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BYLAWS

OF

HIDDEN GLEN HOMEOWNER'S ASSOCIATION
DESCHUTES COUNTY, OREGON

ARTICLE I

General

Section 1. Applicability. These Bylaws provide for the self-government of the Hidden Glen Homeowner's Association, (hereinafter "Association") located in the City of Bend, Deschutes County, State of Oregon, and by reference are made a part of the Hidden Glen Homeowner's Association Declaration.

Section 2. Compliance. Pursuant to the Declaration of Covenants, Conditions and Restrictions for the Hidden Glen Homeowner's Association, every Owner and all those entitled to occupy a Lot shall comply with these Bylaws.

Section 3. Office. The office of the Association and the Board of Directors shall be located at such place as may be designated from time to time by the Board of Directors.

ARTICLE II

Transitional Committee

Within 60 days after the conveyance to persons other than Declarant of a total of 50 percent of the votes in the Planned Community, Declarant shall call a meeting of Owners to select a transitional advisory committee. Declarant shall give notice in accordance with these Bylaws to each Owner at least seven but not more than 50 days prior to the meeting. The notice shall state the purpose of the meeting and the time and place at which the meeting is to be held. At such meeting, the Owners in attendance, other than Declarant, by vote of a majority of those present, shall select a transitional advisory committee composed of three members. The members of the transitional advisory committee shall serve until the turnover meeting to be held pursuant to Article III. The function of the transitional advisory committee shall be that of enabling ease of transition from control of the administration of the Association by

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Bend Title Company

Declarant to control by the Owners. The transitional committee shall have access to all information, documents and records which Declarant must turn over to the Owners pursuant to the Oregon Planned Community Act. If the meeting required pursuant to this Article is not called by Declarant, within the time specified, the meeting may be called and notice given by any Owner within the time specified.

ARTICLE III

Turnover Meeting

Within 90 days after the expiration of the period of Declarant's control of the Association reserved in the Declaration, Declarant shall call a turnover meeting. Declarant shall give notice to each Owner at least seven but not more than 50 days prior to the meeting. The notice shall state the purpose of the meeting and the time and place at which the meeting is to be held. At the turnover meeting:

- (i) Declarant shall relinquish control of the administration of the Association and the Owners shall assume the control.
- (ii) The Owners shall elect a board of directors in accordance with these Bylaws, and
- (iii) Declarant shall deliver to the Association all items required to be delivered at the turnover meeting pursuant to the Oregon Planned Community Act.

If Declarant fails to call the turnover meeting within the time specified above, the meeting may be called and notice given by any Owner. In order to facilitate an orderly transition during the three-month period following the turnover meeting, Declarant or an informed representative of Declarant shall be available to meet with the board of directors on at least three mutually acceptable dates to review the documents delivered under paragraph (iii) of this Article.

Any management agreement, service contract or employment contract entered into prior to the turnover meeting may be terminated without penalty to the Declarant, Association or Board of Directors if the Board of Directors gives not less than 30 days written notice of termination to the other party not later than 60 days after the turnover meeting.

ARTICLE IV

The Association

Section 1. Composition. All of the Owners of Lots contained within the boundaries of the Hidden Glen Homeowner's Association, acting as a group in accordance with the Declaration and the Bylaws, shall constitute the "Association", who shall have the responsibility for administering the Association property establishing the means and methods of collecting the contributions to the common expenses, arranging for the management of the Association property and performing all of the other acts that may be required to be performed by the Association and by the Declaration. Except as to those matters which the Declaration specifically requires to be performed by the vote of the Owners, the administration of the foregoing responsibilities shall be performed by the Board of Directors as more particularly set forth in Article V.

Section 2. Annual Meetings. The first annual meeting of the members shall be held within one year from the date of incorporation of the Association, and each subsequent regular annual meeting of the members shall be held on the same day of the same month of each year thereafter, at the hour of 8:00 o'clock P.M. If the day for the annual meeting of the members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 3. Place of Meetings. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Owners as may be designated by the Board of Directors.

Section 4. Special Meetings. It shall be the duty of the President to call a special meeting of the Association, if so directed by resolution of the Board of Directors, or upon a petition signed and presented to the Secretary by Owners owning not less than twenty-five percent (25%) of all the votes of the Class A membership. The notice of any special meeting shall state the time, place and purpose of such meeting. No business shall be transacted at a special meeting except as stated in the notice.

Section 5. Notice of Meetings. Written notice of each meeting of the members shall be given by, or at the direction of the Secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least fifteen (15) days, but not more than fifty (50) days, before such meeting to each member entitled to vote thereat, addressed to the

member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

Section 6. Quorum. The presence at the meeting of members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of each class of membership shall constitute a quorum for any action except otherwise provided in the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noted. The Owners present at a duly organized meeting may continue to transact business until adjournment, notwithstanding withdrawals of enough Owners to leave less than a quorum. Declarant shall be the voting Owner with respect to any Lot owned by the Declarant.

