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PLANNED COMMUNITY SUBDIVISION BY-LAW

(BYLAWS OF

HUNTER'S HIGHLAND AT HIGH POINTE PHASES IV AND V

HOMEOWNERS ASSOCIATION)

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TABLE OF CONTENTS

ARTICLE 1

PLAN OF LOT OWNERSHIP; DEFINITIONS.....1

 1.1 Lot Ownership1

 1.2 Bylaws Applicability1

 1.3 Personal Application.....1

 1.4 Definitions.....1

ARTICLE 2

ASSOCIATION MEMBERSHIP, VOTING,
MAJORITY OF OWNERS, QUORUM, PROXIES.....1

 2.1 Membership in the Association1

 2.2 Voting Rights.....2

 2.2.1 Class A.....2

 2.2.2 Class B.....2

 2.3 Majority of Owners.....2

 2.4 Quorum.....2

 2.5 Voting and Proxies.....2

 2.6 Authority to Vote.....3

 2.7 Fiduciaries and Joint Owners.....3

ARTICLE 3

ADMINISTRATION.....3

 3.1 Association Responsibilities3

 3.2 Place of Meetings.....3

 3.3 Turnover Meeting4

3.3.1	Latest Date	4
3.3.2	Based on Lot Sales.....	4
3.3.3	Optional Turnover.....	4
3.4	Annual Meetings.....	4
3.5	Special Meetings.....	4
3.6	Notice of Meetings.....	4
3.7	Adjourned Meetings.....	5
3.8	Order of Business.....	5

ARTICLE 4

BOARD OF DIRECTORS.....	5
4.1 Number and Qualifications.....	5
4.2 Powers and Duties.....	5
4.3 Other Duties.....	5
4.3.1 Upkeep of Common Area and Commonly Maintained Property	5
4.3.2 Reserves	6
4.3.3 Assessment and Collection	6
4.3.4 Budget/Voucher System	6
4.3.5 Insurance	6
4.3.6 Personnel.....	6
4.3.7 Financial Statements	6
4.3.8 Rules	6
4.3.9 Copies of Documents.....	6
4.4 Limited Authority	6
4.4.1 Third Party Contracts.....	6
4.4.2 Capital Expenditures.....	7
4.4.3 Compensating Board Members.....	7
4.5 Management Agent.....	7
4.6 Interim Board and Officers	7
4.7 Election and Term of Office	7
4.8 Vacancies	7
4.9 Removal of Directors.....	8
4.10 Organizational Meeting	8
4.11 Regular Meetings.....	8
4.12 Special Meetings.....	8
4.13 Waiver and Notice to Directors	8
4.14 Board of Directors' Quorum.....	8
4.15 Board of Directors Meetings Open to All Association Members.....	9
4.16 Notice to Association Members of Board of Directors Meetings.....	9
4.17 Telephonic Meetings.....	9
4.18 Compensation of Directors	9

