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**BYLAWS
OF
VILLAGE AT COLD SPRINGS
HOMEOWNERS' ASSOCIATION, INC.**

Hayden Homes LLC, Declarant

After Recording Return to:
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After recording, return to
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15 OREGON AVENUE, BEND

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**BYLAWS
OF
VILLAGE AT COLD SPRINGS HOMEOWNERS' ASSOCIATION, INC.**

**ARTICLE I
NAME AND LOCATION**

The name of the Association is the Village at Cold Springs Homeowners' Association, Inc. hereinafter referred to as the "Association". The initial registered office of the Association shall be located at 2464 SW Glacier Place, Suite 110, Redmond, Oregon 97756, but meetings of Members and Directors may be held at such places within the State of Oregon as may be designated by the Board of Directors.

**ARTICLE II
DEFINITIONS**

2.1 "Association"

"Association" shall have the meaning given in the introductory paragraph to these Bylaws.

2.2 "Board"

"Board" shall mean the Board of Directors of the Village at Cold Springs Homeowners' Association, Inc. as constituted in accordance with Article V of these Bylaws.

2.3 "Conversion Date"

"Conversion Date" shall be the date that is the earlier of (i) the date at which seventy-five percent (75%) of the total Lots anticipated to be created within the subdivision have been conveyed from the Declarant to third persons; (ii) ten (10) years after conveyance of the first Lot to a third person; or (iii) upon election in writing by Declarant.

2.4 "Declarant"

"Declarant" shall mean Hayden Homes, LLC and its successors and assigns who are designated as such in writing by Declarant, and who consent in writing to assume the duties and obligations of Declarant with respect to the Lots acquired by each successor or assign.

2.5 "Declaration"

"Declaration" shall mean and refer to the Declaration of Protective Covenants, Conditions, and Restrictions for Village at Cold Springs, contemporaneously herewith and any amendments or supplements thereto made in accordance with its terms.

2.6 "Director"

"Director" shall mean a director of the Association as described in and elected in accordance with Article VII of these Bylaws.

2.7 "Lot"

"Lot" shall mean and refer to any of the plots of land indicated upon the recorded subdivision map of the Property or any part thereof creating single-family homesites, with the exception of the Common Areas, Tracts and areas deeded to a governmental authority or utility, together with all improvements thereon.

2.8 "Officer"

"Officer" shall mean an officer of the Association as described in and elected in accordance with Article XI of these Bylaws.

2.9 "Member"

"Member" or "Members" shall mean the Declarant and every record owner, whether one (1) or more persons or entities, of fee simple title to any Lot, including contract sellers, but excluding those having an interest merely as security for the performance of an obligation. There shall be two (2) classes of membership, Class A and Class B, as described in Section 2.2 of the Declaration and in Section 3.3 of these Bylaws.

2.10 "Plat"

"Plat" shall mean the Plat for Village at Cold Springs recorded in the official records of Deschutes County, Oregon.

2.11 "Property"

"Property" shall mean the real property described in Exhibit A to the Declaration and such additions thereto as may be brought within the jurisdiction of the Association and be made subject to the Declaration.

2.12 "Turnover Meeting"

"Turnover Meeting" shall be the meeting called by the Declarant for the purpose of turning over administrative responsibility of the Association to the Members.

2.13 Other Terms

Capitalized terms used herein without definition shall have the respective meanings given to them in the Declaration.

**ARTICLE III
MEMBERSHIP AND VOTING RIGHTS**

3.1 Membership

The Declarant and every Member of a Lot by virtue of being an Owner of a Lot shall be a Member of the Association. Membership shall be appurtenant to and shall not be separated from ownership of any Lot. Such membership shall commence, exist, and continue simply by virtue of such ownership, and need not be confirmed or evidenced by any certificate or acceptance of membership. There shall be two classes of membership, Class A and Class B, as described in Section 2.2 of the Declaration and Section 3.3 of these Bylaws.

3.2 Suspension

All voting rights of a Member shall be suspended during any period in which such Member is delinquent in the payment of an assessment duly established pursuant to the Declaration or is otherwise in default hereunder or under the Declaration or any rules and regulations of the Association. The Board may also suspend the Member's right to use of any of the Common Areas during such period of default.

3.3 Voting Rights

The Association shall have two (2) classes of voting membership:

A. Class A

Class A Members shall be all Owners with the exception of Declarant (except that beginning on the date on which Class B membership is converted to Class A membership, and thereafter, Class A Members shall be all Owners, including Declarant) and shall be entitled to one (1) vote for each Lot owned. When more than one (1) person holds an interest in any Lot, all such persons shall be Members, but the vote for such Lot shall be exercised as they among themselves determine, and in no event shall more than one (1) vote be cast with respect to any Lot. If the co-Owners of a Lot cannot agree upon the vote, the vote of the Lot shall be disregarded in determining the proportion of votes with respect to the particular matter at issue.

B. Class B

The Class B Member shall be the Declarant, who shall be entitled to three (3) votes for each Lot it owns. The Class B membership shall cease and be converted to Class A membership on the Conversion Date (as defined in the Declaration).

**ARTICLE IV
PROPERTY RIGHTS: RIGHTS OF ENJOYMENT**

4.1 Use and Enjoyment

Subject to any easements affecting a Member's Lot, each Member shall be entitled to

entitled to the exclusive use and enjoyment of such Member's Lot and to the non-exclusive use and enjoyment of the Common Areas as provided in the Declaration and any public rights-of-way located on or adjacent to the Property.

ARTICLE V

BOARD OF DIRECTORS; ELECTION; TERM OF OFFICE

5.1 Number

The affairs of the Association shall be managed by a Board of one (1) to three (3) Directors prior to the Turnover Meeting and three (3) Directors after the Turnover Meeting. The Directors need not be Members prior to the Turnover Meeting but shall be Members after the Turnover Meeting.

