

BYLAWS

OF

HIDDEN VALLEY RANCH ASSOCIATION

ARTICLE I

NAME AND LOCATION

The name of the corporation is **Hidden Valley Ranch Association** (the "Association"), a Colorado nonprofit corporation. The principal office and address of the corporation is located at 452 Pagosa Street, Suite D, Pagosa Springs, Colorado 81147.

ARTICLE II

DEFINITIONS, PURPOSES AND ASSENT

Section 2.01. Definitions. The definitions in the Declaration for Hidden Valley Ranch, as amended from time to time and recorded in the office of the Clerk and Recorder of Archuleta County, Colorado, will apply to these Bylaws, and all capitalized terms used in these Bylaws will have the meaning given those terms in the Declaration, unless the definitions or context of these Bylaws clearly indicate otherwise.

Section 2.02. Purposes. The specific purposes for which the Association is formed are (i) to provide for the operation, administration, use and maintenance of the Common Area in the planned community known as Hidden Valley Ranch in Archuleta County, Colorado; (ii) to preserve, protect and enhance the values and amenities of that property; and (iii) to promote the health, safety and welfare of the Members.

Section 2.03. Assent. All present or future Owners, their families, present or future tenants, and their guests and invitees, and any other person using the facilities of Hidden Valley Ranch in any manner are subject to the Hidden Valley Ranch Documents, including these Bylaws and any rules adopted by the Board of Directors. The acquisition or rental of any of the Parcels in Hidden Valley Ranch or the occupancy of any of the Parcels will constitute ratification and acceptance of these Bylaws and an agreement to comply with those rules.

ARTICLE III

MEMBERSHIP

Section 3.01. Membership. Ownership of fee simple, record title to a Parcel is required in order to qualify for membership in the Association.

Section 3.02. Representation on Board of Directors. If title to a Parcel is held by a firm, corporation, partnership, association, limited liability company, trust, other legal entity or any combination thereof, or if any individual or entity holds title to more than one Parcel, then in either case, that individual or entity may appoint, by a writing furnished to the Association, a delegate to represent each such Parcel as a candidate for, and if elected, as a member of, the Board of Directors. Such delegate will not vote as a Member unless such person is appointed by a proxy executed in conformance with Section 4.10 of these Bylaws to cast the voting interest of the Parcel which he represents.

Section 3.03. Responsibilities of Members. Any person, including Declarant, on becoming an Owner, will automatically become a Member and be subject to these Bylaws. Such membership will terminate without any formal Association action whenever such person ceases to own fee simple, record title to a Parcel, but such termination will not relieve or release any such former Owner from any liability or obligation incurred under the Declaration or in any way connected with the Association during the period of such ownership, or impair any rights or remedies which the Board of Directors or others may have against such former Owner arising out of ownership of the Parcel and membership in the Association.

Section 3.04. Membership Certificates. No certificates of stock will be issued by the Association, but the Board of Directors, if it so elects, may issue membership cards to Owners. Such membership card will be surrendered to the Secretary of the Association whenever ownership of the Parcel designated on the card is terminated.

Section 3.05. Classes of Membership. Initially, the Association will have one class of voting membership, composed of all Owners, including Declarant.

The Board may establish additional classes of membership from time to time.

Section 3.06. Voting Privileges. All Members will be entitled to vote on Association matters on the basis of one vote for each Parcel owned.

When more than one person holds an interest in any Parcel, all such persons will be Members. The vote for such Parcel will be exercised by one person or alternative persons as the Owners among themselves determine. If more than one of the multiple Owners are present at a meeting in person or by proxy, the vote allocated to their Parcel may be cast only in accordance with the agreement of a majority in interest of the Owners. There is majority agreement if any one of the multiple Owners casts the vote allocated to his Parcel without protest being made promptly to the person presiding over the meeting by any of the other Owners of the Parcel.