ARTICLE 5
OFFICERS.....9

5.1 Designation9

5.2 Election of Officers.....9

5.3 Removal of Officers.....9

5.4 President.....10

5.5 Secretary10

5.6 Treasurer10

5.7 Directors as Officers10

ARTICLE 6
OBLIGATIONS OF THE OWNERS.....10

6.1 Assessments10

6.2 Investment of Reserve Account Funds10

6.3 Initial Assessment11

6.4 Income Tax Returns; Determination of Fiscal Year11

6.4.1 Fiscal Year11

6.4.2 Tax Returns.....11

6.4.3 Financial Statements11

6.5 Default.....11

6.6 Maintenance and Repair11

6.6.1 Lots11

6.6.2 Commonly Maintained Property.....11

6.7 Right of Entry; Easements for Maintenance11

6.7.1 Emergencies11

6.7.2 Maintenance Easements12

ARTICLE 7
USE AND OCCUPANCY RESTRICTIONS; RULES OF CONDUCT12

7.1 Use of the Common Area and Commonly Maintained Property.....12

7.2 Appearance of Homes/Lots.....12

7.3 Nuisances12

7.4 Improper, Offensive or Unlawful Use12

7.5 Additional Rules12

ARTICLE 8
INSURANCE.....13

8.1 General.....13

8.2 Types of Insurance Policies13

8.2.1 Liability.....13

8.2.2 Workmen’s Compensation13

8.2.3 Fidelity13

8.2.4 Prohibition of Contribution in Association’s Policies13

8.3 Insurance Companies Authorized13

8.4 Provisions in Insurance Policies14

8.4.1	Waiver of Subrogation.....	14
8.4.2	Noncancellation for Owner Conduct	14
8.4.3	Noncancellation Without Opportunity to Cure.....	14
8.4.4	No Other Insurance Clauses.....	14
8.5	Home/Lot Insurance.....	14
8.6	Review of Insurance Policies.....	14
ARTICLE 9		
AMENDMENT.....		14
ARTICLE 10		
RECORDS AND AUDITS.....		15
10.1	General Records.....	15
10.2	Assessment Roll.....	15
10.3	Payment of Vouchers.....	15
ARTICLE 11		
NO COMPLIANCE WITH THE PLANNED COMMUNITY ACT.....		15
ARTICLE 12		
INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS		16
ARTICLE 13		
ASSESSMENT COLLECTION COSTS; SUITS AND ACTIONS		16
ARTICLE 14		
MISCELLANEOUS		17
14.1	Notices	17
14.2	Waiver.....	17
14.3	Invalidity; Number; Captions	17
14.4	Dissolution of Homeowners' Association	17
ARTICLE 15		
ADOPTION		17

BYLAWS
OF
HUNTER'S HIGHLAND AT HIGH POINTE PHASES IV AND V
HOMEOWNERS ASSOCIATION

ARTICLE 1

PLAN OF LOT OWNERSHIP; DEFINITIONS

1.1 Lot Ownership. These Bylaws are applicable to certain lots in Hunter's Highland at High Pointe Phases IV and V, a platted subdivision in Deschutes County, Oregon, which have been subjected to the Declaration of Conditions, Covenants and Restrictions of Hunter's Highland at High Point Phases IV and V (the "Declaration"). Said lots and Commonly Maintained Property may be collectively referred to in these Bylaws as the "Property" or "Project," and the lots individually or collectively as a "Lot" or the "Lots."

1.2 Bylaws Applicability. The provisions of these Bylaws are applicable to the Property, the Homeowners' Association and the entire management structure thereof.

1.3 Personal Application. All present or future Owners, tenants, occupants, future tenants or their employees, or any other person that might occupy any portion of the Property in any manner, are subject to the provisions set forth in these Bylaws. The acquisition, occupancy or rental of any of the Lots or the mere act of occupancy of any said Lots will constitute acceptance and ratification of these Bylaws and agreement to comply with all the provisions hereof.

1.4 Definitions. The terms herein shall have the same meaning as set forth in Article 1 of the Declaration.

ARTICLE 2

**ASSOCIATION MEMBERSHIP, VOTING,
MAJORITY OF OWNERS, QUORUM, PROXIES**

2.1 Membership in the Association. Upon recordation of a conveyance or contract to convey a Lot the grantee or purchaser named in such conveyance or contract shall automatically be a member of the Hunter's Highland Homeowners Association (the "Association"), and shall remain a member of the Association until such time as such person's ownership ceases for any reason. For all purposes of the Declaration and the administration of the Property, Lot ownership shall be determined from the records maintained by the Association. The record shall be established by the Owner filing with the Association a copy of the deed to or

land sale contract for his Lot, to which shall be affixed the certificate of the recording officer of the County of Deschutes, Oregon, showing the date and place of recording of such deed or contract. No person shall be recognized as an Owner unless a copy of the deed or contract has been filed with the Association as provided above showing him to be the current Owner or contract purchaser of a Lot. Notwithstanding the foregoing, the Declarant shall be the Owner of all previously unsold Lots, although no deed or land sale contract, with respect to such Lots, has been filed with the Association.

2.2 Voting Rights. The Association shall have two (2) classes of voting members:

2.2.1 Class A. Class A members shall be all Owners of Lots other than the Declarant, and each Class A member shall be entitled to one (1) vote for each Lot owned with respect to all matters upon which Owners are entitled to vote.

