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BYLAWS OF THE  
ASSOCIATION OF UNIT OWNERS  
OF  
RANCH CABINS

ARTICLE I

PLAN OF UNIT OWNERSHIP

1. Name and Location. These are the bylaws of the ASSOCIATION OF UNIT OWNERS OF RANCH CABINS (hereinafter the "Association"). Ranch Cabins (hereinafter, the "condominium") is located in Mountain Village, Sunriver, Deschutes County, Oregon, and has been submitted to the Oregon Unit Ownership Law by a declaration filed simultaneously herewith and by supplemental declarations, if any, annexing property to the condominium (hereinafter collectively called "the declaration"). The location of the condominium is more specifically described in the declaration.

2. Principal Office. The principal office of the Association shall be located at Great Hall, Sunriver, Oregon.

3. Purposes. This Association is formed under the provisions of the Oregon Unit Ownership Law to serve as the means through which the unit owners may take action with regard to the administration, management and operation of the condominium.

4. Applicability of Bylaws. The Association, all unit owners, and all persons using the condominium property shall be subject to these bylaws and to all rules and regulations which may be promulgated hereunder.

5. Sunriver Declarations, Plan of Sunriver, and the Lease. In addition to these bylaws and the declaration, the Association, all unit owners, and all persons using the condominium property are subject to the Sunriver Declaration Establishing Ranch Cabins and Annexing Ranch Cabins to Mountain Village (as amended) and the Sunriver Declaration Establishing Mountain Village (hereinafter, the "Sunriver Declarations"), the Plan of Sunriver and any rules and regulations promulgated thereunder. In addition, the Association, all unit owners, and all persons using the condominium property shall be subject to the terms of that certain lease dated March 1, 1973, between Sunriver Lands, Inc., as lessor, and Sunriver Properties, Inc., as lessee (hereinafter, "the Lease").

6. Composition of Association. The Association shall be composed of all the unit owners of the condominium, including

Sunriver Properties, Inc. (hereinafter, "the developer") and the Association, itself, to the extent either of these own any unit or units of the condominium.

## ARTICLE II

### MEETINGS OF ASSOCIATION

1. Place of Meetings. The Association shall hold meetings at Great Hall, Sunriver, Oregon, or at such other suitable place convenient to the unit owners as may be designated by the board of directors.

2. First Organizational Meeting. Within ninety (90) days after the developer has submitted the first phase of the condominium to unit ownership and adopted these bylaws as owner of all the units, the developer shall call the first meeting of the unit owners to organize the Association. In the event of lack of a quorum at such first organizational meeting, it may be adjourned to the time of the next annual meeting.

3. Annual Meetings. The annual meetings of the Association shall be held in the months of July or August at such hour and on such date as the chairman may designate, or if the chairman should fail to designate such date by the first day of August, then on the last Saturday in August. The annual meetings shall be for the purpose of electing directors and for the transaction of such other business as may properly come before the meeting.

4. Special Meetings. Special meetings of the Association may be called by the chairman or secretary or by a majority of the board of directors, and must be called by such officers upon receipt of a written request from at least thirty percent (30%) of the unit owners stating the purpose of the meeting. Business transacted at a special meeting shall be confined to the purposes stated in the notice.

5. Notice of Meetings. Notice of all meetings of the Association stating the time and place and the objects for which the meeting is being called shall be given by the chairman or secretary. Such notice shall be in writing and mailed to each unit owner at his address as it appears on the books of the Association not less than ten (10) days nor more than sixty (60) days prior to the date of the meeting. Proof of such mailing shall be given by the affidavit of the person giving the notice. Notice of meeting may be waived by any unit owner before or after meetings. When a meeting is adjourned for less than 30 days, no notice of the adjourned meeting need be given other than by announcement at the meeting at which such adjournment takes place.