Any Owner of a Parcel that is leased may assign his voting right to the tenant, provided the tenant is appointed to vote on behalf of the Owner by proxy and the proxy is furnished to the Secretary of the Association prior to any meeting in which the tenant exercises the voting right.

Section 3.07. Proof of Membership. Any person, on becoming an Owner, will furnish to the Manager or the Secretary of the Association a photocopy or a certified copy of the recorded instrument vesting that person with an ownership interest, which instrument will remain in the files of the Association. An Owner will not be deemed a Member in good standing and will not be entitled to vote under Section 4.13 below or at any annual or special meeting of the Members unless this requirement is first met.

ARTICLE IV

ASSOCIATION: MEETINGS, QUORUM, VOTING, PROXIES

Section 4.01. Place and Frequency of Meetings. Meetings of the Members will be held at least once each year at such place, within or outside the State of Colorado, as the Board of Directors may determine.

Section 4.02. Annual Meetings. The first annual meeting of the Members will be held within one year after the date of the adoption of these Bylaws. Each subsequent annual meeting of the Members will be held on a date and at a time set by the Board of Directors. The purpose of the annual meetings is for the election of the Board and the transaction of such other business of the Association as may properly come before the meeting.

Section 4.03. Special Meetings. Special meetings of the Members may be called at any time by the President of the Association, or by a majority of the Board of Directors, or upon written request of Members who are collectively entitled to vote at least 20% of all of the votes in the Association.

Section 4.04. Notice of Meetings. Written notice stating the place, day and hour of the meeting and the agenda for the meeting will be delivered not less than 10 nor more than 50 days before the date of the meeting, personally or by mail or otherwise as permitted by the Act, by or at the direction of the President, or the Secretary or the persons calling the meeting, as provided in these Bylaws, to the registered mailing address for notice (as provided in the Declaration) of each Member entitled to vote at such meeting.

Section 4.05. Quorum. A quorum is deemed present throughout any meeting of the Association if Members entitled to cast (or proxies entitled to cast) 20% of the votes of the Association are present at the beginning of the meeting. If, however, such quorum is not present or represented at the meeting, the Members entitled to vote at the meeting will have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented by proxy.

Section 4.06 Actions Binding on Members. A majority of votes intended to be cast by Members constituting a quorum in person or by proxy will be sufficient to make decisions binding

on all Owners, unless a different number or method of voting is expressly required by statute or by the Declaration, the Articles or these Bylaws.

Section 4.07. Majority of Owners. As used in these Bylaws, the term "majority" will mean those votes, Owners or other groups as the context may indicate totaling more than 50 percent of the total number.

Section 4.08. Voting by Mail. Voting by mail is permitted for election of the Board of Directors, amendment of the Articles, adoption of a proposed plan of merger, consolidation or dissolution pursuant to the provisions of the Act and the Colorado Nonprofit Corporation Act, each as amended from time to time, or other questions that come before the Association. In the case of a vote by mail, the Secretary of the Association will give written notice to all Members, which notice will include a proposed written resolution setting forth a description of the proposed action, a statement that the Members are entitled to vote by mail for or against such proposal, a statement of a date not less than 20 days after the date such notice will have been given by which all votes must be received, and the specified address of the office to which all votes must be sent. Votes received after that date will not be effective. Delivery of a vote in writing to the designated office will be equivalent to receipt of a vote by mail at such address for the purpose of this section.

Section 4.09. Proxies. Any Member may cast such Member's vote in person or by proxy, but no proxy will be valid if it is not dated or if it purports to be revocable without notice. Further, no proxy will be valid after 11 months from the stated date of its execution unless otherwise provided in the proxy or unless voluntarily revoked upon notice, amended, or sooner terminated by operation of law. Finally, no proxy will be valid unless filed with the Secretary of the Association at or before the appointed time of the meeting at which the proxy will be voted.