2.2.2 Class B. The Class B member shall be the Declarant, its successors and assigns. The Class B member shall have three (3) votes for each Lot owned. Provided, however, that all Class B memberships shall cease upon the earlier of a date two (2) years from the recording of the Declaration or the conveyance by the Declarant of Lots ("Termination Date"). The Declarant is reserving the option to terminate the Class B ownership earlier upon written notice to the Association. Thereafter, each Owner (including, without limitation, the Declarant) shall be entitled to one (1) vote for each Lot owned with respect to all matters upon which Owners are entitled to vote, and the total number of votes shall be equal to the total number of Lots annexed to the Property and subject to these Bylaws.

When more than one (1) person or entity owns a Lot, the vote for such Lot may be cast as they shall determine, but in no event will fractional voting be allowed. Fractionalized or split votes shall be disregarded, except for purposes of determining a quorum. The total number of votes as of the Termination Date and thereafter shall be equal to the total number of Lots annexed to the Property and subjected to these Bylaws as of the Termination Date.

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

2.4 Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Owners holding fifty percent (50%) or more of the outstanding votes in the Association, as defined in Section 2 of this Article, shall constitute a quorum.

2.5 Voting and Proxies. Votes may be cast in person, by written ballot, or by proxy. Proxies must be filed with the Secretary before or during the appointed meeting. A proxy shall expire one (1) year after the date it was signed unless a shorter period is specified in the proxy. The proxies may require the holder to cast a vote for or against any special proposal set out in the notice calling the meeting. A meeting of the Association may be by written ballot, as the Directors may elect, rather than at a formal gathering. Ballots for such meeting must be properly executed and returned in sufficient quantity to constitute a quorum and to pass the proposal

specifically propounded on the ballot and must comply with the applicable provisions of the Oregon Non-Profit Corporation statutes, ORS Chapter 65. Unless withdrawn, a proxy given to another person to vote at a specific meeting shall also be valid at an adjourned meeting called under the provisions of Section 3.7.

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

2.7 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 Lot 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 Lot in such capacity. Whenever any Lot is owned by two or more persons jointly according to the records of the Association, the vote of such Lot 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 Owners, the vote of such Lot shall be disregarded for all purposes, except for purposes of determining whether a quorum is present.

ARTICLE 3

ADMINISTRATION

3.1 Association Responsibilities. The Owners will constitute the Members of the Association. Except as otherwise provided in the Declaration or these Bylaws, decisions and resolutions of the Association shall require approval by a majority of the Owners present at any legal meeting. A legal meeting is one duly called pursuant to these Bylaws where a quorum is present in person or by proxy at a formal gathering, or if a vote is taken by written ballots, when ballots are returned representing more than fifty percent (50%) of the vote, unless a larger vote is required to approve a ballot item in which case the quorum requirements shall be the number of votes required to approve the proposal.

3.2 Place of Meetings. Formal meetings of the Association shall be held at suitable places convenient to the Owners as may be designated by the Board of Directors. Any vote taken by written ballot shall be determined by the Board of Directors within forty-eight (48) hours of the ballot return deadline. Each Owner shall be notified by mail or other delivery of written notice of the results of the ballot meeting or that a quorum of ballots was not returned, within fifteen (15) days after the ballot return deadline. Before the ballots are counted, if it is determined that returned ballots will not constitute a quorum, the Board of Directors may extend the ballot return deadline for one or more periods by written notice to all Owners for not more than a total of sixty (60) days.

3.3 Turnover Meeting. The Declarant shall call a meeting for the purpose of turning over administrative control of the Association from the Declarant to the members within one ninety (90) days of the earlier of:

3.3.1 Latest Date. A date two (2) years from the date this Declaration is recorded;

3.3.2 Based on Lot Sales. The date that all Lots have been conveyed to persons other than the Declarant; or

3.3.3 Optional Turnover. At such earlier time as Declarant elected in writing to terminate Class B memberships.

The Turnover Meeting shall constitute the initial organizational meeting. The Declarant shall give notice of the meeting to each Owner as provided in these Bylaws. If the Declarant does not call the meeting required under this section, any Owner may do so. At the Turnover Meeting the Declarant shall relinquish control of the administration of the Association and the Owners shall assume such control and the Owners shall elect a Board of Directors in accordance with the provisions of Article 4 of these Bylaws. Additionally, the Declarant shall deliver to the Association all business and financial records, together with all Association bank account, funds and other assets.