6. Voting. Each unit owner shall have one vote for each unit of the condominium owned by him. The developer shall be entitled to vote as the unit owner of any then existing units retained by the developer, and the board of directors shall be entitled to vote on behalf of any unit which has been acquired by or on behalf of the Association; provided, however, that the board of directors shall not be entitled to vote such units in any election of directors.

7. Proxies. A vote may be cast in person or by proxy. A proxy given by a unit owner to any person who represents such owner at meetings of the Association shall be in writing and signed by such owner, and shall be filed with the secretary. No proxy shall be valid after the meeting for which it was solicited, unless otherwise expressly stated in the proxy, and every proxy shall automatically cease upon sale of the unit by its owner.

8. Fiduciaries and Joint Owners. An executor, administrator, guardian or trustee may vote, in person or by proxy, at any meeting of the Association with respect to any unit owned or held by him in such capacity, whether or not the same shall have been transferred to his name; provided, that he shall satisfy the secretary that he is the executor, administrator, guardian or trustee, holding such 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 unit shall be disregarded completely in determining the proportion of votes given with respect to such matter.

9. Quorum of Unit Owners. At any meeting of the Association, fifty percent (50%) of the unit owners, present in person or by proxy, shall constitute a quorum. The subsequent joinder of a unit owner in the action taken at a meeting by signing and concurring in the minutes thereof shall constitute the presence of such person for the purpose of determining a quorum. When a quorum is once present to organize a meeting, it cannot be broken by the subsequent withdrawal of a unit owner or owners. If any meeting of members cannot be organized because of a lack of quorum, the members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present.

10. Majority Vote. The vote of fifty percent (50%) or more of the unit owners, as defined in Article X, Section 4(b) of these Bylaws, present in person or by proxy, at a meeting at which a quorum is constituted shall be binding upon all unit owners for

all purposes except where a higher percentage vote is required by law, by the declaration or by these bylaws.

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

- (a) Calling of the roll and certifying of proxies.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting.
- (d) Reports of officers.
- (e) Reports of committees, if any.
- (f) Election of directors.
- (g) Unfinished business.
- (h) New business.
- (i) Adjournment.

### ARTICLE III

#### BOARD OF DIRECTORS

1. Number and Qualification. The affairs of the Association shall be governed by a board of directors composed of five (5) persons. All directors, other than interim directors appointed by developer, shall be owners or co-owners of units of the condominium. For purposes of this section, the officers of developer shall be considered co-owners of any units owned by developer.

2. Interim Directors. Upon the filing of the declaration submitting the condominium to the Oregon Unit Ownership Law, the developer, as owner of all the units, shall appoint an interim board of five (5) directors, two Class A directors and three Class B directors, who shall serve until their successors have been elected by the unit owners as hereinafter provided.

3. Election and Term of Office. At the first annual meeting the two Class A interim directors shall resign, and two Class A directors shall be elected to serve for one year terms. At each annual meeting thereafter until the last phase of the condominium has been annexed, successor Class A directors shall be elected for one year terms. At the next annual meeting after annexation of the final phase of development, the Class B interim directors shall resign and their successors shall be elected for two year terms. The terms of the then existing Class A directors shall be extended for an additional year until the next annual meeting, at which time their successors shall be elected for two year terms. Thereafter, at the expiration of the initial term of office of each respective director, his successor shall be elected to serve

for a term of two years, so that the term of not less than one third of the directors shall expire annually. Directors shall hold office until their respective successors have been elected by the unit owners. Election shall be by plurality.

4. Vacancies. Vacancies in the board of directors caused by any reason other than the removal of a director by a vote of the Association shall be filled by vote of the majority of the remaining directors, even though they may constitute less than a quorum, or by a sole remaining director. Each person so elected shall be a director until a successor is elected to fill the unexpired term at the next annual meeting of the Association or the next special meeting of the Association called for that purpose.

5. Removal of Directors. At any regular or special meeting of the Association duly called, any one or more of the directors, other than interim directors, may be removed with or without cause by a majority vote of the unit owners present in person or by proxy, and a successor shall be elected at that meeting to fill the vacancy thus created. The notice of any such meeting shall state that such removal is to be considered, and any director whose removal has been proposed shall be given an opportunity to be heard at the meeting.