Section 7. Order of Business. The order of business at all meetings of the Association shall be as follows:

- (a) Roll Call
- (b) Proof of Notice of Meeting
- (c) Reading of Minutes of Preceding Meeting
- (d) Reports of Officers and Board of Directors
- (e) Report of Management Agent, if any, and if present
- (f) Report of Committees
- (g) Election of Members of the Board of Directors (when so required)
- (h) Unfinished Business
- (i) New Business
- (j) Adjournment

Section 8. Voting. At every meeting of the Owners, each of the Owners shall have the right to cast one vote per Lot

owned. If a voting Owner owns or represents more than one Lot, the Owner shall have votes corresponding with each Lot owned or represented. In the event the Owner or Owners have pledged their votes regarding special matters to a mortgagee under a duly recorded mortgage and notice thereof has been given to the Secretary or manager of the Association, only the vote of the mortgagee will be recognized in regard to the special matters upon which the votes are so pledged.

An administrator, executor, guardian, or trustee may vote in person or by proxy at any meeting of the Association with respect to any unit owned or held in such capacity, whether or not the same shall have been transferred to the name of the administrator, executor, guardian or trustee; provided that he or she shall satisfy the Secretary that he or she is the executor, administrator, guardian, or trustee holding such Lot in such capacity. Whenever any Lot is owned by two or more persons jointly, according to the records of the Association, a vote thereof may be exercised by any of the Owners then present, in the absence or protest by a co-owner or as shall be determined by any Co-ownership Agreement. In the event of protest by a co-owner, the vote shall be divided by the number of co-owners, and each co-owner shall cast an equal fractional vote unless otherwise determined by any Co-ownership Agreement.

No Owner shall be eligible to vote, either in person or by proxy, or be elected to the Board of Directors, who is shown on the books or management accounts of the Association to be more than thirty (30) days delinquent in any payment due the Association.

Section 9. Conduct of Meeting. The President shall preside over all meetings of the Association and the Secretary shall keep the minutes of the meeting and record in a Minute Book of resolutions adopted by the meeting as well as a record of all transactions occurring thereat. Robert's Rules of Order (latest edition) shall govern the conduct of all meetings of the Association when not in conflict with the Declaration of these Bylaws.

Section 10. Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his Lot.

ARTICLE V

Board of Directors

Section 1. Number and Qualification. The affairs of the Association shall be governed by a Board of Directors. Until the first annual meeting, and thereafter until their successors shall have been elected by the Owners, the Board of Directors shall be designated and appointed by the Declarant. The initial Board of Directors shall be composed of not less than three (3) nor more than five (5) persons, who may be, but are not required to be, officers, directors, or designees of the Declarant, Owners, or spouses of Owners, or mortgagees (or designees of mortgagees) of Lots.

Section 2. Powers. The Board of Directors shall have power to:

(a) adopt and publish rules and regulations governing the use of the common area, Common Facilities (if any), and Lots, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof. Administrative rules and regulations shall be adopted by Declarant and shall be binding as though they are a part thereof. The Board of Directors shall have the power to amend such administrative rules and regulations as may be necessary or desirable;

(b) suspend the voting rights and right to use of any recreational facilities of a member during any period in which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations;

(c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, or the Declaration;

(d) declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and

(e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties provided that no such contract shall be in excess of three years duration.

Section 3. Duties. It shall be the duty of the Board of Directors to:

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A members who are entitled to vote;

(b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed.

(c) as more fully provided in the Declaration, to:

(1) fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period;

(2) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period; and

(3) foreclose the lien against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the Owner personally obligated to pay the same

(d) issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) procure and maintain adequate liability and hazard insurance on property owned by the Association. Each Owner shall have the obligation to purchase hazard insurance on the Owner's property, public liability insurance to protect himself against claims due to accidents upon his Lot, and casualty insurance on the contents any structure upon Owner's Lot. In addition, he should review the coverage of the Association to determine any additional insurance that may be advisable for him to purchase.

(f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(g) cause the common area and common facility (if any) to be maintained;

(h) cause the Lots to be maintained as provided in Article VI of the Declaration.

(i) Cause financial records to be kept which are sufficiently detailed for proper accounting purposes. Within 90 days after the end of the fiscal year, the Board of Directors shall distribute to each Owner and, upon written request, any mortgagee of a Lot, a copy of the annual financial statement consisting of a balance sheet and income and expenses statement for the preceding fiscal year.

Section 4. Directors May Engage Manager. The Board of Directors may retain the services of an individual or firm to act as Manager or Managing Agent and may employ, or instruct such Manager or Managing Agent to employ, such other persons as may be necessary from time to time for the maintenance, upkeep and repair of the common elements. All such agreements shall provide for a term of three years and may be terminated, with or without cause, upon 90 days notice to all parties affected.

Section 5. Election and Term of Office. At the first annual meeting of the Association, the term of office of two (2) members of the Board of Directors shall be fixed at three (3) years, the term of office of two (2) members of the Board of Directors shall be fixed at two (2) years and the term of office of one (1) member of the Board of Directors shall be fixed at one (1) year. The first Board of Directors shall be elected simultaneously with one ballot or election. The persons receiving the two highest number of votes shall be elected for the three-year terms. The persons receiving the next two highest (third and fourth) number of votes shall be elected for the two-year terms. The person receiving the next highest (fifth) number of votes shall be elected for the one-year term. At the expiration of the initial term of office of each respective member of the Board of Directors, his successor shall be elected to serve for a term of three (3) years. The members of the Board of Directors shall hold office until their respective successors shall have been elected by the Association.