3.4 Annual Meetings. The first annual meeting of the Association shall be held in the calendar year following the calendar year in which the Turnover Meeting is held and shall be set by action of the Board of Directors. The date for this meeting, at the discretion of the Board of Directors, may be changed from time to time, but must be held annually under the Rules and Regulations as set out in the Bylaws. At such meetings, new members of the Board of Directors shall be elected by the Owners in accordance with the requirements of Section 4.7 of these Bylaws, to replace those Directors whose terms have expired. The Owners may also transact such other business of the Association as may properly come before them.

3.5 Special Meetings. It shall be the duty of the President to call a special meeting of the Owners as directed by resolution of the Board of Directors or upon a petition signed by fifty percent (50%) or more of the Owners having been presented to the Secretary. All meetings called because of petition of Owners shall be held at a formal gathering and not by ballot, and shall be held within sixty (60) days after receipt of the petition. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice unless by consent of all the Owners of the Lots or as otherwise set out in these Bylaws.

3.6 Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual, special or meeting by ballot, stating the purpose thereof and the time and place where it is to be held, to each Owner of record at least ten (10) but not more than fifty (50) days prior to such meeting or the date when ballots for a ballot meeting are required to be returned. The mailing shall be to the Owner's address last given the Secretary in writing by the Owner or his vendee. If Lot ownership is split or the Lot has been sold on a contract, notice shall be sent to a

single address, of which the Secretary has been notified in writing by such parties. If no address has been given the Secretary in writing, then mailing to the Lot shall be sufficient. The mailing of a notice in the manner provided in this Section shall be considered notice served.

3.7 Adjourned Meetings. If any gathering of Owners is not a legal meeting because a quorum has not attended, the Owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours nor more than ten (10) days from the time the original meeting was called. The adjournment provisions of this Section do not apply to meetings by ballot.

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

- Roll call.
- Proof of Notice of meeting or waiver of notice.
- Reading of minutes of the preceding meeting.
- Reports of officers.
- Reports of committees.
- Election of inspectors of election.
- Election of Directors.
- Unfinished business.
- New business.
- Adjournment.

ARTICLE 4

BOARD OF DIRECTORS

4.1 Number and Qualification. The affairs of the Association shall be governed by a Board of Directors composed of three (3) persons, all of whom must be an Owner or the Co-Owner of a Lot. An officer or employee of a corporation, or the trustee of a trust, or personal representative of an estate, or an employee of the trust or estate may serve on the Board of Directors, if the corporation, trust or estate owns a Lot.

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

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

4.3.1 Upkeep of Commonly Maintained Property. Care, upkeep and supervision of the Commonly Maintained Property.

4.3.2 Reserves. Establishment and maintenance of such replacement reserve accounts which the Board deems prudent for replacement of the Commonly Maintained Property. The Board of Directors may determine that it is more appropriate to specifically assess when replacements are needed, rather than fund a reserve account.

4.3.3 Assessment Collection. Designation and collection of monthly assessments from the Owners, in accordance with these Bylaws and the Declaration.

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

4.3.5 Insurance. Obtaining and maintaining insurance policies and payment of premiums therefor out of the common expense funds in respect to the Commonly Maintained Property as more specifically provided in Article 8 of these Bylaws.

4.3.6 Personnel. Designation and dismissal of the personnel necessary for the maintenance and operation of the Project.

4.3.7 Financial Statements. Causing the preparation and distribution of annual financial statements of the Association to each of the Owners as more specifically provided in the Declaration.

4.3.8 Rules. Adoption and amendment of administrative Rules and Regulations governing the details of operation and use of the Property. Provided, however, any such Rules and Regulations shall always be subject to rescission or amendment by the Association upon majority vote of Owners present at any properly called meeting.