6. Powers and Duties. The board of directors shall have all of the powers and duties necessary for the administration of the affairs of the Association, except such powers and duties as by law or by the declaration or by these bylaws may not be delegated to the board of directors by the unit owners. The powers and duties to be exercised by the board of directors shall include, but shall not be limited to the following:

(a) Operation, care, upkeep, maintenance and repair of the general and limited common elements, except for those portions of the common elements to be maintained by the Administrator of Sunriver.

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

(c) Collection of the common expenses from the unit owners.

(d) Employment and dismissal of such personnel as necessary for the efficient maintenance, upkeep and repair of the common elements.

(e) Employment of legal, accounting or other personnel for reasonable compensation to perform such

services as may be required for the proper administration of the Association.

(f) Opening of bank accounts on behalf of the Association and designating the signatories required therefor.

(g) Purchasing units of the condominium at foreclosure or other judicial sales in the name of the Association, or its designee, on behalf of all the unit owners as provided in these bylaws.

(h) Selling, leasing, mortgaging, voting the votes appurtenant to (other than for the election of directors), or otherwise dealing with units of the condominium acquired by the Association or its designee on behalf of all the unit owners.

(i) Obtaining insurance or bonds pursuant to the provisions of these bylaws.

(j) Making additions and improvements to, or alterations of, the common elements; provided, however, that no such project may be undertaken by the board if the total cost will exceed the amount of \$2,000.00 unless the unit owners have enacted a resolution authorizing the project by a vote of seventy-five percent (75%) of the unit owners present in person or by proxy at a meeting at which a quorum is constituted.

(k) Enforcement by legal means of the provisions of the Oregon Unit Ownership Law, the declarations filed thereunder, these bylaws and any rules and regulations adopted hereunder.

(l) Performance of any duty or function delegated to the Association by the Administrator of Sunriver pursuant to Section 9.2 of the Plan of Sunriver.

(m) Collecting rentals from the unit owners and forwarding such rentals to the lessor in accordance with the terms of the Lease.

(n) Performing the functions described in Article VIII with respect to exercise of the option to purchase and establishment of a fee condominium.

7. Managing Agent or Manager. On behalf of the Association, the board of directors may employ or contract for a managing agent



or a manager at a compensation to be established by the board of directors. The board of directors may delegate to the managing agent or manager such duties and powers as the board of directors may authorize. In the absence of such appointment, the board of directors shall act as manager.

8. Organization Meeting. Within ten (10) days following the annual meeting of the Association or following any meeting at which an election of directors has been held, the board of directors shall hold an organization meeting at such place and time as shall have been fixed by the directors at the meeting at which the election was held.

9. Regular and Special Meetings. Regular meetings of the board of directors may be held at such time and place as shall be determined, from time to time, by a majority of the directors. Special meetings of the board of directors may be called by the chairman and must be called by the secretary at the written request of at least two (2) directors. Notice of any special meeting shall be given to each director, personally or by mail, telephone or telegraph at least fourteen (14) days prior to the day named for such meeting, and shall state the time, place and purpose of such meeting.

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

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

12. Compensation. No director shall receive any compensation from the Association for acting as such.

13. Liability and Indemnification of Directors, Manager or Managing Agent. The directors shall not be liable to the Association or the unit owners for any mistake of judgment, negligence, or otherwise except for their own willful misconduct or bad faith.

The Association shall indemnify and hold harmless each director and the manager or managing agent, if any, against all contractual liability to others arising out of contracts made by the board of directors, manager or managing agent on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the declaration filed herewith or of these bylaws. Each director and the manager or managing agent, if any, shall be indemnified by the Association against all expenses and liabilities, including attorneys' fees, reasonably incurred or imposed upon them in connection with any proceeding to which they may be a party, or which they may become involved, by reason of being or having been a director, manager or managing agent and shall be indemnified upon any reasonable settlement thereof; provided, however, there shall be no indemnity if the director, manager or managing agent is adjudged guilty of willful nonfeasance, misfeasance or malfeasance in the performance of his duties.