Section 6. Removal of Members of Board of Directors. At any regular or special meeting of the Association duly called, (but only at or after the first annual meeting) any one or more of the Board of Directors may be removed with or without cause by a majority of the Owners and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the Owners shall be given at least ten (10) days notice of the calling of the meeting and the purpose thereof and he shall be given an opportunity to be heard at the meeting.

Section 7. 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 a vote of a majority of the remaining directors at a special meeting of the Board of Directors held for that purpose, promptly after the occurrence of any such vacancy, and each person so elected shall be a member of the Board of Directors until a successor shall be elected at the next annual meeting of the Association.

Section 8. Organization Meeting. The date of the first meeting of the members of the Board of Directors elected at the annual meeting of the Association shall be determined by the Board immediately following the Association meeting. Notice shall be given in the manner specified in Section 10. Such meeting shall occur within 30 days and shall be open to Owners.

Section 9. Regular Meetings. Regular meetings of the Board of Directors shall be open to Owners and may be held at such time and place as shall be determined from time to time by a majority of the directors on a monthly basis or as deemed necessary, but at least two such meetings shall be held during each fiscal year. Notice shall be given in the manner specified in Section 10.

Section 10. Special Meetings. Special meetings of the Board of Directors shall be open to Owners and may be called by the President on three (3) business days notice to each director by mail or telegraph and by posting at a place or places on the Property at the same time as any mailing, which notice shall state the time, place, and purpose of the meeting. Notice may be provided by another method reasonably calculated to inform Owners. Special meetings of the Board of Directors shall be called by the President or Secretary in the manner described above and upon notice as described above on the written request of at least two (2) directors. In the event of an emergency, however, these requirements shall not apply. An emergency would be any situation which would necessitate action without time for a meeting because of additional loss to property or person and affecting the health, welfare, or safety of an Owner, Dwelling Unit, Lot or the Common Property.

Section 11. Waiver of Notice. Any director may, at any time, in writing, waive notice of any meeting of the Board of Directors, 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 constitute a waiver of notice by him of the time and place of such meeting. If all directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

Section 12. Fidelity Bonds. The Board of Directors shall require adequate fidelity bonds for all officers and employees of the Association handling or responsible for Association funds. The premiums of such bonds shall constitute a common expense.

Section 13. Compensation. No director shall receive any compensation from the Association for exercising his duties and obligations as a director, but directors shall be entitled to receive reimbursement from the Association for all reasonable costs and expenses incurred by them in the performance of their duties and obligations.

Section 14. Conduct of Meetings. The President shall preside over all meetings of the Board of Directors and the Secretary shall keep a Minute Book of the Board of Directors recording therein all resolutions adopted by the Board of Directors and a record of all transactions and proceedings occurring at such meetings. Robert's Rules of Order (latest edition) shall govern the conduct of the meetings of the Board of Directors when not in conflict with the Declaration or these Bylaws. A majority of the number of Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as an act of the Board.

Section 15. Action Without Meeting. In the event of an emergency, any action by the Board of Directors required or permitted to be taken at any meeting may be taken without a meeting if all of the members of the Board of Directors shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors. An oral consent will suffice until written consent can be obtained.

ARTICLE VI

Officers

Section 1. Designation. The principal officers of the Association shall be the President, Vice President, the Secretary, and the Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an assistant treasurer, an assistant secretary, and such other officers as in its judgment may be necessary. The President and Treasurer, but no other officers, shall be required to be members of the Board of Directors. The offices of President and Secretary may not be held by the same person.

Section 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 of Directors and shall hold office at the pleasure of the Board of Directors and until the successor is elected or until he shall sooner resign by written notice to the Board of Directors, President or Secretary or is otherwise disqualified to serve. A vacancy in any office may be filled by the Board of Directors.

Section 3. Removal of Officers. Upon the 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 may be elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors.

Section 4. President. The President 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 incident to the office of president of a corporation organized in the State of Oregon, including, but not limited to, the power to appoint committees from among the Owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

Section 5. Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board of Directors to act in the place of the President on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors or by the President.

Section 6. Secretary. The Secretary shall keep the minutes of all meetings of the Association and of the Board of Directors; he shall have charge of such books and papers as the Board of Directors may direct, and he shall, in general, perform all the duties incident to the office of the secretary of a corporation organized in the State of Oregon.

Section 7. 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 all required financial data; he shall be responsible for the deposit of all monies and other valuable effects in the name of the Board of Directors, or the Managing

Agent, in such depositories as may from time to time be designated by the Board of Directors. He shall cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall with the Board of Directors, prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the members.

Section 8. Agreements, Contracts, Deeds, Checks, etc. All agreements, contracts, deeds, leases, checks, vouchers and other instruments of the Association shall be executed by any two (2) officers of the Association, or by such other person or persons as may be designated by the Board of Directors.

Section 9. Compensation of Officers. No officer shall receive any compensation from the Association solely for exercising his duties and obligations as an officer, but directors shall be entitled to receive reimbursement from the Association for all reasonable costs and expenses incurred by them in the performance of these duties and obligations.

