little as possible. This easement shall lapse and

determine upon the expiration of the time during which the Declarant may annex property to the Condominium in subsequent stages.

19. General Provisions.

19.1 Interpretation. The rights and obligations of all members of the Association and any person dealing with the Association or any of its members in respect to matters pertaining to the Declaration, any Supplemental Condominium Declaration and the Bylaws shall be interpreted and governed by the laws of the State of Oregon. References in this Declaration and the Bylaws to ORS shall include the corresponding provisions of any future law.

19.2 Severability. Each provision of the Declaration, any Supplemental Condominium Declaration and the Bylaws is independent and severable. The invalidity or partial invalidity of any provision thereof shall not affect any of the remaining portions of that or any other provision of this Declaration, any Supplemental Condominium Declaration or the Bylaws.

19.3 Waiver of Rights. The failure of the Association, Board of Directors, an officer or a unit owner to enforce any right, provision, covenant or condition of the Declaration and the Bylaws shall not constitute a waiver of the right of any such party to enforce such right, provision, covenant or condition in the future.

19.4 Legal Proceedings. Failure to comply with any of the terms of the Declaration, any Supplemental Condominium Declaration, the Bylaws and any rules or regulations adopted thereunder shall be grounds for relief which may include, without intending to limit the same, an action to recover money due, damages or a suit for injunctive relief to foreclose a lien, or any combination thereof. Relief may be sought by the Association, Board of Directors, an officer, a professional manager or management firm, or, if appropriate, by an aggrieved unit owner.

19.5 Costs and Attorney Fees. In any proceeding arising because of alleged default by a unit owner, the prevailing party shall be entitled to recover the cost of the proceedings and such reasonable attorney fees as may be determined by the trial court in any trial or by the appellate court in any appeal thereof.

19.6 Compliance. Each unit owner shall comply with the Declaration, any Supplemental Condominium Declaration and the Bylaws and with the administrative rules and regulations adopted thereunder, and with all other applicable covenants, conditions and restrictions of record. Failure to comply therewith shall be grounds for suit or action maintainable by the Association or any unit owner in addition to other sanctions which may be provided by the Bylaws or by the existing administrative rules and regulations.

19.7 Conflicting Provisions. In the event of a conflict between or among the Declaration, the Bylaws and any administrative rules and regulations, the provisions of the Declaration shall be paramount to the Bylaws and the rules and regulations, and the Bylaws shall be paramount to the rules and regulations. For purposes of this section, the term "Declaration" shall include all amendments and Supplemental Declarations, and the term "Bylaws" shall include all amendments.

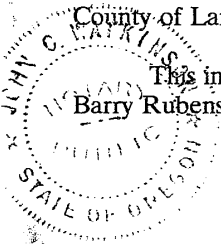
19.8 Section Captions. Section captions are not a part hereof unless the context otherwise requires. In construing this Declaration, it is understood that if the context so requires, the singular pronouns shall be taken to mean and include the plural, the masculine, feminine and neuter, and that generally, all grammatical changes shall be made, assumed and implied to make the provisions hereof apply equally to individuals, trusts, estates, personal representatives, trustees and corporations.

IN WITNESS WHEREOF, the undersigned fee owner of the subject property has caused this Declaration to be executed this 6 day of NOVEMBER, 1991.

River Ridge Development

By: [Signature]
Barry Rubenstein
Attorney-in-Fact

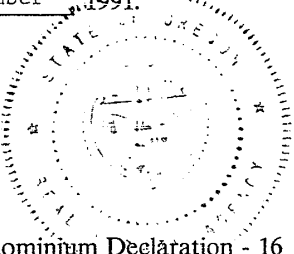
STATE OF OREGON)
) ss.
County of Lane)



This instrument was acknowledged before me on this 6th day of Nov, 1991 by Barry Rubenstein as attorney-in-fact for River Ridge Development.

[Signature]
Notary Public for Oregon
My Commission Expires: 2-13-92

The foregoing Declaration is approved pursuant to ORS 100.110 this 12 day of November, 1991.