14. Fidelity Bonds. The board of directors may require that any or all officers or employees of the Association who handle or are responsible for Association funds shall furnish such fidelity bonds as the board deems adequate. The premiums on such bonds shall be paid by the Association.

15. Insurance. The board of directors shall obtain such liability insurance as the board deems necessary to protect the lessor, the Association, its officers or employees, and the unit owners, which insurance coverage shall meet the requirements set forth in the Lease. In addition, the board of directors, as trustee for the unit owners, shall obtain such casualty insurance as necessary to protect the entire condominium property. The board of directors, in its discretion, may obtain such other insurance as it deems necessary to protect the interests of the Association or unit owners. The board of directors shall conduct an annual insurance review which shall include an appraisal of all improvements contained in the condominium. No unit owner may engage in any activity which might jeopardize the insurance coverage described herein. Insurance policies obtained hereunder shall be master policies insuring the Association, its officers and directors, the manager or managing agent, if any, the lessor under the Lease, and all unit owners and their mortgagees, as their respective interests may appear, and shall include the following provisions, if possible:

(a) Casualty coverage shall include those risks covered by a standard fire insurance policy with extended coverage endorsement and shall be for the full replacement cost without deduction of depreciation. Such coverage shall meet all requirements of the Lease.



(b) Such policy shall contain a waiver of the usual proration clause, elimination of the usual "no other insurance" provision, and waiver of any right of subrogation as against any coinsured.

(c) Such policy shall require the insurance company to give notice of cancellation to the insureds and any mortgagees covered by loss payable clauses.

(d) Such policy shall bear a mortgagee's clause or a loss-payable clause in favor of any mortgagee or lender requesting the same, but such clause shall not give the mortgagee or lender the right to preempt payment of the insurance proceeds to the Association or to control whether or not the damage is repaired. The insurer shall likewise waive its right to determine whether the damage should be repaired, and loss adjustment and control of the proceeds of the policy should rest in the Association as trustee for the unit owners.

(e) Liability coverage should cover any unit owner for his acts or omissions in connection with the condominium and cover any liability arising out of ownership of any unit of the condominium, and should contain a severability of interests provision so as to cover one unit owner for his liability to another unit owner.

#### ARTICLE IV

##### OFFICERS

1. Designation. The principal officers of the Association shall be the chairman, the secretary and the treasurer, all of whom shall be elected by the board of directors. The directors may appoint an assistant treasurer, an assistant secretary, and such other officers as in their judgment may be necessary. The chairman shall be a member of the board of directors, but the other officers need not be directors or unit owners.

2. Election of Officers. The officers of the Association shall be elected annually by the board of directors at the organization meeting of each new board and shall hold office at the pleasure of the board. If any office shall become vacant, the board of directors shall elect a successor to fill the unexpired term at any regular meeting of the board of directors, or at any special meeting of the board of directors called for such purpose.

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

4. Chairman. The chairman shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the board of directors. He shall have all of the general powers and duties which are usually vested in the chief executive officer of an association, including but not limited to the power to appoint committees from among the unit owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

5. Secretary. The secretary shall keep the minutes of all proceedings of the board of directors and the minutes of all meetings of the Association. He shall attend to the giving and serving of all notices to the unit owners and directors and other notices required by law. He shall keep the records of the Association, except for those of the treasurer, and shall perform all other duties incident to the office of secretary of an association and as may be required by the directors or the chairman. In addition, the secretary shall act as vice chairman, taking the place of the chairman and performing his duties whenever the chairman is absent or unable to act.

6. Treasurer. The treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of required financial statements. He shall be responsible for the deposit of all moneys and other valuable effects in such depositories as may from time to time be designated by the board of directors, and he shall disburse funds of the Association upon properly authorized vouchers. He shall perform all other duties incident to the office of treasurer of an Association and such other duties as may be assigned to him by the board of directors.

