

AFTER RECORDING, RETURN TO:

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Karen Smith
Resort Resources, Inc.
P.O. Box 1466
Bend, OR 97709

AMERITITLE has recorded this instrument by request as an accommodation only, and has not examined it for regularity and sufficiency or as to its effect upon the title to any real property that may be described therein.

MTC 1396-1567
**DECLARATION ANNEXING COMMON AREA
TO RUNNING Y RANCH RESORT**

2000 THIS DECLARATION is made this 24th day of January,
by **RUNNING Y RESORT, INC.**, an Oregon corporation ("**Declarant**").

RECITALS

A. Declarant is the Declarant under that certain Declaration of Protective Covenants, Conditions, Restrictions and Easements for Running Y Ranch Resort, dated August 2, 1996 and recorded August 2, 1996 in the records of Klamath County, Oregon, in Volume M96, Page 23548 (the "**Master Declaration**").

B. Pursuant to Section 4.6 of the Master Declaration, Declarant has provided to the Association and each Owner a nonexclusive easement to use Running Y Road and Coopers Hawk Road, as shown on the plat of the Initial Development. The Master Declaration further provides that Declarant may designate all or a portion of Running Y Road or Coopers Hawk Road as a Common Area pursuant to the provisions of Section 4.6 of the Master Declaration.

C. Declarant wishes to annex all of Running Y Road and Coopers Hawk Road as described in the plat of Running Y Resort, Phase 1, the Initial Development, (the "**Additional Property**") to the Master Declaration upon the terms and conditions set forth in this Declaration and to designate the Additional Property as Common Area as defined in Section 1.8 of the Master Declaration.

NOW, THEREFORE, Declarant does hereby declare and provide as follows:

1. **DEFINITIONS.** As used in this Declaration, the terms set forth below shall have the following meanings:

1.1 **Additional Property.** Additional Property means all of Running Y Road and Coopers Hawk Road as shown on the plat of Running Y Resort, Phase 1.

1.2 **Master Declaration.** Master Declaration means the Declaration of Protective Covenants, Conditions, Restrictions and Easements for Running Y Ranch Resort,

dated August 2, 1996, and recorded August 2, 1996, in the records of Klamath County, Oregon, in Volume M96, Page 23548.

1.3 **Incorporation by Reference.** Except as otherwise specifically provided in this Declaration, each of the terms defined in Article 1 of the Master Declaration shall have the meanings set forth in such Article.

2. **ANNEXATION.** The Additional Property is hereby annexed to Running Y Ranch Resort and made subject to the Master Declaration on the terms and conditions set forth in this Declaration.

3. **LAND CLASSIFICATIONS.** The Additional Property shall be a Common Area as defined in Section 1.8 of the Master Declaration.

4. **MASTER DECLARATION.** The Additional Property shall be subject to all of the terms and provisions of the Master Declaration as supplemented by this Declaration.

5. **EASEMENTS RESERVED BY DECLARANT.** Declarant reserves a perpetual, nonexclusive easement and right-of-way for access over, upon, and across the Additional Property for construction, utilities, communication lines, drainage, and ingress and egress for the benefit of the real property owned by Declarant and described in the attached **Exhibit A**, and any other property hereafter acquired by Declarant and made a part of the Master Plan, and each and every portion thereof if subsequently divided, excepting therefrom any portion of such property now or hereafter subjected to the Master Declaration (the "**Benefitted Property**").

6. **SPECIAL ALLOCATION OF COSTS.** Pursuant to the last sentence of Section 4.6 of the Master Declaration, the costs of maintaining the Additional Property shall be specially allocated as between the Benefitted Property and the Association as set forth in this Section 6:

6.1 **Definitions.** For purposes of this Section 6, the terms set forth below shall have the following meanings:

(a) **"Equivalent Parking Space"** means the equivalent of one parking space for each actual parking space for a commercial use (other than Declarant's management, sales and marketing operations), or the equivalent of two parking spaces for each residential lot or living unit, within Running Y Ranch Resort or the Benefitted Property.

(b) **"Roads"** means all roads maintained by the Association, including without limitation, the Additional Property.

(c) **"Road Allocation"** means the lineal feet of the Additional Property (7,620 lineal feet) divided by the lineal feet of all Roads (currently, 41,520 lineal feet).

(d) **"Road Maintenance Costs"** means the costs of repairs and maintenance, including reserves for future repairs and maintenance, of the Roads, including snow removal and maintenance of the shoulders within the rights-of-way of the Roads.