5.2 Appointment by Declarant Prior to Turnover Meeting

Until the Turnover Meeting, Declarant shall appoint all Directors, and may remove and replace any Director, with or without cause, except that Declarant may revocably or irrevocably delegate the power to appoint, remove and replace Directors hereunder by written instrument delivered to the Association naming the party to whom the power to appoint Directors has been delegated. At and after the Turnover Meeting, the Directors shall be elected in the manner provided in Article V, Section 5.3. Voting for Directors shall not be cumulative.

5.3 Election of Directors

At the Turnover Meeting, the Members shall elect one (1) Director for a term of one (1) year, one (1) Director for a term of two (2) years, and one (1) Director for a term of three (3) years, with each Member entitled to the votes specified in Article III above. Thereafter, at each annual meeting of the Association, the Members shall elect a number of Directors equal to the number whose terms are then expiring, each to serve a term of two (2) years. Any Director may serve more than one (1) term.

5.4 Term of Office

On the date of the Turnover Meeting, the Directors appointed by Declarant or its appointee shall submit their resignations and the replacing Directors shall be elected in accordance with Section 5.3 above. The Directors elected at any meeting held for the purpose of election of Officers, except to replace an Officer who leaves his or her position prior to the expiration of his or her term, shall assume all of the duties of office at the meeting at which he or she is elected, at which time the resignation of the Directors in office prior to such meeting shall become effective, and they shall have no further powers as Officers.

5.5 Removal

Any Director, other than a Director appointed by Declarant, may be removed, with or without cause, by the affirmative majority vote of the Members present and entitled to vote at any meeting of the Members at which a quorum is present. No removal of a Director is effective unless

unless the matter of removal was included in the notice of the meeting. At such meeting, the Members shall elect a replacement Director to serve the remainder of the replaced Director's term.

5.6 Resignation

Any Director may resign at any time by sending a written notice of such resignation to the secretary. Unless otherwise specified in such notice, a resignation shall take effect upon receipt of the notice by the secretary.

5.7 Vacancies

Vacancies on the Board caused by the death, resignation, or removal of a Director shall be filled by vote of the majority of the remaining Directors, even if they constitute less than a quorum. Any Director so elected shall serve the remainder of the replaced Director's term.

5.8 Compensation

No Director shall receive compensation for any service he or she may render to the Association. However, any Director may be reimbursed for his or her actual expenses reasonably incurred in the performance of his or her duties.

**ARTICLE VI
MEETINGS OF BOARD**

6.1 Initial Meeting

The initial meeting of the Board shall occur within ninety (90) days after the date the Articles of Incorporation for the Association are filed and shall be called in accordance with Article VI, Section 6.3.

6.2 Annual Meetings

The Board shall meet at least annually, within thirty (30) days after each annual meeting of the Members. At each annual meeting, in addition to the actions required by the Declaration, the treasurer shall present to the Board a report on the financial condition of the Association, including a report of receipts and disbursements for the preceding calendar year, the allocation thereof to each Lot, and the estimated receipts and expenses for the coming year.

6.3 Special Meetings

Special meetings of the Board may be called at any time by the president or two (2) Directors. Such meetings shall be scheduled by the secretary at least two (2) but not more than thirty (30) days after the secretary's receipt of a written request signed by the president or at least two (2) Directors; provided that if the purpose of a special meeting is to elect a successor secretary pursuant to Section 11.2 of Article XI or to consider removal of the secretary pursuant to Section 11.5 of Article XI, such meeting may be scheduled by the president or, if the meeting is also for the purpose

is also for the purpose of electing a successor president or removing the president, any other Director.

6.4 Place of Meetings

Meetings of the Board shall be held at such place within Oregon, as may be designated from time to time by the Board.

6.5 Notice of Meetings

The secretary shall give written notice to each Director of each Board meeting at least three (3) but not more than thirty (30) days prior to the date set for such meeting, stating the purpose, time, and place of the meeting. Notice shall be sent to the address of each Director as listed on the books of the Association, or to such other address as any Director may designate by written notice to the secretary given at least ten (10) days prior to the giving of notice of the meeting. Notice of any meeting may be waived by any Director at any time. No Director who is present at a meeting may object to the adequacy or timeliness of the notice given. When a meeting is adjourned for fewer than thirty (30) days, whether or not a quorum is present at the adjourned meeting, no notice of the resumption or reconvening of such adjourned meeting need be given other than by announcement at the meeting at which such adjournment takes place. All meetings of the Board shall be open to all Members, except for matters allowed by law to be considered in executive session. Except in emergencies, the Board shall vote in an open meeting whether to meet in executive session. If the Board votes to meet in executive session, the president shall state the general nature of the action to be considered and when and under what circumstances the deliberations can be disclosed to Members. The statement, motion, or decision to meet in executive session must be included in the minutes of the meeting. A contract or action considered in executive session does not become effective unless the Board, following the executive session, reconvenes in an open meeting and votes on the contract or action, which must be reasonably identified in the open meeting and included in the minutes. For other than emergency meetings, notice of Board meetings shall be mailed to all Members, at the last address for each Member in the records of the Association, not less than ten (10) days before the meeting; posted at a place or places on the Property at least three (3) days prior to the meeting; or provided by a method otherwise reasonably calculated to inform Members of the meeting. Emergency meetings may be held without notice, if the reason for the emergency is stated in the minutes of the meeting. Only emergency meetings of the Board may be conducted by telephonic communication or by the use of a means of communication permitted by ORS 94.640(8).

6.6 Voting by the Board

Each Director shall have one (1) vote. All voting rights of a Director shall be suspended during any period in which the Director is delinquent in the payment of any amount duly established pursuant to the Declaration or is otherwise in default under the Declaration or any rules and regulations of the Association. So long as a quorum is constituted, the vote of Directors together holding more than fifty percent (50%) of the total votes shall be a binding vote of the Board for all purposes, unless a greater percentage is required by law or the Declaration.