7. Execution of Instruments. All agreements, contracts, deeds, leases and other instruments of the Association, except checks, shall be executed by such person or persons as may be designated by general or special resolution of the board of directors and, in the absence of any general or special resolution applicable to any such instrument, then such instrument shall be signed by the chairman. All checks shall be signed by the treasurer, or in his absence or disability, by the chairman or any duly elected assistant treasurer.

8. Compensation of Officers. No officer who is a member of the board of directors shall receive any compensation from the Association for acting as an officer, unless such compensation is authorized by a resolution duly adopted by the unit owners. The board of directors may fix any compensation to be paid to other officers.

#### ARTICLE V

##### BUDGET, EXPENSES AND ASSESSMENTS

1. Budget. The board of directors shall from time to time, and at least annually, prepare a budget for the Association, estimate the common expenses expected to be incurred, less any previous overassessment, and assess the common expenses to each unit owner in the same proportion as his percentage interest in the general common elements. If there be any limited common elements, the expense of maintaining, repairing or replacing such limited common elements shall be charged to the unit owners to whom such limited common elements pertain. The board of directors shall advise each unit owner in writing of the amount of common expenses payable by him, and furnish copies of each budget on which such common expenses are based to all unit owners and, if requested, to their mortgagees.

2. Determination of Common Expenses. Common expenses shall include:

- (a) Expenses of administration.
- (b) Expenses of maintenance, repair or replacement of common elements.
- (c) Cost of insurance or bonds obtained in accordance with these bylaws.
- (d) A general operating reserve.
- (e) Reserve for replacements and deferred maintenance.
- (f) Any charges allocated to the Association by the Administrator of Sunriver under the Plan of Sunriver.
- (g) Any deficit in common expenses for any prior period.
- (h) Any other items properly chargeable as an expense of the Association.

(i) All costs incurred in exercising the option to purchase and subjecting the property so acquired to the Unit Ownership Law.

3. Assessment of Common Expenses. All unit owners shall be obliged to pay common expenses assessed to them by the board of directors on behalf of the Association pursuant to these bylaws and the declaration filed herewith. The developer shall be assessed as the unit owner of any unsold unit, but such assessment shall be prorated to the date of sale of the unit. The board of directors, on behalf of the Association, shall assess the common expenses against the unit owners from time to time, and at least annually, and shall take prompt action to collect from a unit owner any common expense due which remains unpaid by him for more than thirty (30) days from the due date for its payment. Such assessment shall be in addition to any assessments imposed directly upon the unit owner by the Administrator of Sunriver under the Plan of Sunriver. The board may make an initial assessment to the first owner to whom each unit is conveyed for the purpose of establishing initial operating funds or reserves. If additional units are annexed to the condominium, the first owner to whom such units are conveyed shall pay the same initial assessment as the other owners paid. 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.

4. Default in Payment of Common Expenses. In the event of default by any unit owner in paying to the Association the assessed common expenses, such unit owner shall be obligated to pay interest at the rate of nine percent (9%) per annum on such common expenses from the due date thereof, together with all expenses, including attorneys' fees, incurred by the Association in any proceeding brought to collect such unpaid expenses, or any appeal therefrom. The board of directors shall have the right and duty to recover for the Association such common expenses, together with interest thereon, and expenses of the proceeding, including attorneys' fees, by an action brought against such unit owner or by foreclosure of the lien upon the unit granted by the Oregon Unit Ownership Law. The board of directors shall notify the holder of any mortgage upon such a unit of the default, if such holder has so requested in writing.