ARTICLE VII

Liability and Indemnification of Officers and Directors

Section 1. Liability and Indemnification of Officers and Directors. The Association shall indemnify every officer and director of the Association against any and all expenses, including counsel fees, reasonably incurred by or imposed upon any officer or director in connection with any action, suit or other proceeding (including settlement of any suit or proceeding if approved by the then Board of Directors of the Association) to which he may be made a party by reason of being or having been an officer or director of the Association whether or not such person is an officer or director at the time such expenses are incurred. The officers and directors of the Association shall not be liable to the Owners for any mistakes of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The officers and directors of the Association shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association (except to the extent that such officers or directors may also be Owners of Lots) and the Association shall indemnify and forever hold each such officer and director free and harmless against any and all liabilities to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which

any officer or director of the Association or former officer or director of the Association may be entitled.

Section 2. Common Interested Directors. The Directors shall exercise their powers and duties in good faith and with a view to the interests of the Association. No contract or other transaction between the Association and one or more of its Directors, or between the Association and any corporation, firm or association (including the Declarant), in which one or more of the Directors of the Association are directors or officers or are pecuniarily or otherwise interested, is either void or voidable because such Director or Directors are present at the meeting of the Board of Directors or any committee thereof which authorizes or approves the contract or transaction, or because his or their votes are counted for such purpose, if any of the conditions specified in any of the following subparagraphs exists:

(a) The fact of the common directorate or interest is disclosed or known to the Board of Directors or a majority thereof or noted in the Minutes, and the Board authorizes, approves, or ratifies such contract or transaction in good faith by a vote sufficient for the purpose; or

(b) The fact of the common directorate or interest is disclosed or known to the members, or a majority thereof, and they approve or ratify the contract or transaction in good faith by a vote sufficient for the purpose; or

(c) The contract or transaction is commercially reasonable to the Association at the time it is authorized, ratified, approved, or executed.

Common or interested Directors may be counted in determining the presence of a quorum of any meeting of the Board of Directors or committee thereof which authorizes, approves or ratifies any contract or transaction with like force and effect as if he were not such director or officer of such Association or not so interested.

ARTICLE VIII

Operation of the Property

Section 1. Determination of Common Expenses and Assessments Against Owners.

(a) Fiscal Year. The fiscal year of the Association shall consist of the twelve (12) month period commencing on January 1

of each year and terminating on December 31 of the same year, unless otherwise designated by the Board of Directors.

(b) Common Expenses. The Owner of each Lot shall be liable for and pay a share of the common expenses in proportion to the owner's interest in the common elements. Common expenses shall include the cost of all utilities, except for the cost of utilities which are billed by the provider of the utility services directly to the individual Owners, assessments, insurance, including fire and other casualty and liability insurance, cost of repair, reinstatement, rebuilding, or replacement of the Common Property, services, wages, accounting and legal fees, management fees, and other necessary expenses of upkeep, maintenance, management, and operation actually incurred on or for the Common Property. Common expenses shall also include such amounts as the Board of Directors may deem proper to make up any deficit in the common expenses of any prior year. In the event that a phase or phases are submitted to the provisions hereof during the Homeowner's Association's fiscal year, the common expenses shall be adjusted to include the cost of any Common Property added and the allocable share of common expenses of each Owner in such additional phase shall be adjusted on the basis of the period of time that the Owners of Lots in such additional phase or phases shall be members of the Homeowner's Association.

(c) Preparation and Approval of Budget. At least thirty days before the end of each fiscal year the Board of Directors shall adopt a budget for the Association containing an estimate of the total amount which it considers necessary to pay the cost of utility services, maintenance, management, operation, repair and replacement of Association property, and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be common expenses by these Bylaws, Declaration 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 Association property, and the rendering to the Owners of all related services. The budget may also include:

(i, The cost of the maintenance or repair of any Lot or Dwelling Unit in the event such maintenance or repair is reasonably necessary in the discretion of the Board of Directors to protect the common area or to preserve the appearance or value of the Association property or is otherwise in the interest of the general welfare of all Owners; provided, however, that no such maintenance or repair shall be undertaken without a resolution by the Board of Directors and not without reasonable written notice to the Owner of the Lot or Dwelling Unit proposed

to be maintained and provided further that the cost thereof shall be assessed against the Lot or Dwelling Unit on which such maintenance or repair is performed and, when so assessed, a statement for the amount thereof shall be rendered promptly to the then Owner of said Lot or Dwelling Unit at which time the assessment shall become due and payable and a continuing lien and obligation of said Owner in all respects as provided in the Declaration.

(ii) Any amount necessary to discharge any lien or encumbrance levied against the Association property or any portion thereof, which may, in the opinion of the Board of Directors, constitute a lien against the Association or any portion thereof, which may, in the opinion of the Board of Directors, constitute a lien against the Association rather than the interest therein of the Owner of any individual Lot.

(iii) Such budget may also include such reasonable amounts as the Board of Directors considers necessary to provide working funds for the Association, a general operating reserve, or reserves for contingencies.

(iv) Such budget shall include reserves for replacement of Common Property which normally requires replacement in greater than 3 years and less than 30 years.