6.7 Quorum

The presence in person of a majority of the Directors shall constitute a quorum for voting at a Board meeting. The Board shall have the power to adjourn a meeting even if less than a quorum is present.

ARTICLE VII NOMINATION AND ELECTION OF DIRECTORS

7.1 Nomination

At and following the Turnover Meeting, nomination for election to the Board shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who need not be a Director prior to the Turnover Meeting but who shall be a Director following the Turnover Meeting, and two (2) or more Members or Directors. The Nominating Committee shall be appointed by the Board prior to the Turnover Meeting to nominate Directors to be elected at the Turnover Meeting. Thereafter, a Nominating Committee shall be appointed by the Board prior to each annual meeting of the Members to make as many nominations for election to the Board as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

7.2 Election

Election to the Board shall be by secret written ballot cast at the annual meeting. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Articles of Incorporation. The person(s) receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VIII POWERS AND DUTIES OF THE BOARD OF DIRECTORS

8.1 Powers

The Board shall have the power:

(a) To adopt and publish rules and regulations governing the use of the Lots and Common Areas and facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

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

(c) To declare the office of a Director to be vacant in the event such Director shall be absent from three (3) consecutive regular meetings of the Board without just cause having been furnished to and accepted by the Board;

(d) To establish, and disburse and maintain such petty cash fund as necessary for efficiently carrying on the business of the Association;

(e) To engage the services of a manager, an independent contractor, or such employees as it deems necessary, and to prescribe the conditions, compensation and duties of their work. Such power shall include authority to enter into management agreements with other parties to manage, operate or perform all or any part of the affairs and business of the Association;

(f) To exercise those powers delegated to the Board under the Declaration and the Articles of Incorporation of the Association.

(g) To exercise powers of a nonprofit corporation pursuant to the general nonprofit corporation laws of the State of Oregon and the powers of an Association pursuant to the Planned Community Act, as amended from time to time; and

(h) To exercise any additional or different powers necessary or desirable for the purpose of carrying out the functions of the Association pursuant to the Declaration or otherwise promoting the general benefit of the Members within the Property.

8.2 Duties

It shall be the duty of the Board:

(a) To 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 votes of the Members who are entitled to vote;

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

(c) To establish membership fees or assessments and to assess Members for the same, in accordance with the Declaration and these Bylaws;

(d) To procure and maintain adequate liability and hazard insurance on property owned by the Association as described in Article XV and, if deemed appropriate, insurance on the behalf of any Director, Officer, employee, or agent of the Association against any liability asserted against him or her and incurred by him or her in any such capacity or arising out of his or her status as such;

(e) To cause all Officers, employees or agents, having fiscal responsibility to be bonded, as it may deem appropriate;

- (f) To cause the Common Maintenance Areas to be maintained;
- (g) To maintain a current mailing list of the Association; and
- (h) To adopt annually a budget for the Association to manage and operate Village at Cold Springs. Within 30 days after adopting the annual budget, the Board shall provide a summary to all Owners.
- (i) To perform all duties of the Association and the Board as set forth in the Declaration, Articles of Incorporation, or these Bylaws.
- (j) In performing its duties, the Board shall be governed by ORS 94.640 and the applicable provisions of ORS 65.357, 65.361, 65.367, 65.369 and 65.377.

ARTICLE IX COMMITTEES

9.1 Committees

In addition to the Architectural Control Committee required to be established pursuant to Section 6.1 of the Declaration, the Board may appoint such additional committees as deemed appropriate in carrying out its purposes, which may include for example, but not by way of limitation, the following:

- (a) A Recreation Committee to advise the Board on all matters pertaining to the recreational program and activities of the Association and to perform other such functions as the Board in its discretion determines;
- (b) A Maintenance Committee to advise the Board on all matters pertaining to the maintenance, repair or improvement of the Common Areas, if any, and to perform such other functions as the Board in its discretion determines;
- (c) A Publicity Committee to inform the Members of all activities and functions of the Association and after consulting with the Board, to make such public releases and announcements as are in the best interest of the Association;
- (d) An Audit Committee to supervise the audit of the Association's books, if any, and to approve the statement of income and expenditures to be presented to the membership at its regular annual meeting, as provided in Article XI, Section 11.8(d). The treasurer shall be an ex-officio member of this committee when formed; and
- (e) A Traffic and Security Committee to enforce traffic rules of the community and supervise security watch programs.

9.2 Committee Function

It shall be a function of each committee to receive complaints from Members on any matter involving Association duties and activities within its field of responsibility. It shall dispose of such complaints as it deems appropriate or refer them to such other committee, Director or Officer as is further concerned with the matter presented.

9.3 Transitional Advisory Committee

Declarant or the Owners shall form a transitional advisory committee (the "Transitional Advisory Committee") to provide for the transition from administrative responsibility by Declarant for the Property to administrative responsibility by the Association. Not later than the sixtieth (60th) day after Declarant has conveyed to Owners other than a successor Declarant, Lots representing fifty percent (50%) or more of the Lots in the Property (which shall exclude any property annexed to the Property for purposes of the foregoing calculation), Declarant shall call a meeting of Owners for the purpose of selecting the Transitional Advisory Committee. The Transitional Advisory Committee shall consist of three (3) or more members. The Owners, other than Declarant, shall select two (2) or more members. Declarant may select no more than one (1) member. The Transitional Advisory Committee shall have reasonable access to all information and documents that Declarant is required to turn over to the Association under ORS 94.616(3). If the Declarant does not call a meeting of Owners for the purpose of selecting the Transitional Advisory Committee, an Owner may do so. If the Owners do not select members for the Transitional Advisory Committee, the Declarant shall have no further obligation to form the committee. The requirement for a Transitional Advisory Committee shall not apply once the Turnover Meeting has been held.

ARTICLE X MEETINGS OF MEMBERS

10.1 Annual Meetings Prior to Conversion Date

Prior to the Conversion Date, a meeting of Members shall be held annually. Such meeting shall be called in accordance with Article X, Section 10.4 below.