6.2 **Cost Allocation Formula.** Each portion of the Benefitted Property (other than Declarant's management, sales and marketing facilities) shall pay a share of the Road Maintenance Costs computed as follows: The Road Maintenance Cost times the Road Allocation times the Equivalent Parking Spaces within such portion of the Benefitted Property divided by the total of all Equivalent Parking Spaces.

6.3 **Determination of Allocated Costs.** The Board of Directors of the Association shall calculate the pro rata share of Road Maintenance Costs to be allocated to the Benefitted Property concurrently with the preparation of the operating budget for the Association, taking into account the number of Equivalent Parking Spaces as of the first day of the fiscal year for which the budget is prepared. After the end of the fiscal year, the Board of Directors shall compute the actual Road Maintenance Costs for the prior year and bill the Benefitted Party for any excess of its allocated share of the actual costs over the amount previously billed. In the event the Board of Directors is required to levy a special assessment for Road Maintenance Costs, the Benefitted Property shall be responsible for its allocated share of such assessments.

6.4 **Payment of Allocated Costs.** The manner of billing and collection of the prorated Road Maintenance Costs shall be as determined by the Board of Directors of the Association and shall be due and payable within thirty (30) days after billing.

7. **SUBSEQUENT ANNEXATION.** In the event portions of the Benefitted Property are annexed to the Master Declaration, the easement described in Section 5 shall terminate as to such portion of the Benefitted Property, whose use of the Additional Property shall be pursuant to the Master Declaration and the applicable Annexation Declaration and whose share of the Road Maintenance Costs shall be determined in accordance with the Master Declaration and the applicable Annexation Declaration.

8. **BINDING EFFECT.** The Additional Property shall be held, conveyed, hypothecated, encumbered, used, occupied, and improved only in accordance with the provisions of the Master Declaration, as modified by this instrument, which easements, covenants, restrictions, and charges shall run with the Additional Property and shall be binding upon all parties having or acquiring any right, title or interest in the Additional Property, or any part thereof, and shall inure to the benefit of each Owner thereof.

IN WITNESS WHEREOF, Declarant has executed this Declaration as of the day and year first set forth above.

RUNNING Y RESORT, INC., an Oregon corporation

By Lauri Miller
Its Asst. Secretary

STATE OF OREGON)
)ss.
County of Deschutes)

The foregoing instrument was acknowledged before me this 24th day of January, 2000 by Lauri Miller, the Asst. Secretary of RUNNING Y RESORT, INC., an Oregon corporation.



Karen L. Smith
Notary Public for Oregon
My commission expires: 10-16-2000

"EXHIBIT A"

Legal Description

The following lands LYING NORTHERLY of State Highway 140 (Lake of the Woods Hwy) AND LYING NORTHERLY of Klamath Lake Highway (Lakeshore Drive)

Section 22: All, EXCEPT portion of the NE 1/4 of the NE 1/4 lying North and East of the following described line: Beginning at the Northeast corner of Lot 3 of said Section 22; thence North, 1435 feet to the center of "Neck"; thence N 38°51' W, 4145 feet following the Neck to the intersection with the North-South centerline of Section 15.

Section 15: The W 1/2, and the portion of the SE 1/4 lying South and West of the following described line:

Beginning at the Northeast corner of Lot 3 of Section 22; thence North, 1435 feet to the center of the "Neck"; thence N 38°51' W, 4145 feet following the Neck to the intersection with the North-South centerline of said Section 15.

Section 10: The S 1/2 of the SW 1/4 and the NE 1/4 of the SW 1/4.

Also beginning at a point on the West shore of Big Klamath Lake, which point is located South, 632.28 feet, and East, 1467.18 feet, more or less, from the most northerly corner of Lot 3, said Section 10; thence West, 1467.18 feet, more or less, to the West line of said Lot 3, which course is the North line of the property deeded to F.L. and Nellie Felter, as recorded in the County Clerk's Records in Deed Book 31 at page 177; thence North, 207.24 feet, more or less, along the West line of the said Lot 3; thence East, 935.38 feet, more or less, to the West shore of Klamath Lake, which course is the South boundary of the property deeded to P.J. O'Gara, as recorded in the County Clerk's Office in Deed Book 51 at page 87; thence Southeasterly along the shore of Klamath Lake to the point of beginning.