(c) The Board of Directors shall send to each Owner a copy of the budget, in a reasonably itemized form which sets forth the amount of the common expenses payable by each Owner, at least thirty (30) days prior to the beginning of the fiscal year to which the budget applies at which time payment is due. The said budget shall constitute the basis for determining each Owner's contribution for the common expenses of the Association. The Board of Directors may impose a late charge not to exceed 5 percent of the amount of any statement which is not paid within 15 days after it is rendered. The imposition of a late charge shall be without prejudice to any other remedy available to the Association. If the Board is petitioned by Owners representing 20 percent of the votes of the Planned Community, the Board shall call a meeting of the Owners to consider rejection of the budget. The date of the meeting shall be not less than 14 or more than 30 days after the summary is provided to the Owners. At the meeting, whether or not a quorum is present, the budget shall be adopted unless a majority of the votes of the Planned Community rejects the budget. If the proposed annual budget is rejected, the last annual budget shall continue in effect until the Owners approve a subsequent budget.

(d) The payment and collection of the assessment made pursuant to the foregoing provisions shall be in accordance with the terms providing for the payment and collection of assessments in these Bylaws, including without limitation the right reserved to the Board to accelerate payment of assessments and the right to recover attorneys' fees and costs.

(e) Reserves. The Board of Directors shall establish and maintain a reserve account in the name of the Association for replacements of Common Property which normally requires replacement in more than 3 and less than 30 years. The Association shall adjust the amount of the payments at regular intervals to reflect changes in current replacement costs over time. The assessments under this subsection begin accruing from the date the first Lot assessed is conveyed. The Declarant may defer payment of the accrued assessment until the date the Lot is conveyed. Assessments paid into the reserve account are the property of the Association and are not refundable to sellers or Owners of Lots. Such reserve account shall be maintained out of regular assessments for common expenses. Following the second year after the turnover meeting referred to in the Bylaws, future assessments for the reserve account may be reduced, eliminated or increased by an affirmative vote of not less than 75 percent of all voting rights.

(f) Effect of Failure to Prepare or Adopt Budget. The failure or delay of the Board of Directors to prepare or adopt the annual budget for any fiscal year shall not constitute a waiver or release in any manner of an Owner's obligation to pay his allocable share of the common expense as herein provided, whenever the same shall be determined, and in the absence of any annual budget or adjusted budget, each Owner shall continue to pay the assessment at the then existing rate established for the previous fiscal period until the new annual or adjusted budget shall have been mailed or delivered.

(g) Accounts. The Board shall establish no fewer than two (2) separate accounts (the "Maintenance Funds") into which shall be deposited all monies paid to the Association, and from which disbursements shall be made, as provided herein, in the performance of functions by the Association under the Restrictions. Each of the Maintenance Funds shall be established as separate trust savings or trust checking accounts at a federally insured banking or lending institution. The Maintenance Funds shall include: (1) an Operating Fund for current expenses of the Association, and (2) a Reserve Fund for replacements, painting and repairs of the landscaping and other improvements within the Association property and Common Facilities (if any), to the extent necessary under the provisions

of the Restrictions. The Board shall not commingle any amounts deposited into any of the Maintenance Funds with amounts deposited into any other Maintenance Fund.

All amounts deposited into the Operating Fund and the Reserve Fund must be used solely for the common benefit of all of the Owners for purposes authorized by the Restrictions, as they may be amended from time to time. Disbursements from the Reserve Fund shall be made by the Board only for the respective purposes specified in this Article. Disbursements from the Operating Fund shall be made by the Board for such purposes as are necessary for the discharge of its responsibilities herein for the common benefit of all of the Owners, other than those purposes for which disbursements from the Reserve Fund are to be used. Nothing in these Bylaws shall be construed in such a way as to permit the Association to use any assessments to abate any annoyance or nuisance emanating from outside the physical boundaries of the property. Nothing contained herein shall limit, preclude or impair the establishment of other funds by the Association earmarked for specified purposes authorized by the Declaration.

Section 2. Collection of Owners' Shares of Common Expenses. Owners' shares of common expenses shall be collected either annually or monthly, in advance, by the Treasurer of the Association. Each Owner shall be entitled to receive from the Treasurer at the time of payment of common expenses an itemized statement of common expenses. Such itemized statement shall be prepared in such manner as the Board of Directors shall determine. The Board of Directors may impose a late charge not to exceed five percent of the amount of any statement which is not paid within 15 days after it is rendered. The imposition of a late charge shall be without prejudice to any other remedy available to the Association. The Association shall have a lien as provided in the Declaration. If the Association records a lien notice, the Owner shall be liable for the cost of preparation and recording of the notice.

ARTICLE IX

Insurance

Section 1. The Association shall obtain and maintain at all times insurance, as set forth herein, insurance for all insurable improvements in the Common Property against loss or damage by fire, vandalism, malicious mischief or other hazards with endorsement for extended coverage for the full insurable replacement value if available at reasonable cost and may obtain insurance on Dwelling Units if the Owner(s) of said units fail to

maintain casualty insurance as required by Section 7 of this Article. The Association may have a dollar amount deductible regarding this coverage. The named insured shall be the Association, individually and as agent for the Owners, without naming them, and as agent for their mortgages. In addition to this above provision the insurer shall be governed by the following provisions:

(a) That the insurer waives its rights of subrogation to any claims against the Declarant, Board of Directors, the Managing Agent, the Owners and their respective agents, employees, guests and, in the case of Owners, the members of their household;

(b) That the master policy on the Association property cannot be cancelled, invalidated, or suspended on account of the conduct of any member of the Board, officer or employee of the Board of Directors or the Managing Agent, without a prior demand in writing that the Board of Directors or the Managing Agent cure the defect;

(c) That the policy may not be cancelled or substantially modified without at least thirty (30) days prior written notice to the Board of Directors.