10.2 Meetings to Elect Directors; Annual Meetings Following Turnover Meeting

The first meeting of the Members held for the purpose of electing Directors pursuant to this Article X shall be the Turnover Meeting. The first annual meeting of the Association shall be held within one (1) year from the date of incorporation of the Association and each subsequent regular annual meeting of the Members shall be held annually on a date within thirty (30) days of the anniversary date of the first annual meeting of the Members. If the day for the annual meeting is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday. At the annual meeting, the president, and any other Officer or person whom the president may designate, shall report on the activities and financial condition of the Association.

10.3 Special Meetings

Special meetings of the Members may be called at any time by the president or by the Board, or upon written request of the Members who are entitled to vote one-fourth (1/4) of all of the votes of the entire membership. Business transacted at a special meeting shall be restricted to the purposes set forth in the notice thereof.

10.4 Notice of Meetings

Except as otherwise provided in the Articles of Incorporation, or these Bylaws, 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 ten (10) days before such meeting, but no more than fifty (50) days before such meeting, to each Member 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 the items on the agenda, including the general nature of any proposed amendment to the Declaration or these Bylaws, any budget changes, or any proposal to remove a Director or Officer. Notice of any such meeting may be waived by any Member at any time. No Member who is present at a meeting may object to the adequacy or timeliness of the notice given.

10.5 Quorum

The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, one-third (1/3) of the votes shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws and provided that no quorum shall be required for the Turnover Meeting. 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.

10.6 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 and shall comply with the proxy requirements of the Planned Community Act. Every proxy shall be revocable and shall automatically cease upon cessation of membership or restriction of the Member's voting rights.

10.7 Majority Vote; Withdrawal of Quorum

When a quorum is present at any meeting of the Members, the vote of the holders of a majority of the votes, present in person or represented by proxy, shall decide any question brought before such meeting unless the question is one upon which by express provision of the statutes, the Articles of Incorporation or these Bylaws, a different vote is required, in which case such express provision shall govern and control the deciding of such question. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum. In any case in which voting by mail is necessary or desirable, the secretary shall give written notice to all Members at least ten (10) days

Members at least ten (10) days before written ballots are mailed or otherwise delivered. If, at least three (3) days before written ballots are scheduled to be mailed or otherwise delivered, at least ten percent (10%) of the Owners petition the Board requesting secrecy procedures, a written ballot must be accompanied by a secrecy envelope, return identification envelope to be signed by the Owner and instructions for marking and returning the ballot. Any vote by mail shall (a) include a written resolution setting forth the proposed action, (b) state that the Members are entitled to vote by mail for or against such resolution, and (c) specify a date not less than twenty-five (25) days after the date of such notice by which all votes must be received at the principal office of the Association. Votes received after the date specified shall be of no effect.

10.8 Turnover Meeting

The Declarant shall call a Turnover Meeting within ninety (90) days following the Conversion Date for the purposes of turning over control of the Association to the Class A Members. The Turnover Meeting shall be conducted in accordance with Articles V and XVIII of these Bylaws.

ARTICLE XI OFFICERS AND THEIR DUTIES

11.1 Enumeration of Officers

The Officers shall be a president and vice-president, who shall at all times be Directors, a secretary, and a treasurer, and such other Officers as the Board may from time to time by resolution create.

11.2 Election of Officers

The Officers shall be elected by the Board and shall hold office at the pleasure of the Board and until their successors are elected and qualified. If any office becomes vacant, the Board shall elect a successor to fulfill the unexpired term at a special meeting of the Board called for such purpose.

11.3 Term

The Officers shall be elected by the Board and shall hold office for two (2) years unless an Officer shall sooner resign, or shall be removed, or otherwise disqualified to serve.

11.4 Special Appointments

The Board may elect such other Officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

11.5 Resignation and Removal

Any Officer may be removed from office with or without cause by the Board and a

a successor may be elected at a special meeting of the Board called for such purpose. Any Officer may resign at any time by giving notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein; the acceptance of such resignation shall not be necessary to make it effective.

11.6 Vacancies

A vacancy in any office may be filled by election at a special meeting of the Board called for such purpose. The Officer elected to such vacancy shall serve for the remainder of the term of the Officer he or she replaces.

11.7 Multiple Offices

The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 11.4 of this Article.

11.8 Duties

The duties of the Officers are as follows:

President

(a) The president shall be a Director and shall preside at all meetings of the Board, shall see that orders and resolutions of the Board are carried out, shall sign all leases, mortgages, deeds, and other written instruments and shall co-sign (together with either the vice-president or treasurer) all checks in an amount over \$5,000, payment vouchers, and promissory notes of the Association.

Vice-President

(b) The vice-president shall act in the place and stead of the president in his or her absence or inability or refusal to act, shall co-sign (together with either the president or treasurer) all checks in an amount over \$5,000, payment vouchers, and promissory notes of the Association and shall exercise and discharge such other duties as may be required of him or her by the Board.

Secretary

(c) The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members, keep the corporate seal of the Association and affix it on all papers requiring said seal, serve notice of meetings of the Board and of the Members, keep appropriate current records showing the Members together with their addresses, and shall perform such other duties as required by the Board.

Treasurer

(d) The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board, shall co-sign (together with either the president or vice-president) all checks in an amount over \$5,000, payment vouchers, and promissory notes of the Association, keep proper books of account, cause an annual audit of the Association books to be made by a certified public accountant at the completion of each fiscal year in accordance with Section 13.3, and shall prepare an annual budget and a statement of income and expenditures to be adopted by the Board and presented to the membership at its regular annual meeting and deliver a copy of each to the Members.

The officers may delegate the signing of checks in an amount less than \$5,000 each to a professional property manager, if the Association has a contract with such property manager for professional management of the Association.