A portion of Sections 28, 29, 31, 32, and 33, Township 37 South, Range 8 East, Willamette Meridian, and Sections 3, 4, 5, 6, 8, 9, and 10, Township 38 South, Range 8 East, Willamette Meridian, more particularly described as follows: Beginning at a point opposite an iron pipe driven on the north bank of the drainage canal, from said iron pipe the quarter corner common to Sections 5 and 8, Township 38 South, Range 8 East of the Willamette Meridian, bears S 17°34' E, 1616.6 feet; thence N 32°41' W to the intersection with open water of Upper Klamath Lake, said intersection being marked by a 2" galvanized iron pipe 6 feet long, driven into top of dike; thence along the shore of Upper Klamath Lake, Northeasterly to the most northerly point of the ridge known as "Skillet Handle"; thence southeasterly along the shore of Upper Klamath Lake to the point where the West line of Lot 3 of said Section 10 intersects said lake; thence South along said West line of said Lot 3 to the Southwest corner of said Lot 3; thence West, one-quarter mile; thence South, one-quarter mile; thence West, one-quarter mile to the Southeast corner of the NE 1/4 of the SE 1/4 of Section 9; thence N 42°15' W to an iron pipe, said point bears N 49°30' E, 2150 feet from a point which bears N 30°00' E, 1100 feet from the quarter section corner between Sections 5 and 8; thence S 49°30' W, 250 feet to a bend in the Canal at Upland; thence continuing S 49°30' W, 1900 feet along the centerline of canal across marsh, to a point from which the quarter section corner between Sections 5 and 8 bears S 30°00' W, 1100 feet; thence northwesterly along said drainage canal to the point of beginning.

A portion of Sections 4, 5, 8, and 9, Township 38 South, Range 8 East Willamette Meridian, being more particularly described as follows:

Beginning at the Southwest corner of Lot 2, of said Section 9; thence North, 634 feet, more or less, to the point of intersection of said line with the shore line of marsh; thence in a northwesterly direction, along shore line of marsh, to the end of the existing drainage canal; thence along the centerline of said drainage canal to the intersection of said canal with main canal; from which said intersection of canals, the quarter corner common to Sections 5 and 8, bears S 30°0' W, 1100 feet; thence N 49°30' E, 1900 feet along centerline of said canal across marsh to bend in the canal at Upland; thence continuing N 49°30' E, 250 feet from the bank of canal to an iron pipe driven in the ground; thence S 42°15' E to the Southeast corner of the NE 1/4 of the SE 1/4 of Section 9; thence West three-quarters of a mile; thence North one-quarter mile to the point of beginning; being Lots 2, 8, 9, 10, the NE 1/4 of the SW 1/4, the NW 1/4 of the SE 1/4, and a portion of Lot 1 and the NW 1/4 of the NE 1/4, the SW 1/4 of the NE 1/4, the SE 1/4 of the NE 1/4, and the NE 1/4 of the SE 1/4 of Section 9; Lot 15 and portions of Lots 6, 7, and 8 of Section 4, and portions of the N 1/2 of the SE 1/4 and Lot 3 of Section 5; and Lot 12 of Section 8.

Section 16: All

Section 9: The S 1/2 of the S 1/2, and the NW 1/4 of the SW 1/4

Section 8: The SE 1/4, the S 1/2 of the SW 1/4, and the following portion of the N 1/2 of the SW 1/4: All that portion of the N 1/2 of the SW 1/4 of said Section 8 lying South of the following described line:

Starting at the center of Section 8; thence West, 660 feet; thence South to the northerly line of the Klamath Lake Highway; thence westerly and northerly along the northerly line of said Klamath Lake Highway to the intersection of said line with the East line of the W 1/2 of the SW 1/4 of said Section 8; thence South along said East line of the West 1/2 of the SW 1/4 to the northerly boundary of Old State Highway 421; thence northwesterly along said northerly boundary of Old State Highway 421 to the West line of said Section 8;

EXCEPTING THEREFROM a tract of land situated in the E 1/2 of Government Lot 4 said Section 8 more particularly described as follows:

That portion of said E 1/2 of Government Lot 4 lying between the northerly right-of-way line of State Highway 140 and the following described line:

Beginning at a point on a northerly right-of-way line of said Highway 140, from which the North 1/4 corner of said Section 8 bears N 02°03'29" E, 3694.89 feet; thence N 42°44' W along an existing fence line and its extension, 713 feet, more or less, to a point on the North-South centerline of the NE 1/4 of the SW 1/4, with bearings based on the centerline of said Highway 140 being N 83°37'13" W, as shown on record of survey no. 4035.

State of Oregon, County of Klamath

Recorded 1/27/00, at 2:56 p.m.

In Vol. M00 Page 2796

Linda Smith,

County Clerk Fee \$ 46.00