(d) That the net proceeds of such policies, if less than Twenty-Five Thousand Dollars (\$25,000), shall be payable to the Board of Directors, and if more than Twenty-Five Thousand Dollars (\$25,000) shall be payable to the Insurance Trustee designated in Section 7 of this Article.

(e) All policies of insurance shall be written with a company licensed to do business in the State of Oregon and holding a rating of "A+" or better by Best's Insurance Reports, or equivalent.

(f) In no event shall the insurance coverage obtained and maintained by the Board of Directors hereunder be brought into contribution with insurance purchased by individual Owners of their mortgages.

(g) Provisions shall be made for the insurance of mortgagee endorsements and memoranda of insurance to mortgagees. If required by the mortgagee who owns a majority of the loans on the Dwelling Units, such policies shall provide that payments for losses thereunder by the insurer shall be made to an Insurance Trustee and all policies and endorsements thereon shall be deposited with the Insurance Trustee. In the event an Insurance Trustee is so required, an insurance trust agreement shall be

executed by the Association that is satisfactory to the Insurance Trustee and said mortgagee.

(h) A waiver by the insurer of it's right to repair and reconstruct instead of paying cash.

(i) That no policy can be cancelled, invalidated or suspended because of any action of an Owner.

Section 2. Coverage.

(a) Casualty. All buildings and improvements upon the Common Property shall be insured in an amount equal to the maximum insurable replacement value, excluding foundation and excavation costs, said value to be determined annually by the Board of Directors. Such coverage shall afford protection against:

(i) Loss or damage by fire and other hazards covered by a standard extended coverage endorsement; and

(ii) Such other risks as from time to time shall customarily be covered with respect to buildings similar in construction, location and use as the buildings described in this Section 2 including, but not limited to, vandalism and malicious mischief.

(b) Public liability covering all Common Property and all damage or injury caused by the negligence of the Association in such amounts and with such coverage as shall be required by the Board of Directors, including, but not limited to, hired automobile and non-owned automobile coverages, including a cross liability endorsement to cover liabilities of the Owners as a group to a Owner. the Board of Directors shall review such limits once a year, but in no event shall such insurance be less than ONE MILLION DOLLARS (\$1,000,000) with respect to any one accident or occurrence and ONE HUNDRED THOUSAND DOLLARS (\$100,000) with respect to any claim for property damage. It shall be the responsibility of each Owner to obtain, at his own expenses, liability insurance with respect to his ownership and/or use of his Dwelling Unit and Lot, and the Board of Directors shall not be responsible for obtaining such insurance.

(c) Workmen's compensation insurance meeting all the requirements of the laws of Oregon, if necessary.

(d) Directors and officers liability insurance, if available.

(e) Such other insurance as the Board of Directors shall determine from time to time to be desirable including blanket all risk insurance for full replacement cost of all structures in the Planned Community.

(f) Notwithstanding any other provisions herein, the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the requirements for planned unit developments established by the Federal National Mortgage Association ("FNMA"), and The Mortgage Corporation ("FHLMC"), so long as any of which is a mortgagee or an Owner of a Lot in the property except to the extent such coverage is not available or has been waived in writing by the FNMA and FHLMC, as applicable.

Section 3. Premiums. Premiums upon insurance policies purchased by the Association shall be assessed by the Association against the Owners as part of the common expenses except that the portion of premium allocable to policies on Dwelling Units acquired pursuant to Section 1 of this Article shall be assessed solely to the respective Owner(s) of each Dwelling Unit(s).

Section 4. Board of Directors; Shares of Proceeds. All insurance policies purchased by the Association shall be for the benefit of the Association, the Owners and their mortgagees, as their interests may appear, and shall provide that all proceeds covering property losses shall be paid to the Board of Directors. The Board shall receive such proceeds as are paid for the benefit of the Owners and their Mortgagees in the following shares:

(a) Dwelling Units. Proceeds on account of damage to Dwelling Units shall be held in the following undivided shares:

(i) When the Dwelling Unit(s) are to be restored, for the owners of damaged units in proportion to the cost of repairing the damage suffered by each Owner, which cost shall be determined by the Association.

(ii) When the Dwelling Unit(s) are not to be restored, a share for each Owner, such share in proportion to the value of each Dwelling Unit.

(b) Mortgages. In the event a Mortgagee endorsement has been issued as to a Unit, the share of that Owner shall be held in trust for the Mortgagee and the Owner, as their interests may appear; provided, however, that no Mortgagee shall have any right to determine or participate in the determination as to whether or not any damaged property shall be reconstructed or repaired, and no Mortgagee shall have any right to apply or have applied to the

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reduction of a mortgage debt any insurance proceeds except those proceeds paid to the Owner and Mortgagee pursuant to the provisions of this Declaration.