5. Foreclosure of Liens for Unpaid Common Expenses. In any suit brought by the Association to foreclose a lien on a unit because of unpaid common expenses, the unit owner shall be required to pay a reasonable rental for the use of the unit during the pendency of the suit, and the plaintiff in such foreclosure suit shall be entitled to the appointment of a receiver to collect such rental. The board of directors, acting on behalf of the Association,

shall have the power to purchase such unit at the foreclosure sale and to acquire, hold, lease, mortgage, vote the votes appurtenant to, convey, or otherwise deal with the unit. A suit or action to recover a money judgment for unpaid common expenses shall be maintainable without foreclosing the liens securing the same.

6. Statement of Common Expenses. The board of directors shall promptly provide any unit owner who makes a request in writing with a written statement of his unpaid common expenses.

#### ARTICLE VI

##### RECORDS AND AUDITS

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.

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 at convenient hours of weekdays.

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

4. Payment of Vouchers. The treasurer shall pay all vouchers up to \$1,000 signed by the chairman, 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 chairman.

5. Reports and Audits. An annual report of the receipts and expenditures of the Association shall be rendered by the board of directors to all unit owners and to all mortgagees of units who have requested the same promptly after the end of each fiscal year. From time to time the board of directors, at the expense of the



Association, may obtain an audit of the books and records pertaining to the Association and furnish copies thereof to the owners. At any time any owner may, at his own expense, cause an audit or inspection to be made of the books and records of the Association.

## ARTICLE VII

### MAINTENANCE AND USE OF CONDOMINIUM PROPERTY

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

(a) Units. All maintenance of and repairs to any unit shall be made by the owner of such unit, who shall keep the same in good order, condition and repair and shall do all redecorating, painting and staining which at any time may be necessary to maintain the good appearance and condition of his unit.

(b) General common elements. All maintenance, repairs and replacements to the general common elements shall be made by the Association and shall be charged to all the unit owners as a common expense.

(c) Limited common elements. All maintenance, repairs and replacements to limited common elements, if any, shall be made by the Association and shall be charged to the unit owners to whom such limited common elements pertain.

(d) Administrator of Sunriver. All limited common elements may be maintained by the Administrator of Sunriver, who shall be entitled to charge the costs of such maintenance either to the Association or to the individual unit owners. If charged to the Association, the board of directors shall charge such costs to the unit owners to whom such limited common elements pertain.

2. Additions, Alterations or Improvements. All additions, alterations or improvements, whether of a unit by the unit owner or of a common element by the Association, must be approved by the design committee as required by the Sunriver Declarations and by the Plan of Sunriver.

3. Damage or Destruction by Casualty of Condominium Property.

(a) In the event of damage or destruction by casualty of condominium property, the damage or destruction



shall be repaired, reconstructed or rebuilt pursuant to the terms of the Lease.

(b) The Association shall be responsible for repairing, reconstructing or rebuilding all such damage or destruction to the common elements and, to the extent of the Association's insurance coverage, all such damage or destruction to the units. Each unit owner shall be responsible for such repairing, reconstructing or rebuilding of his unit as is not covered by the Association's insurance.

(c) In the event the insurance proceeds paid to the Association are not used to repair, reconstruct or rebuild the damaged or destroyed property, the Association shall distribute the proceeds among the unit owners in the same proportion as their respective undivided interests in the general common elements.

4. Condemnation. In the event of a taking in condemnation by eminent domain of part or all of the common elements, the award made for such taking shall be payable to the Association. If seventy-five percent (75%) or more of the unit owners duly and promptly approve the repair or restoration of such common elements, the board of directors shall arrange for the same, which shall be paid out of the proceeds of the award. In the event seventy-five percent (75%) or more of the unit owners do not duly and promptly approve the repair and restoration of such common elements, the board of directors shall disburse the net proceeds of such award in the same proportions as the respective undivided interests of the unit owners in the general common elements.

5. Restrictions and Requirements Respecting Use of Condominium Property.

(a) Sunriver restrictions. Each unit owner while using his unit or the common elements shall be subject to the limitations, restrictions and requirements set forth in the lease, in the Sunriver declarations, the Plan of Sunriver or any rules and regulations adopted under the declarations or the Plan.