Norella Larson
Real Estate Commissioner
By: [Signature]

EXHIBIT A
to
Condominium Declaration
for
Skyline Condominium

252 - 1409

DESCRIPTION SHEET

A tract of land located in the Southwest Quarter (SW1/4) of Section Thirty-two (32); Township Nineteen (19) South, Range Eleven (11) East, Willamette Meridian, Deschutes County, Oregon, being a portion of that tract recorded in Volume 232, Page 1694, being more particularly described as follows:

Beginning at the initial point of Quelah Phase III, a condominium plat of record in Deschutes County, Oregon, said point being a found 5/8" iron rod replaced with a 2" brass capped iron pipe, being the initial point of this plat and this description:

Thence along the Westerly right of way of Abbott Drive North $02^{\circ}13'19''$ East, 173.45 feet, to the Southeasterly corner of Quelah Estates, a subdivision of record; thence leaving said right of way and continuing on the Southern boundary of said Quelah Estates, North $58^{\circ}00'30''$ West, 137.77 feet; thence leaving said Quelah Estates boundary South $35^{\circ}16'01''$ West, 157.62 feet, to a point on the Northerly boundary of Quelah Phase I, a condominium plat of record; thence along the Easterly boundary of said Quelah Phase I, South $16^{\circ}17'12''$ East, 163.39 feet, to the Northwesterly corner of the aforesaid Quelah Phase III; thence leaving the boundary of said Quelah Phase I, and continuing on the Northern boundary of Quelah Phase III North $75^{\circ}49'46''$ East, 160.18 feet, to the point of beginning and terminus of this description.

END

A-11/15

EXHIBIT B
to
Condominium Declaration
for
Skyline Condominium

252 - 1410

DESCRIPTION SHEET

A parcel located in the Southwest Quarter (SW1/4) of Section Thirty-two (32), in Township Nineteen (19) South, Range Eleven (11), East of the Willamette Meridian in Deschutes County, Oregon, being fully described as follows:

Beginning at the initial point of QUELAH CONDOMINIUMS PHASE V; and running thence along the Easterly boundary of said plat 114.27 feet along the arc of a 167.50 foot radius curve left (the long chord of which bears North 08°27'46" West, 112.07 feet) to a 5/8" iron rod; thence North 27°59'47" West, 22.98 feet to a 5/8" iron rod; thence 15.24 feet along the arc of a 103.56 foot radius curve left (the long chord of which bears North 32°12'31" West, 15.23 feet) to a 5/8" iron rod at the intersection of said Easterly boundary and the Southerly boundary of QUELAH ESTATES; thence leaving said Easterly boundary South 69°05'40" East, 248.89 feet to an angle point in the South boundary of QUELAH ESTATES; thence South 58°00'30" East; 155.21 feet to a 5/8" iron rod on the Westerly Right of Way of Abbot Drive; thence leaving said Southerly boundary South 02°13'19" West, 173.45 feet to the initial point of QUELAH CONDOMINIUMS PHASE III; thence leaving said Westerly Right of Way and following the Northerly boundary of QUELAH CONDOMINIUMS PHASE III South 75°49'46" West, 160.18 feet to a 5/8" iron rod on the boundary of QUELAH CONDOMINIUMS PHASE I; thence along said Phase I boundary North 16°17'12" West, 163.39 feet to a 5/8" iron rod; thence along said Phase I boundary North 54°55'51" West, 142.89 feet to a 5/8" iron rod; thence North 81°10'45" West, 3.99 feet to the point of beginning.

TOGETHER WITH an easement for ingress and egress over all roadways and driveways of Quelah Condominiums, Phases I, II, III and V.

EXCEPT:

A tract of land located in the Southwest Quarter (SW1/4) of Section Thirty-two (32), Township Nineteen (19) South, Range Eleven (11) East, Willamette Meridian, Deschutes County, Oregon, being a portion of that tract recorded in Volume 232, Page 1694, being more particularly described as follows:

Beginning at the initial point of Quelah Phase III, a condominium plat of record in Deschutes County, Oregon, said point being a found 5/8" iron rod replaced with a 2" brass capped iron pipe, being the initial point of this plat and this description:

Thence along the Westerly right of way of Abbott Drive North 02°13'19" East, 173.45 feet, to the Southeasterly corner of Quelah Estates, a subdivision of record; thence leaving said right of way and continuing on the Southern boundary of said Quelah Estates, North 58°00'30" West, 137.77 feet; thence leaving said Quelah Estates boundary South 35°16'01" West, 157.62 feet, to a point on the Northerly boundary of Quelah Phase I, a condominium plat of record; thence along the Easterly boundary of said Quelah Phase I, South 16°17'12" East, 163.39 feet, to the Northwesterly corner of the aforesaid Quelah Phase III; thence leaving the boundary of said Quelah Phase I, and continuing on the Northern boundary of Quelah Phase III North 75°49'46" East, 160.18 feet, to the point of beginning and terminus of this description.

END

A-11/15

252 - 1411

STATE OF OREGON)
COUNTY OF DESCHUTES) SS.

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

91 DEC 17 PM 4:30

MARY SUE PENHOLLOW
COUNTY CLERK

BY:  DEPUTY

NO. **91-37303** FEE **110** -

DESCHUTES COUNTY OFFICIAL RECORDS