Section 4.10. Designation of Voting Representative by Non-Individual Owners--Requirement for Proxy. If title to a Parcel is held in whole or in part by a firm, corporation, partnership, association, limited liability company, trust or other legal entity or any combination thereof, the voting privilege appurtenant to that ownership may be exercised only by a proxy executed on behalf of such party or parties, filed with the Secretary of the Association, and appointing and authorizing one person or alternate persons to attend all annual and special meetings of the Members and to cast the vote allocated to that Parcel at the meeting.

Section 4.11. Designation of Voting Representative by Multiple Owners--Use of Proxy. If title to a Parcel is held by more than one Owner, each Owner may vote or register protest to the casting of votes by the other Owners of the Parcel through a duly executed proxy. An Owner may not revoke a proxy given pursuant to this Section except by actual notice of revocation to the person presiding over a meeting of the Association.

Section 4.12. Waiver of Notice. Waiver of notice of a meeting of the Members will be deemed the equivalent of proper notice. Any Member may waive, in writing, notice of any meeting of the Members, either before or after such meeting. Attendance at a meeting by a Member,

whether in person or by proxy, will be deemed waiver by such Member of notice of the time, date and place of the meeting unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting will also be deemed waiver of notice of all business transacted at the meeting unless objection to the calling or convening of the meeting, of which proper notice was not given, is raised before the business is put to a vote.

Section 4.13. Action Without a Meeting. Any action which may be taken by the vote of the Members at a regular or special meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by of all of the Members.

ARTICLE V

BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

Section 5.01. Number, Qualification and Initial Board. The affairs of the Association will be managed by a Board of not less than three and no more than nine Directors. Except as provided below regarding Directors appointed by Declarant during the Period of Declarant Control, the Directors will be Members or the delegates of Members appointed by proxy under Article IV above. The number of the Board of Directors will be established from time to time by amendment to these Bylaws.

The number of members on the first Board of Directors will be three. The names and addresses of the three persons who are to serve on the initial Board until their successors are appointed are listed below:

<u>NAME</u>	<u>ADDRESSES</u>
J. R. Ford	452 Pagosa Street, Suite D Pagosa Springs, Colorado 81147
Gary W. Reese	452 Pagosa Street, Suite D Pagosa Springs, Colorado 81147
W. Robert Cotham	452 Pagosa Street, Suite D Pagosa Springs, Colorado 81147

Section 5.02. Directors During Declarant Control. During the Period of Declarant Control the Board of Directors will be selected by Declarant and will serve at the sole discretion of Declarant, subject, however, to the provisions of Section 38-33.3-303 of the Act (providing for gradual transition of control of the Board as Parcels in Hidden Valley Ranch are sold by Declarant). The Directors selected by Declarant need not be Members.

Section 5.03. Election of Directors as Parcel Sales Close. From time to time as sales of Parcels in Hidden Valley Ranch proceed, Declarant will yield control of one or more seats on the Board of Directors as necessary to comply with Section 38-33.3-303 of the Act. Each time that Declarant is required to transfer control of a Director's position, a special meeting of the Association will be called for the purpose of electing a new Director to take the place of the Director designated by Declarant as resigning.

Section 5.04. Election of Directors After Period of Declarant Control. Upon termination of the Period of Declarant Control in accordance with the Declaration, a special meeting of the Association will be called, at which Declarant will turn control of the Association over to the other Members as provided in the Act. The Members will elect a new Board of Directors, and any terms of Directors appointed by Declarant that have not expired will terminate at that time. Subsequently, Directors will be elected by the Members at each annual meeting of the Members.

Section 5.05. Voting Procedures Generally. At the election of any person to the Board by vote of the Members, the Members may cast as many votes as they are entitled to exercise under the provisions of Section 3.06 above. Voting for Directors will be by secret written ballot.