4.3.9 Copies of Documents. Maintaining copies suitable for duplication of the following: Declaration, Bylaws, Rules and Regulations and any amendments thereto, the most recent annual financial statement and the current operating budget of the Association.

4.4 Limited Authority. The Board of Directors shall be prohibited from taking any of the following actions, except with the vote or written assent of a majority of the voting power of the Owners other than the Declarant:

4.4.1 Third Party Contracts. Entering into a contract with a third party wherein the third person will furnish goods or services for the Commonly Maintained Property or the Association for a term longer than one year with the following exceptions:

(a) Management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration.

(b) A contract with a public utility company in Deschutes County or a service contract if the rates charged for the materials or services are regulated by the Oregon

Public Utilities Commission provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate.

(c) Prepaid casualty and/or liability insurance policies of not to exceed three years duration provided that the policy permits short rate cancellation by the insured.

4.4.2 Capital Expenditures. Incurring aggregate expenditures for capital improvements to the Commonly Maintained Property of any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

4.4.3 Compensating Board Members. Paying compensation to members of the Board of Directors or to officers of the Association for services performed in the conduct of the Association's business provided, however, that the Board of Directors may cause a member or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

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

4.6 Interim Board and Officers. The Declarant hereby reserves administrative control of the Association until the Turnover Meeting. The Declarant, in its sole discretion, shall have the right to appoint and remove members of an Interim Board of Directors and interim officers. Additionally, at the Turnover Meeting at least one (1) Director shall be elected by Owners other than the Declarant, even if the Declarant otherwise has voting power to elect all three (3) Directors.

4.7 Election and Term of Office. At the Turnover Meeting of the Association, the term of office of one (1) Director shall be fixed for two (2) years. The term of office of two (2) Directors shall be fixed at one (1) year. Should more Directors be added, the same sequential election terms shall apply as nearly as is practicable. At the expiration of the initial term of office of each respective Director, his successor shall be elected to serve a term of two (2) years. The Directors shall hold office until their successors have been elected and hold their first meeting. At the Turnover Meeting, upon agreement by vote of the Owners, the Board of Directors may be elected by a single ballot with each Owner permitted to vote for three (3) nominees. In such event, the nominee receiving the highest number of votes shall be the two (2) year Director and the two (2) nominees receiving the next highest number of votes shall be the one (1) year Directors. The Association may increase or decrease the number of Directors and length of terms for which each is elected upon amendment of this Section 4.7.

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

4.9 Removal of Directors. At any legal annual or special meeting, other than a meeting by ballot, any one or more of the Directors may be removed with or without cause, by a majority vote of the total voting power of the Owners and a successor may be then and there elected to fill the vacancy thus created. Provided however, the notice of meeting shall specifically indicate that the removal of one or more named Directors is an agenda item for such meeting. Any Director whose removal has been proposed by the Owners shall be given an opportunity to be heard at the meeting. Any Director or Directors who fail(s) to attend three (3) successive meetings of the Board of Directors which have been properly called, or who has failed to attend more than one third (1/3) of the Board of Directors meetings during a twelve (12) month period which have been properly called, may be removed by a majority of the remaining Directors.

4.10 Organizational Meeting. The first meeting of a newly elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order to legally hold such meeting, providing a majority of the newly-elected Directors are present.

4.11 Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors. Notice of regular meetings of the Board of Directors may be called by the President on three (3) days' notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

4.12 Special Meetings. Special meetings of the Board of Directors may be called by the President or Secretary or on the written request of at least three (3) Directors. Special meetings of the Board of Directors may be called on three (3) days' notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

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

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

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

4.16 Notice to Association Members of Board of Directors Meetings. For other than emergency meetings, notice of Board of Directors' special meetings shall be mailed to each Owner at least seven (7) days before the meeting by first class mail or at least three (3) days' notice by hand delivery to each Lot Owner's address or by facsimile transmission. The Board of Directors shall give Owners notice of regular Board meetings at the beginning of each year by first class mail or other reasonable means setting out the time and place of the regular meetings. For any changed time or place, the notice requirements for special meetings shall apply.