11.9 Compensation

Other than reimbursement of out-of-pocket expenses incurred on behalf of the Association, neither the president, nor the treasurer, nor the secretary, nor the vice-president, nor any other officer shall receive any compensation from the Association for acting as an Officer, unless such compensation is authorized by the Board.

11.10 Suspension of Powers and Duties

All powers and duties of an Officer shall be suspended during any period in which that Officer is delinquent in the payment of any amount duly established pursuant to the Declaration or is otherwise in default under the Declaration or any rules and regulations of the Association.

ARTICLE XII ASSESSMENTS

12.1 Conformance with Declaration

The Association shall levy, collect, and enforce the payment of assessments in accordance with Article IV of the Declaration and other relevant provisions of the Declaration.

12.2 Basis of Annual Assessments

Subject to the other provisions of this Section 12.2 and without consideration of special assessments, the maximum annual assessment for any Lot shall not exceed an amount determined in good faith by the Board, with the recognition that certain Lots shall be subject to assessments that may be substantially higher than assessments against other Lots.

(a) From and after January 1st of the year immediately following the conveyance of the first Lot by Declarant to a third party, the maximum annual assessment for a Lot may be increased each year by a percentage above the maximum assessment for the previous year determined to be reasonable by the Board (but not in excess of a twenty percent (20%) increase, without a vote of the membership, as provided below).

(b) From and after January 1st of the year immediately following the conveyance of the first of any Lot by Declarant to a third party, the maximum annual assessment for a Lot may be increased more than twenty percent (20%) above the prior year's maximum by a vote of two-thirds (2/3) of the Members voting in person or by proxy at a meeting called for this purpose. Written notice of such meeting shall be sent to all Members not less than ten (10) days nor more than fifty (50) days in advance of the meeting setting forth the purpose of the meeting. The limitations hereof shall not apply to any change in the maximum and basis of the assessments undertaken as and incident to a merger or consolidation in which the Association is authorized to participate under its Articles of Incorporation.

12.3 Assessments to be Levied by Board

After consideration of current maintenance costs and future needs of the Association, the Board may levy the annual assessments at an amount not in excess of the maximum set forth in Article XII, Section 12.2. The Board shall have the authority to adjust the amount of annual assessments during any assessment period, upon not less than thirty (30) days notice to the Members subject to the limitations as set forth in Article XII, Section 12.2.

12.4 Special Assessments for Working Capital Fund, Non-recurring Maintenance and Capital Improvements

In addition to the annual assessments authorized above, the Association may levy special assessments as follows:

(a) In any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any non-recurring maintenance, or the acquisition, construction, reconstruction, repair or replacement of a capital improvement upon any Common Maintenance Areas or improvements particular to a Lot for which the Association is responsible, including fixtures and personal property related thereto may be assessed. A special assessment may be levied against one or more Lots and not other Lots. The Association shall not commingle the proceeds of such special assessments with other assessment funds. Such proceeds shall be used solely and exclusively to fund the non-recurring maintenance or improvements in question.

(b) The Board shall determine the necessity and the amount of any special assessment. Special assessments shall not be effective unless approved by a vote of two-thirds (2/3) of the Members voting in person or by proxy at a meeting called for the purpose of approving the special assessments and conducting other business, if any, or if the special assessment is against a particular Lot or group of Lots, two-thirds (2/3) of the Members who own the affected Lots who are voting in person or by proxy at a meeting called for the purpose of approving the special assessments and conducting other business, if any. Written notice of such meeting shall be sent to each Member

meeting shall be sent to each Member (or if only a particular Lot or group of Lots is affected, to Members owning those affected Lots) not less than ten (10) days nor more than fifty (50) days in advance of the meeting.

12.5 Limited Assessments

In addition to the other assessments set forth herein, the Association shall have the authority to levy assessments to satisfy the common expenses of a particular project or effort undertaken by the Association that benefits some, but less than all, of the Lots. The rate at which each benefited Lot will be assessed, and whether such assessment shall be payable monthly, quarterly or annually, will be determined by the Board at least thirty (30) days in advance of each assessment period. Said rate may be determined and adjusted by the Board in its sole discretion, as it deems necessary and appropriate.

12.6 Uniform Rate

Annual and special assessments, other than those assessed against only particular Lots pursuant to Section 12.5, must be fixed at a uniform rate and all assessments may be collected on a monthly, quarterly or annual basis as determined by the Directors at least thirty (30) days in advance of each assessment period.

12.7 Quorum for any Action Authorized under Sections 12.2 and 12.4

At any meeting called, as provided in Article XII, Sections 12.2 and 12.4 hereof, the presence at the meeting of Members or of proxies entitled to cast a majority of all the votes shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called, subject to the notice requirement set forth in Article XII, Sections 12.2 and 12.4; however, the quorum requirement shall be one-half (1/2) of the previous quorum requirements. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting. The necessary approval may also be obtained by a canvass of the Members as set forth in Article X, Section 10.7.

12.8 Date of Commencement of Annual Assessments: Due Dates

The annual assessment provided for herein as it relates to operating expenses shall commence as to all Lots on the first day of a month determined by the Board. The annual assessment in connection with the Reserve Fund, or other reserve funds, as specified in the Declaration shall begin accruing on the date the first Lot assessed is conveyed to an Owner other than Declarant. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period; provided, however, that the Board shall have the right to adjust the annual assessment as long as any such adjustment does not exceed the maximum permitted hereunder with thirty (30) days written notice given to each Member. Written notice of the annual assessment shall be sent to every Member subject thereto. The due dates shall be established by the Board. The Association shall upon demand by an Owner, at any time furnish a certificate in writing signed by an Officer setting forth whether the assessments on a specified Lot have been paid. A reasonable charge may be made by the Board for the issuance of these certificates. Such certificates shall be conclusive evidence of payment of any assessment

conclusive evidence of payment of any assessment therein stated to have been paid. Declarant may defer payment of any accrued Reserve Fund assessment for a Lot discussed in this Section 12.8 until the date such Lot is first conveyed to a purchaser other than Declarant, provided that payment may not be deferred beyond the date of the Turnover Meeting or, if a Turnover Meeting is not held, the date on which administration of the Association is turned over to the Class A Members. The books and records of the Association shall reflect the amount owing from Declarant for all such Reserve Fund assessments.