Section 5. Distribution of Proceeds. Proceeds of insurance policies received by the Board of Directors shall be distributed in the following manner:

(a) Reconstruction or Repair. If the damage for which the proceeds are paid is to be repaired or reconstructed, the remaining proceeds shall be paid to defray the cost thereof as elsewhere provided. Any proceeds remaining after defraying such costs shall be distributed to the beneficial Owners thereof, remittances to Owners and their Mortgagees being payable jointly to them. This is a covenant for the benefit of any Mortgagee of any Dwelling Unit and may be enforced by such Mortgagee.

(b) Failure to reconstruct or repair. If it is determined in the manner elsewhere provided that the damage for which the proceeds are paid shall not be reconstructed or repaired, the remaining proceeds shall be distributed to the beneficial Owners thereof, remittances to Owners and their Mortgagees being payable jointly to them. This is a covenant for the benefit of any Mortgagee of any Dwelling Unit and may be enforced by such Mortgagee.

Section 6. Association as Agent. The Association is hereby irrevocably appointed agent for each Owner, for each holder of a mortgage or other lien upon a Unit with power to adjust all claims arising under insurance policies purchased by the Association and to execute and deliver releases upon the payment of claims.

(a) The Board of Directors shall have the right to designate any bank, trust company, management agent, savings and loan association, building loan association, insurance company, or any institutional lender, or itself, as the Insurance Trustee, and all parties beneficially interested in such insurance coverage shall be bound thereby. The Insurance Trustee at the time of the deposit of such policies and endorsements shall acknowledge that the policies and any proceeds thereof will be held in accordance with the terms of these Bylaws.

(b) The Insurance Trustee shall not be liable for payment of premiums, the renewal of the policies, the sufficiency of coverage, the form or content of the policies, or correctness of any amounts received by it on account of the proceeds of any insurance policies, nor for the failure to collect any insurance proceeds. The sole duty of the Insurance Trustee shall be to

receive such proceeds as are paid to it and to hold the same in trust for the purposes elsewhere stated in these Bylaws, for the benefit of the Owners and their respective mortgagees.

Section 7. Insurance for Individual Lots. Each Owner of a Lot within the Planned Community must obtain casualty insurance for all buildings and improvements upon the Owner's Lot in an amount equal to the maximum insurable replacement value, excluding foundation and excavation costs. Such policies shall be deemed to have been purchased by the Association for purposes of this Article and shall be treated in the manner described above in Sections 4, 5 and 6 of this Article. The Association shall have the right to utilize insurance proceeds to order reconstruction or repair on individual lots as the Board of Directors shall approve. Each Owner shall also maintain public liability insurance in such amounts and with such coverage as shall be required by the Board of Directors. An individual Owner is not precluded from obtaining any other type of insurance. The insurance coverage obtained and maintained by the Board of Directors may not be brought into contribution with insurance bought by Owners or their mortgagees.

ARTICLE X

Repair and Reconstruction After Fire or Other Casualty

Section 1. When Repair and Reconstruction Are Required. In the event of damage to or destruction of all or any part of the Dwelling Units as a result of a fire or other casualty (unless eighty (80%) percent) of the Owners vote not to proceed with the reconstruction and repair of the building units, the Board of Directors shall arrange for and supervise the property repair and restoration of the Units. As provided in the Declaration, in the event additional assessments are needed for this, a vote of approval of two-thirds (2/3) of each class of members is required to proceed.

Section 2. Procedure for Reconstruction and Repair.

(a) Cost Estimates. Immediately after a fire or other casualty causing damage to any part of a Dwelling Unit or Units, the Board of Directors shall obtain reliable and detailed estimates of the cost of repairing and restoring the Unit(s) to a condition as good as that existing before such casualty. Such costs may also include professional fees and premiums for such bonds as the Board of Directors determines to be necessary.

(b) Assessments. If the proceeds of insurance are not sufficient to defray the said estimated costs of reconstruction and repair as determined by the Board of Directors, or if at any time during reconstruction and repair, or upon completion of reconstruction or repair, the funds for the payment of the costs thereof are insufficient, assessments shall be made against the affected Lot Owner(s) whose Dwelling Unit(s) was damaged or destroyed on a pro rata basis provided approval of two-thirds (2/3) of each class of members is obtained.

(c) Plans and Specifications. Any such reconstruction or repair shall be substantially in accordance with the plans and specifications under which the Association property and Dwelling Unit(s) was originally constructed.

(d) Encroachments. Encroachments upon or in favor of Lots which may be created as a result of such reconstruction or repair shall not constitute a claim or basis for any proceeding or action by the Owner upon whose property such encroachment exists, provided that such reconstruction was substantially in accordance with the Architectural Plans under which the Association property and Dwelling Unit(s) were originally constructed. Such encroachment shall be allowed to continue in existence for so long as the reconstructed Dwelling Unit(s) shall stand.

Section 3. Disbursements of Construction Funds.

(a) Construction Fund. The net proceeds of insurance collected on account of a casualty and the funds collected by the Board of Directors from assessments against Owners on account of such casualty shall constitute a construction fund which shall be disbursed in payment of the cost of reconstruction and repair in the manner set forth in this Section.