4.17 Telephonic Meetings. In the event of an emergency, telephonic meetings may be held by the Board of Directors. Such telephonic meetings shall be carried on by means of a "conference call" in which each Director may speak with any of the other Directors. The Directors shall keep telephone numbers on file with the President to be used for telephonic meetings. No notice to either Directors or Association members shall be required for a telephonic meeting of the Board of Directors to be held for any emergency action. Provided, however, no such telephonic meeting shall occur unless at least seventy-five percent (75%) of the Board of Directors participate in the same and after an attempt has been made to call each Director at the telephone number maintained on file with the Board of Directors for such purpose.

4.18 Compensation of Directors. No Director shall be compensated in any manner, except for out-of-pocket expenses, unless such compensation is approved by vote of the Owners.

ARTICLE 5

OFFICERS

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

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

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

5.4 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 usually vested in the office of president of an association, including, but not limited to, the power to appoint committees from among the Owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

5.5 Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Association; 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 of the office of Secretary.

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

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

ARTICLE 6

OBLIGATIONS OF THE OWNERS

6.1 Assessments. All Owners are obligated to pay assessments imposed by the Association to meet all the Association's general common expenses as more particularly set forth in the Declaration. Assessments shall be payable on a periodic basis, not more frequently than monthly, as determined by the Board of Directors. At least annually, the Board of Directors shall adopt a budget for the Project as more specifically provided in the Declaration. In its discretion, the Declaration and, after turnover, the Board of Directors may, but shall not be required to, impose interest or a service charge for installment payments or allow a discount for payment of the annual assessment or any installment in advance.

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

6.3 Initial Assessment. The initial annual assessment to Owners other than the Declarant shall be determined by the Declarant. The assessment shall thereafter be subject to review by the Board of Directors. The assessment shall be payable from the date the Declaration is recorded for all Lots conveyed by the Declarant to a third party. The assessment shall commence in respect to each Lot on the first day of the next calendar quarter.

6.4 Income Tax Returns; Determination of Fiscal Year; Financial Statements.

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

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

6.4.3 Financial Statements. The Association shall keep financial records sufficiently detailed for proper accounting purposes. Within ninety (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 expense statement for the preceding fiscal year.

6.5 Default. Failure by an Owner to pay any assessment of the Association shall be a default by such Owner of his obligations pursuant to these Bylaws and the Declaration. The Association shall be entitled to the remedies set forth in the Declaration.

6.6 Maintenance and Repair.

6.6.1 Lots. Except as otherwise specifically provided in the Declaration and Bylaws, every Owner must perform promptly all maintenance and repair work to his Lot and the exterior of the improvements thereon and keep the same in good repair and sanitary and neat condition.

6.6.2 Commonly Maintained Property. An Owner shall reimburse the Association for any expenditures incurred in repairing or replacing any Commonly Maintained Property and/or facility damaged through his fault, not otherwise covered by insurance policies carried by the Association for the Owner's and Association's benefit.

6.7 Right of Entry; Easements for Maintenance.

6.7.1 Emergencies. In case of an emergency originating in or threatening his Lot, an Owner shall grant the right of entry to the management agent or to any other person authorized by the Board of Directors or the Association, whether the Owner is present at the time or not.

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

ARTICLE 7

USE AND OCCUPANCY RESTRICTIONS; RULES OF CONDUCT

In addition to the restrictions and rules of conduct set forth in the Declaration, the following shall apply:

7.1 Use of the Commonly Maintained Property. No Owner shall place or cause to be placed on any portion of the Commonly Maintained Property any trash, structure, equipment, improvement, furniture, package or object of any kind. Such areas shall be used for no purpose other than what is normal.

7.2 Appearance of Homes/Lots. Owners shall keep their Lots and the improvements thereon in good repair, clean and with painted, stained or other finished exteriors compatible with the architectural standard of the Declaration and Rules and Regulations.