(b) Association rules and regulations. In addition, the board of directors from time to time may adopt, modify, or revoke such rules and regulations governing the conduct of persons and the operation and use of the units and common elements as it may deem necessary or appropriate in order to assure the peaceful and orderly use and enjoyment of the condominium property. Such action may be modified by vote of

not less than seventy percent (70%) of the unit owners present, in person or by proxy, at any meeting, the notice of which shall have stated that such modification or revocation of rules and regulations will be under consideration. A copy of the rules and regulations, upon adoption, and a copy of each amendment, modification or revocation thereof, shall be delivered by the secretary promptly to each unit owner and shall be binding upon all unit owners and occupants of all units from the date of delivery. Such rules and regulations shall not be inconsistent with the Lease or any Sunriver restrictions.

6. Right of entry. A unit owner shall grant the right of entry to the board of directors, managing agent, manager or any other person authorized by the board of directors in the case of any emergency originating in or threatening his unit or other condominium property, whether or not the owner is present at the time. A unit owner shall also permit such persons to enter his unit for the purpose of performing installations, alterations or repairs to any common element, provided that requests for entry are made in advance and that such entry is at a time convenient to the owner.

7. Abatement and Enjoining of Violations. The violation of any rule or regulation adopted hereunder or the breach of any bylaw contained herein or of any provision of the declaration shall give the board of directors, acting on behalf of the Association, the right, in addition to any other rights set forth in these bylaws:

(a) to enter the unit in which or as to which such violation exists and to summarily abate and remove, at the expense of the defaulting unit owner, any structure, thing, or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the board of directors shall not thereby be deemed guilty of any manner of trespass; or

(b) to enjoin, abate, or remedy such thing or condition by appropriate legal proceedings.

#### ARTICLE VIII

##### OPTION TO PURCHASE

1. Proposal to Exercise. Unit owners have an option to purchase all of the land underlying the condominium (hereinafter, the "Property") at the times and on the terms set forth in Paragraph 4 of the Lease. A proposal to exercise the option shall

be made by either a majority of the board of directors or by ten percent (10%) of the unit owners or their proxies. The proposal shall be reduced to writing and shall be included in the notice of any meeting at which action is to be taken thereon.

2. Adoption of Proposal. A resolution adopting the proposal may be proposed by either a member of the board of directors or by a unit owner at a meeting called for this purpose. Such a resolution must be approved by sixty-six and two-thirds percent (66-2/3%) of the unit owners. Unit owners not present at the meeting may express their approval in writing or by proxy.

3. Acquisition. In the event of approval of a resolution to exercise the option, the persons who are then directors of the Association shall become trustees for the unit owners (hereinafter, "Trustees") for the purpose of exercising the option as follows:

(a) Notice. Within 15 days of the date of approval, the Trustees shall give written notice to the lessor of the unit owners' intention to exercise the option.

(b) Payment. Within 90 days thereafter each unit owner shall pay to the Trustees as his portion of the total purchase price the sum of \$9,000 together with his portion of the recording fees and one-half the escrow fee. Upon receipt thereof the Trustees shall deposit such sums in an escrow account created for the purpose of closing the purchase. Such sums shall be placed at interest which shall be payable to Trustees, as trustees for unit owners.

(c) Closing. Upon receipt from unit owners of all sums required to exercise the option and the deposit of such sums in escrow, the Trustees shall instruct the escrow agent to pay the purchase price to lessor when a reputable title insurance company is in a position to insure in the Trustees a good and marketable fee simple title to the Property.

4. Conversion to Fee Simple Condominium. The Trustees shall hold title to the Property in trust for the purpose of subjecting the fee simple thereof and the existing improvements thereon to the Oregon Unit Ownership Law. Accordingly, the Trustees shall execute and record a new declaration of unit ownership and bylaws. The new declaration and bylaws shall be the same as the declaration and these bylaws or as nearly so as possible consistent with the then existing Unit Ownership Law and such other laws and regulations then applicable to the Property.