12.9 Effect of Non-payment of Assessments: Remedies of the Association

Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within ten (10) days after the due date, the Association shall have the remedies set forth herein, in the Declaration and as allowed under the Oregon Planned Community Act. The Association or its agents shall have the right and power to bring all actions against the defaulting Member personally for the collection of such charges as a debt and to enforce the Association's lien by all methods available for the enforcement of such liens, including foreclosure by an action brought in the name of the Association in like manner as a mortgage or deed of trust lien on real property. The lien provided for in this section shall be in favor of the Association and shall be for the benefit of all other Members. The provisions regarding the attachment, notice, recordation and duration of liens established on real property under ORS 94.709 and, to the extent they do not conflict with ORS 94.709, ORS 87.352 to 87.382 shall apply to the Association lien. The lien shall be foreclosed in accordance with the provisions regarding the foreclosure of liens under ORS 94.709 through 94.719 and, to the extent not in conflict with ORS 94.709 through 94.719, ORS Chapter 88. The lien shall be subordinate to any prior recorded deed of trust securing payment for the house on the subject Lot. The Association acting on behalf of the Members shall have the power to bid on an interest foreclosed at foreclosure sale and to acquire and hold, lease, mortgage and convey the Lot. If any assessment is payable in installments, the full amount of the assessment is a lien from the date the first installment of the assessment becomes due. The Association acting on behalf of the Members shall have the power to bid on an interest foreclosed at foreclosure sale and to acquire and hold, lease, mortgage and convey the same; and to subrogate so much of its right to such liens as may be necessary or expedient to an insurance company continuing to give total coverage notwithstanding non-payment of such defaulting Member's portion of the premium. An election by the Association to pursue any remedy provided for herein shall not prevent concurrent or subsequent exercise of another remedy permitted hereunder. The remedies provided herein are not exclusive but shall be in addition to all other remedies, including actions for damages and suits for injunctions and specific performance, available under applicable law to the Association. The Association shall have no right to deprive a Member of access to or from such Member's Lot.

12.10 No Reimbursement to Declarant

The proceeds of the regular annual assessments shall not be used to reimburse Declarant for any capital expenditures incurred in construction or other improvements of common facilities, if any, nor for the operation or maintenance of such facilities incurred before conveyance to the Association.

12.11 Reallocation Upon Annexation or Withdrawal

If new property is added to the Property by annexation or withdrawn from the Property, common expenses shall be reallocated as set forth in Section 3.10 of the Declaration.

ARTICLE XIII BOOKS AND RECORDS

13.1 Books and Records

The books, records and papers of the Association required to be maintained by the Planned Community Act (except for those items which are exempt from disclosure under ORS 94.670) shall at all times, during reasonable business hours, be subject to inspection by any Member. The Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any Members at the principal office of the Association, where copies may be purchased at reasonable cost.

13.2 Financial Records

The Association shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of the Board and committees having any of the authority of the Board and shall keep at its registered or principal office a record giving the names and addresses of the Directors. All books and records of the Association may be inspected by any Director, or his or her agent or attorney, for any proper purpose at any reasonable time.

13.3 Financial Statements

The Board may and, if required by ORS 94.670(4), shall appoint an independent certified public accountant licensed in the State of Oregon as auditor, who shall not be an Officer or own any interest in any Lot, to audit the books and financial records of the Association within one hundred eighty (180) days after the end of the fiscal year. If ORS 94.670(4) applies, then, pursuant to ORS 94.670(6), the association may elect not to comply with ORS 94.670(4) if approved by an affirmative vote of at least sixty percent (60%) of Owners other than Declarant. Within ninety (90) days after the end of each fiscal year, the Board shall distribute to each Member and, upon request, any mortgagee of a Lot a copy of the annual financial statement of the Association, consisting of a balance sheet and income and expense statement for the preceding fiscal year. Commencing with the fiscal year following the Turnover Meeting, if the annual assessments exceed \$75,000 for the year, then the Board of Directors shall cause such financial statements to be audited within 180 days after the end of the fiscal year by an independent certified public accountant licensed in Oregon in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants, or if the annual assessments are \$75,000 or less, shall cause such review within 180 days after receipt of a petition requesting such review signed by at least a majority of Members. The Board of Directors need not cause such an audit or review to be performed if so directed by an affirmative vote of at least 60% of the Owners, not including votes of Declarant with respect to Lots owned by Declarant.

The Association shall make available to Members and to holders, insurers or guarantors of any mortgage on a Lot, for their inspection and copying, upon request, during normal business hours or under other reasonable circumstances, current copies of: (i) the Declaration, Articles of Incorporation, Bylaws, and rules concerning the Property, (ii) the Association's most recent financial statement, (iii) the current operating budget of the Association, and (iv) all other records of the Association. Upon written request of a prospective purchaser of a Lot, the Association shall make available for examination and duplication during reasonable hours the documents and items described in items (i) through (iii) in the preceding sentence. The Association may charge a reasonable fee for furnishing copies of any documents, information, or records described in this Section 13.3.

13.4 Tax Returns

The Board shall cause to be filed the necessary income tax returns for the Association.

13.5 Assessments Due

The Association shall provide, within ten (10) business days of receipt of a written request from an Owner, a written statement that provides (i) the amount of assessments due from the Owner and unpaid at the time the request was received, such as regular and special assessments, fines, accrued interest, late payment charges and other charges, (ii) the percentage rate at which interest accrues on unpaid assessments and (iii) the percentage rate or fixed charge for late payments. The Association need not provide the amount of assessments due as provided in (i) if the Association has commenced litigation by filing a complaint against the Owner and (ii) the litigation is pending when the statement would otherwise be due.