7.3 Nuisances. No nuisances will be allowed upon the Property, nor any use or practice that is the source of annoyance to residents or which interferes with the peaceful possession and proper use of the Property by its residents. Residents shall exercise extreme care about creating disturbances, making noises or using musical instruments radios, televisions and amplifiers that may disturb other residents. All parts of the Project will be kept in a clean and sanitary condition, and no rubbish, refuse or garbage allowed to accumulate, nor any fire hazard allowed to exist. All such garbage and trash shall be placed inside disposal containers. No Owner will permit any use of his Lot that will increase the cost of insurance for the Association.

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

7.5 Additional Rules. The Rules and Regulations concerning other use of the Property may be made and amended from time to time by the Board of Directors. Copies of such Rules and Regulations will be furnished to all Owners and Occupants of the Project, upon request.

ARTICLE 8

INSURANCE

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

8.2 Types of Insurance Policies. For the benefit of the Association and the Owners, the Board of Directors shall obtain and maintain at all times, and shall pay for out of the common expense funds, the following insurance to the extent available at reasonable cost:

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

8.2.2 Workmen's Compensation. Workmen's compensation insurance to the extent necessary to comply with any applicable laws.

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

8.2.4 Prohibition of Contribution in Association's Policies. The Association's insurance policy shall not contain provisions requiring policies procured by individual Owners to be brought into contribution with the insurance coverage provided by the Association's insurance policies.

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

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

8.4.1 Waiver of Subrogation. A waiver of subrogation by the insurer as to any claims against the Board of Directors, the manager, the Owners and their respective servants, agents and guests.

8.4.2 Noncancellation for Owner Conduct. A provision that the master policy on the Property cannot be cancelled, invalidated or suspended on account of the conduct of any one or more individual Owners.

8.4.3 Noncancellation Without Opportunity to Cure. A provision that the master policy on the Property cannot be cancelled, invalidated or suspended on account of the conduct of any officer or employee of the Board of Directors or the manager without prior demand in writing that the Board of Directors or manager cure the defect.

8.4.4 No Other Insurance Clauses. A provision that any "no other insurance" clause in the master policy exclude individual Owners' policies and not otherwise prevent such individual policies from providing coverage for damage to Homes/Lots.

8.5 Home/Lot Insurance. The Association shall have no responsibility to procure or assist in procuring property loss insurance or liability insurance except as stated in this Article. Home/Lot Owners should procure their own insurance for their protection.

8.6 Review of Insurance Policies. At least annually, the Board of Directors shall review all insurance carried by the Association, which review shall include a consultation with a representative of the insurance carrier writing the master policy.

ARTICLE 9

AMENDMENT

Except as otherwise provided in this Article, and the restrictions set forth elsewhere herein, these Bylaws may be amended at any time by an instrument approved by at least a majority of the total votes of each class of members that are eligible to vote. Any amendment must be executed, recorded and certified as provided by law. Provided, however, no amendment of the Bylaws may effect an amendment of the Declaration or the Articles without compliance with the provisions of such documents and the Oregon Non-Profit Corporation Act. Provided further no amendment deleting or affecting any right of the Declarant, or its successor or assignee may be adopted without the prior written consent of the Declarant or successor or assignee.

ARTICLE 10

RECORDS AND AUDITS

10.1 General Records. The Board of Directors and the managing agent or manager, if any, shall preserve and maintain minutes of the meetings of the Association, the Board and any committees. The Board of Directors shall maintain a list of Owners entitled to vote at meetings of the Association. The minutes of the Association, the Board and committees, and the Association's financial records shall be reasonably available for review and copying by the Owners. A reasonable charge may be imposed by the Association for providing copies.

10.2 Assessment Roll. The assessment roll shall be maintained in a set of accounting books in which there shall be an account for each Lot. 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.

10.3 Payment of Vouchers. The Treasurer shall pay all vouchers up to \$1,000 signed by the President, 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 President. Provided, however, any withdrawal from reserve accounts shall require the signature of two Board members or one Board member and an officer of the Association who is not a Board member.