(b) Method of Disbursements. The construction fund shall be paid by the Board of Directors or the Insurance Trustee, as the case may be, in appropriate progress payments, to such contractor(s), supplier(s), and personnel performing the work or supplying materials or services for the repair and reconstruction of the Dwelling Unit(s) as are designated by the Board of Directors.

(c) Surplus. It shall be presumed that the first monies disbursed in payment of the cost of reconstruction and repair shall be from insurance proceeds; and if there is a balance in a construction fund after the payment of all the costs of the reconstruction and repair for which the fund is established, such balance shall be deposited in the Association general operating account, or rebated to the Owner or Owners.

(d) Certificate. The Insurance Trustee shall be entitled to rely upon a certificate executed by the President or Vice President, and the Secretary of the Association certifying:

(i) Whether or not the damaged Association property and Dwelling Unit(s) are required to be reconstructed and repaired;

(ii) The name of the payee and the amount to be paid with respect to disbursements from any construction fund held by it, or whether surplus funds to be distributed are less than the assessments paid by the Owners; and

(iii) All other matters concerning the holding and disbursing of any construction fund held by it. Any such certificate shall be delivered to the Insurance Trustee promptly after request.

Section 4. When Reconstruction Is Not Required. If eighty (80%) percent of the Owners vote not to proceed with repair or restoration.

ARTICLE XI

Mortgages

Section 1. Notice to Board of Directors. An Owner who mortgages his Lot shall notify the Board of Directors of the name and address of his mortgagee and file a conformed copy of the note and mortgage with the Board of Directors.

Section 2. Notice of Unpaid Assessments for Common Expenses. The Board of Directors, whenever so requested in writing by a mortgagee of a Lot, shall promptly report any then unpaid assessments for common expenses due from, or any other default by, the Owner of the mortgaged Lot.

Section 3. Right to Examine Books and Records. First mortgagees or holder of notes secured by first mortgages encumbering any Lot in this Association shall have the right to examine the books and records of the Association.

ARTICLE XII

Condemnation

In the event of taking in condemnation or by eminent domain of common area, proceeds will be distributed to the members in the same shares as their membership in the Association.

ARTICLE XIII

Miscellaneous

Section 1. Notices. All notices, demands, bills, statements or other communications under these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by U.S. mail, first class, prepaid.

(a) If to an Owner, at the address which the Owner shall designate in writing and file with the Secretary, or if no such address is designated, at the address of the Lot of such Owner; or

(b) If to the Association, the Board of Directors, or the Managing Agent, at the principal office of the Managing Agent, or at such other address as shall be designated by the notice in writing to the Owners pursuant to this Section.

Section 2. Invalidity. 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.

ARTICLE XIV

Amendment to Bylaws

Amendments to these Bylaws may be proposed by resolution of the Board of Directors or by a Owner. Any proposed amendment shall be delivered in writing, either personally or by mail, to each Owner entitled to vote not less than ten nor more than 50 days before the date of the meeting at which the proposed amendment will be voted upon or attached to any request for amendment. If mailed, such notice or request shall be deemed to be delivered when deposited in the United States mail addressed to the Owner at the Owner's last known address on the records of the Association, with postage thereon prepaid. No amendment of

the Bylaws proposed in either of such ways shall be effective ²⁴³⁻²⁹³⁷ unless approved by a Majority of the Owners.

These Bylaws may not be amended to limit or diminish any special declarant right of Declarant without the consent of Declarant.

ARTICLE XV

Books and Records

The books, records and papers of the Association described in ORS 94.670 shall at all times, during reasonable hours be subject to inspection and duplication by any member or mortgagee. The Association may charge a reasonable fee for furnishing copies of any documents, information or records.

ARTICLE XVI

Compliance

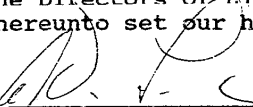
In case any provision of these Bylaws shall be held invalid, such invalidity shall not render invalid any other provision hereof which can be given effect. Nothing in these Bylaws shall be deemed or construed to authorize the Association or Board of Directors to conduct or engage in any act or business for profit on behalf of any of or all the Owners.

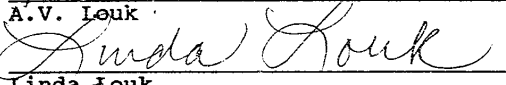
ARTICLE XVII

Conflict

In case of a conflict between the Declaration and these Bylaws, the Declaration shall control.

IN WITNESS WHEREOF, we the Directors of Hidden Glen Homeowner's Association have hereunto set our hands this 30th day of AUGUST, 1991.


A.V. Louk


Linda Louk


x Kenneth J. Nordeen

STATE OF OREGON)
)
COUNTY OF DESCHUTES) ss.

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On this 30th day of AUGUST, 1991, personally appeared the within-named A.V. Louk, Linda Louk and RONALD J. NOSLER who executed the foregoing instrument and acknowledged the same to be their voluntary act & deed.



Before me: Lori Black

Notary Public for Oregon
My Commission Expires: _____

STATE OF OREGON)
)
COUNTY OF DESCHUTES) ss.

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 AUG 30 PM 4:05

MARY SUE PENHOLLOW
COUNTY CLERK

BY. B. B. [Signature] DEPUTY
NO. 91-25665 FEE 135
DESCHUTES COUNTY OFFICIAL RECORDS