ARTICLE XIV FISCAL YEAR

14.1 Fiscal Year

The Fiscal Year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation of the Association.

ARTICLE XV INSURANCE

15.1 By the Association

The Board shall cause the Association to obtain, and maintain in effect, from reputable insurance companies authorized to do business in the State of Oregon, (i) public liability insurance with respect to all the Common Maintenance Areas in such amounts and in such forms as the Board deems advisable to provide adequate protection for bodily injury, including deaths of persons, and property damage, whether caused by the negligence of the Association or otherwise;

Association or otherwise; provided, however, that such policy(ies) shall not be for an amount of less than One Million Dollars (\$1,000,000.00) per person, per occurrence, and that such policy(ies) shall provide that the coverage thereunder cannot be canceled or substantially modified without at least ten (10) days' written notice to the Association; and (ii) hazard insurance for all insurable improvements in the Common Maintenance Areas sufficient to cover the full replacement costs or any repair or reconstruction in the event of damage or destruction from any such hazard if the insurance is available at reasonable cost. The insurance coverage obtained and maintained by the Board may not be brought into contribution with insurance bought by Owners or their mortgagees. Any insurance policy obtained by the Association pursuant to the Declaration shall show the Association as the named insured and shall, if possible, be written by an insurer with an A.M. Best's Rating of "B" and an A.M. Best's Financial Size Category (FSC) of "III." The policies obtained by the Association pursuant to the Declaration may contain a reasonable deductible not to exceed the lesser of Ten Thousand Dollars (\$10,000) or one (1) percent of the face value of the policy, and the amount thereof shall be added to the face amount of the policy in determining whether the insurance equals at least the required full replacement cost. In the event of any conflict between the provisions of this Section 15.1 and the provisions of Section 5.2 of the Declaration, this Section 15.1 shall prevail.

15.2 By the Owners

Each Owner of a Lot is encouraged to obtain, and maintain in effect, from reputable insurance companies authorized to do business in the State of Oregon, public liability and property damage insurance with respect to such Lot and fire and extended coverage casualty insurance with respect to the Unit in an amount equal to One Hundred Percent (100%) of the replacement cost thereof. Each Owner shall also be responsible for obtaining fire and extended coverage casualty insurance with respect to that Owner's personal property, if such Owner elects to do so. No Owner shall be obligated to obtain any of the insurance coverages described in Section 15.1, nor shall any insurance coverage obtained by an Owner (or such Owner's mortgagee) be brought into contribution with insurance obtained by the Association.

15.3 Director and Officer Insurance

At the discretion of the Board, the Association may purchase and maintain insurance on behalf of any person who is or was a Director, Officer, employee, or agent of the Association, or is or was serving at the request of the Association, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Association would have the power to indemnify him or her against such liability under the provisions of the Articles of Incorporation of the Association.

15.4 General Provisions

Premiums for insurance obtained by the Board pursuant to this Article XV shall be a common expense of the Association. At least every two (2) years, the Board shall review the insurance coverage of the Association. If reasonably available, the Board shall obtain insurance policies with the provisions specified in ORS 94.680 and with an "inflation guard" endorsement.

ARTICLE XVI RULES AND REGULATIONS

The Board shall have power to adopt and publish rules and regulations governing the conduct of persons and the operation and use of the Lots and the Common Areas as it may deem necessary or appropriate to assure the peaceful and orderly use and enjoyment of the Property, and to establish penalties for the infraction thereof. Such rules and regulations may be adopted upon a majority vote of the Directors present at a meeting at which there is a quorum of Directors and as to which notice has been given as provided in these Bylaws. Such notice shall include a verbatim copy of all proposed rules and regulations. No rule or regulation shall be adopted without a copy thereof first having been delivered or mailed to each Member at the last address for such Member in the records of the Association. Upon adopting any such rules and regulations, the Board shall cause copies thereof to be delivered to each Member. All such rules and regulations become binding on all Members and occupants of all Lots upon the date of delivery. Any rule or regulation which conflicts with these Bylaws or the Declaration shall be null and void.

ARTICLE XVII SHARES OF STOCK AND DIVIDENDS PROHIBITED

17.1 Stock and Dividends

The Association shall not have or issue shares of stock. No dividends shall be paid and no part of the income of the Association shall be distributed to its Directors or Officers, or to the Members. The Association may pay compensation in a reasonable amount to its Officers or Directors for services rendered as provided by the Articles of Incorporation, the Declaration, other provisions of these Bylaws, or resolution of the Board.

ARTICLE XVIII TRANSFER OF CONTROL

18.1 Turnover Meeting

On a date that is not later than ninety (90) days following the Conversion Date, Declarant shall call the Turnover Meeting. Declarant shall give notice of such meeting as provided in Article X, Section 10.4 to each Member. The notice shall state the purpose of the meeting, which shall be the relinquishment by Declarant of control of the administration of the Association and election of new Directors by the Members, and the time and place at which the meeting is to be held. If Declarant does not call the Turnover Meeting required by this Article XVIII within the required period, any Member may call such a meeting and give notice as required by this Article XVIII. At the Turnover Meeting: (a) Declarant shall relinquish control of the administration of the Association and the Members shall assume the control thereof, (b) the Directors then serving shall resign and the Members shall elect a Board in accordance with these Bylaws, and (c) Declarant shall deliver to the Association the books, records, and other materials belonging to the Association that are in Declarant's control.