5. Lienholders and Deeds to Unit Owners. The Lease, by its own terms, shall terminate upon the recordation of a new

declaration of unit ownership which subjects the fee simple title of the Property to the condominium form of ownership. In order to preserve the security of mortgagees, beneficiaries of deeds of trust and other lienholders having an interest in the leasehold condominium interests of unit owners, and to vest in unit owners fee simple title to their units subject to the same liens and encumbrances that burdened their leasehold condominium interests, the Trustees, as expeditiously as practicable, shall:

(a) Request each unit owner and each lienholder to execute new security instruments in recordable form covering the fee simple interest of each unit owner.

(b) Record unit deeds to unit owners subject to the Declarations, the Plan of Sunriver, the new declaration and the new bylaws.

(c) Record the new security instruments.

(d) Deliver the new deeds to the unit owners.

#### ARTICLE IX

##### AMENDMENTS TO BYLAWS

1. How Proposed. Amendments to the bylaws shall be proposed by either a majority of the board of directors or by thirty percent (30%) of the unit owners. The proposed amendment must be reduced to writing and shall be included in the notice of any meeting at which action is to be taken thereon.

2. Adoption. A resolution adopting a proposed amendment may be proposed by either the board of directors or by the unit owners and may be approved by the unit owners at a meeting called for this purpose. Unit owners not present at the meeting considering such amendment may express their approval in writing or by proxy. Any resolution to amend Article VIII hereof must be approved by ninety percent (90%) of the unit owners. Any other resolution must be approved by seventy-five percent (75%) of the unit owners.

3. Execution and Recording. An amendment shall not be effective until certified by the chairman and secretary of the Association and until recorded as required by law.

#### ARTICLE X

##### MISCELLANEOUS

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 from time to time, in writing, to the board of directors.

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.

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. The masculine and neuter shall each include the masculine, feminine and neuter, as the context requires. All captions used herein are intended solely for convenience of reference and shall in no way limit any of the provisions of these bylaws.

4. Definitions.

(a) Adoption by reference. The definitions contained in or adopted by the declaration shall be applicable to these bylaws.

(b) Percentage of unit owners. Whenever a percentage of unit owners is specified herein, such percentage means the owners of that percentage of the total number of units then existing in the condominium.

5. Conflicts. These bylaws are intended to comply with the Oregon Unit Ownership Law, the Lease, the declaration, the Sunriver Declarations and the Plan of Sunriver. In case of any irreconcilable conflict, such statute and documents shall control over these bylaws or any rules and regulations adopted hereunder.

DATED, at Sunriver, Oregon, this 31st day of October , 1973 .

SUNRIVER PROPERTIES, INC.

By

Charles D. Ellis  
President

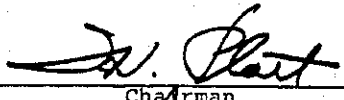
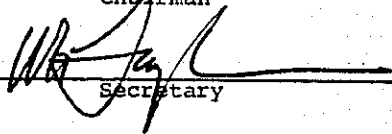
By

J. L. O'Leary  
Secretary

STATE OF OREGON       )  
                              ) ss.  
County of Deschutes )

We, T. H. Platt and William G. Taylor, hereby certify that we are the duly elected, qualified and acting chairman and secretary, respectively, of the ASSOCIATION OF UNIT OWNERS OF RANCH CABINS and that the within and foregoing is a full, true and complete copy of the bylaws of said Association, duly adopted on the 1st day of November, 1973 by SUNRIVER PROPERTIES, INC., the sole owner of all the units therein.

IN WITNESS WHEREOF, we have hereunto set our official signatures this 1st day of November, 1973.

  
Chairman  
  
Secretary

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## STATE OF OREGON

County of Deschutes

I hereby certify that the within instrument of writing was received for Record the 8 day of Nov A.D. 1973 at 3:46 o'clock P.M., and recorded in Book 200 on Page 361 Records of Deschutes

ROSEMARY PATTERSON

County Clerk

By Devin Lockhart Deputy