ARTICLE 11

COMPLIANCE WITH THE PLANNED COMMUNITY ACT

At the time the plat for Hunter's Highland at High Pointe Phases IV and V was recorded, this Project was not subject to the Planned Community Act (ORS 94.550 et seq.) ("PCA"). However, effective January 1, 2002, Hunter's Highland at High Pointe Phases IV and V will be a Class II Planned Community under the PCA and shall be subject to all applicable provisions thereof. The Declarant hereby adopts those provisions of the PCA which will be effective on January 1, 2002 which are applicable to projects of this size, type, assessments and responsibilities as Hunter's Highland at High Pointe Phases IV and V. Accordingly, the Project and these Bylaws are intended to comply with the provisions of the PCA as amended on January 1, 2002 and as may be subsequently amended from time to time. In case of any conflict between the provisions hereof, the PCA, and the Articles or the Declaration, the provisions in the PCA, the Articles and/or Declaration shall apply. The provisions of the PCA shall control over the Articles and Declaration. The Declaration shall be paramount to any contrary provisions in the Articles.

ARTICLE 12

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS

The Association shall indemnify any Director, officer, employee or agent who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by the Association) by reason of the fact that he is or was a Director, officer, employee or agent of the Association or is or was serving at the request of the Association as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by said person in connection with such suit, action or proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or with a plea of nolo contendere or its equivalent, shall not of itself create a presumption that a person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had reasonable cause to believe his conduct was unlawful. Payment under this clause may be made during the pendency of such claim, action, suit or proceeding as and when incurred, subject only to the right of the Association to reimbursement of such payment from such person, should it be proven at a later time that such person had no right to such payments. All persons who are ultimately held liable for their actions on behalf of the Association as a Director, officer, employee or agent shall have a right of contribution over and against all other Directors, officers, employees or agents and members of the Association who participated with or benefited from the acts which created said liability.

ARTICLE 13

ASSESSMENT COLLECTION COSTS; SUITS AND ACTIONS

Owners shall be obliged to pay reasonable fees and costs including, but not limited to, attorney's fees incurred in connection with efforts to collect delinquent any unpaid assessments whether or not suit or action is filed. In addition to the monthly, quarterly or annual assessment for operating expenses and the funding of reserves, such assessments may include fees, late charges, fines and interest imposed by the Board of Directors. In the event suit or action is commenced by the Association for the collection of any amounts due pursuant to these Bylaws or for the enforcement of any provisions of the Declaration, the Articles or Bylaws, the Owner or Owners, jointly and severally, will, in addition to all other obligations, pay the costs of such suit or action, including reasonable attorneys' fees to be fixed by the trial court and, in the event of an appeal, the cost of the appeal, together with reasonable attorneys' fees in the appellate court to be fixed by such court.

ARTICLE 14

MISCELLANEOUS

14.1 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 Owner shall be sent to such address as may have been designated by him from time to time, in writing, to the Board of Directors, or if no address has been designated, then to the Owner's Lot.

14.2 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.

14.3 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. Provided, however, that if any of the provisions of these Bylaws would violate the rule against perpetuities or any other limitation on the duration of the provisions herein contained imposed by law, then such provision shall be deemed to remain in effect only for the maximum period permitted by law, or in the event the rule against perpetuities applies, until twenty-one (21) years after the death of the last survivor of the now living descendants of former President George Bush. 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.

ARTICLE 15

ADOPTION

It is hereby certified that these Bylaws have been adopted by Blue Skies Development, Inc., Declarant of Hunter's Highland at High Pointe Phases IV and V, and will be recorded in the Deed Records of Deschutes County, together with the Declaration for said planned community, after said Declaration and Bylaws are approved by the Assessor of said County.

DATED this 14th day of September, 2001.

BLUE SKIES DEVELOPMENT, INC.

By: 
James F. Cozzetto, Jr., President

STATE OF OREGON)
County of Deschutes)

) ss. September 14, 2001

James F. Cozzetto, Jr.

Personally appeared before me the above-named ~~James F. Cozzetto, Jr.~~ who, being duly sworn, did say that he is the President of Blue Skies Development, Inc., and that said instrument was signed in behalf of said company by authority of its members; and he acknowledged said instrument to be its voluntary act and deed.

Melissa Riverman

Notary Public for Oregon