ARTICLE XIX WAIVER OF NOTICE

19.1 Waiver of Notice

Whenever any notice is required to be given under the provisions of the nonprofit Association laws of the State of Oregon, as it exists or may be amended in the future, or under the provisions of the Articles of Incorporation or these Bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XX ACTION WITHOUT A MEETING

20.1 Meeting Not Required

Any action which applicable law, the Declaration or these Bylaws require or permit the Members to take at a meeting may be taken without a meeting if the procedures set forth in ORS 94.647 are followed. For votes of the Owners by written ballot, the Board shall provide the Owners with at least 10 days' notice before written ballots are mailed or otherwise delivered. The notice shall state the general subject matter of the vote by written ballot, the right of Owners to request secrecy procedures as specified in ORS 94.647, the date after which ballots may be distributed, the date and time by which any petition must be received by the Board requesting secrecy procedures, and the address where such a petition may be delivered. If, at least three (3) days before written ballots are scheduled to be mailed or otherwise distributed, at least 10 percent of the Owners petition the Board requesting secrecy procedures, a written ballot must be accompanied by a secrecy envelope, a return identification envelope to be signed by the Owner, and instructions for mailing and returning the ballot. Written ballots that are returned in secrecy envelopes may not be examined or counted before the deadline for returning ballots has passed. Notwithstanding the foregoing, action by written ballot may not substitute for the Turnover Meeting or the annual meeting of the Association.

Any action which applicable law, the Declaration or these Bylaws permit the Board to take at a meeting may be taken without a meeting if a consent in writing setting forth the action so taken is signed by all of the Directors entitled to vote on the matter. The consent, which shall have the same effect as a unanimous vote of the Board, shall be filed in the records of minutes of the Association.

ARTICLE XXI AMENDMENTS

21.1 Amendments

Except as expressly provided in the Declaration, these Bylaws may be amended or repealed and new Bylaws may be adopted by a majority of the Directors present at any regular meeting or at any special meeting, if at least two (2) days' written notice is given of intention to

amend or repeal and adopt new Bylaws at such meeting accompanied by a copy or summary of the amendment without the approval of the Members; provided however, that the Board shall have no authority to amend or repeal any provision of these Bylaws relating to the election, qualifications, powers, duties or terms of Directors without the approval of a majority of the Members given at a special meeting called for such purpose. In addition, except for the amount of assessments and level of maintenance, any amendment that imposes an additional disproportionate burden upon or takes away or impairs an existing right particular to any one Lot or group of like-affected Lots shall require the vote of seventy-five percent (75%) of the Members of the Lot or group of like-affected Lots so affected. An amendment shall not be effective unless it is certified by the president and secretary of the Association as having been adopted in accordance with these Bylaws and ORS 94.625, acknowledged in the manner provided for acknowledgement of deeds, and recorded in the office of the recording officer of Deschutes County, Oregon. Notwithstanding any provisions hereof to the contrary, the Declarant may, at its sole discretion and without consent being required of anyone, modify, amend or repeal these Bylaws at any time before the closing of the sale of the first Lot by Declarant to a third party or as allowed by law.

ARTICLE XXII GENDER AND GRAMMAR

22.1 Gender and Grammar

The singular wherever used herein shall be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provision hereof apply either to corporations or individuals, men or women, shall in all cases be assumed as though in each case fully expressed.

ARTICLE XXIII ENFORCEMENT

23.1 Legal Proceedings

If the Association institutes legal action to enforce any restrictive covenant or other condition of the Declaration, Articles of Incorporation or Bylaws, and the violator voluntarily corrects or abates such violation after litigation has been filed, the Association shall not dismiss or abandon such legal action until it has been reimbursed all of its expenses, including reasonable attorney's fees and court costs.

**ARTICLE XXIV
LOANS TO DIRECTORS AND OFFICERS PROHIBITED**

24.1 No Loans to Directors or Officers

No loan shall be made by the Association to its Directors or Officers. The Directors who vote for or assent to the making of a loan to a Director or Officer, and any Officer or Officers participating in the making of such loan, shall be jointly and severally liable to the Association for the amount of such loan until the repayment thereof.

24.2 Contribution; Subrogation

Any Director against whom a claim shall be asserted under or pursuant to this Article XXIV shall be entitled to contribution from the other Directors who voted for the action upon which the claim is asserted. To the extent that any Director is required to pay such claim, he or she shall be subrogated to the rights of the Association against the debtor on the loan.

**ARTICLE XXV
DISPUTE RESOLUTION**

Before initiating litigation or an administrative proceeding in which the Association and an Owner have an adversarial relationship, the party that intends to initiate litigation or an administrative proceeding shall offer to resolve the problem through a dispute resolution program pursuant to ORS 94.630(4).

**ARTICLE XXVI
CONFLICTS AND PARTIAL INVALIDITY**

26.1 Conflicts

These Bylaws are intended to comply with applicable law and the Declaration. In case of any irreconcilable conflict, applicable law and the Declaration shall control over these Bylaws (unless these Bylaws expressly provide otherwise) and any amendments hereto, and any rules or regulations adopted hereunder.

26.2 Partial Invalidity

The invalidation of any one of the provisions of these Bylaws by judgment or court order shall in now affect any other provisions, which shall remain in full force and effect.

**ARTICLE XXVII
DISSOLUTION**

Upon dissolution of the Association, voluntarily or otherwise, it shall automatically be succeeded by an unincorporated association of the same name and having the same purposes. All assets, property, powers, and obligations of the Association existing prior to dissolution shall thereupon automatically vest in the successor unincorporated association.

The undersigned, Declarant, hereby adopts the foregoing Bylaws of the Association, effective as of this 17 day of November, 2006.

DECLARANT:

HAYDEN HOMES, LLC an Oregon limited liability company

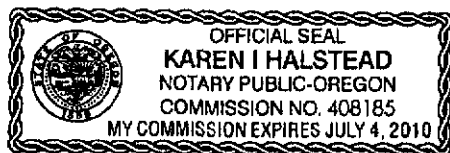
By: [Signature]

Its: VP - Finance

Print Name: Shawn O. Holm

STATE OF OREGON)
) ss.
County of Deschutes)

The foregoing instrument was acknowledged before me the 17 day of November, 2006, by Shawn Holm, the VP of Finance of Hayden Homes, LLC, an Oregon limited liability company, on behalf of said company.



Notary Public, State of Oregon
My Commission Expires: July 4, 2010