Section 5.06. Term of Office of Directors After Period of Declarant Control. The term of office for the initial full slate of Directors elected by the Members will be fixed at the time of their election as they themselves will determine in order to establish a system of three-year terms in which at least one-third of the Board is elected each year, and the Board will identify in which year the directorships for each category of representation are subject to election. For example, if the number of Directors on the initial Board is set at three pursuant to Section 5.01 above, one Director will serve for a one-year term, one Director will serve for a two-year term, and one Director will serve for a three-year term. At the expiration of the initial term of office of each respective Director, a successor will be elected to serve three years. Each Director will hold office until such Director's successor is elected by the Members and qualified to take over the office.

Section 5.07. Removal of Directors. Any Director other than one appointed by Declarant may be removed, with or without cause, at any regular or special meeting of the Members by two-thirds of the votes of the Members voting in person or by proxy at a meeting at which a quorum is present. A successor to any Director removed may be elected at such meeting to fill the vacancy created by removal of the Director. A Director whose removal is proposed by the Members will be given notice of the proposed removal at least 10 days prior to the date of such meeting and will be given an opportunity to be heard at such meeting.

Section 5.08. Vacancies.

(a) During Period of Declarant Control. During the Period of Declarant Control, if a Director appointed by Declarant dies, becomes disabled or resigns, Declarant will appoint a new Director to serve the balance of the term of the resigning, disabled or deceased Director; and if a Director elected by the Members dies, becomes disabled or resigns, the remaining

Directors will appoint a new Director from among the Members other than Declarant to serve the remainder of the term of the replaced Director.

(b) Following Period of Declarant's Control. After the expiration or termination of the Period of Declarant Control, any vacancy occurring on the Board may be filled by the affirmative vote of a majority of the remaining Directors, though less than a quorum of the Board of Directors. The term of the Director so elected will be coincident with the term of the replaced Director.

Section 5.09. Compensation. No Director will receive compensation for any service rendered to the Association. However, any Director may be reimbursed for actual expenses incurred in the performance of his duties as a Director.

ARTICLE VI

MEETINGS OF DIRECTORS

Section 6.01. Regular Meetings. Regular meetings of the Board of Directors will be held at such regular times as set by the Board of Directors, at such place and hour as may be fixed from time to time by resolution of the Board. Should a regularly scheduled meeting fall upon a legal holiday, then that meeting will be held at the same time on the next day which is not a legal holiday.

Section 6.02. Special Meetings. Special meetings of the Board of Directors will be held when called by the President of the Association, or by any two Directors, after not less than three days' notice to each Director.

Section 6.03. Quorum. A quorum is deemed present throughout any meeting of the Board of Directors if persons entitled to cast 50% of the votes on the Board are present at the beginning of the meeting.

Section 6.04. Actions Binding on Directors. Every action taken or decision made by a majority of the Directors present at a duly held meeting at which a quorum is present will be regarded as the act of the Board.

Section 6.05. Waiver of Notice. Attendance of a Director at any meeting will constitute a waiver of notice of such meeting, except when a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Before, at, or after any meeting of the Board of Directors, any member of the Board may waive in writing notice of such meeting, and such waiver will be deemed equivalent to the giving of such notice. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the waiver of notice of such meeting.

Section 6.06. Action Taken Without a Meeting. The Directors will have the right to take any action which they could take at a meeting in the absence of a meeting by obtaining the written approval of all the Directors. Any action so approved will have the same effect as though taken at a meeting of the Directors.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 7.01. General. The Board of Directors will have the powers and duties necessary for the administration of the affairs of the Association. Except as provided by these Bylaws, the Declaration or the Act, the Board of Directors may do all such acts and things which are not specifically required to be done by the Members and may otherwise act in all instances on behalf of the Association.

Section 7.02. Specific Powers and Duties. Without limiting the generality of powers and duties set forth in Section 7.01 above, the Board of Directors will have the following powers and duties, in each case subject only to applicable requirements of the Act:

(a) To administer and enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations and all other provisions set forth in the Declaration.

(b) To establish, make, amend from time to time and enforce compliance with such reasonable rules and regulations as may be necessary for the operation, use and occupancy of Hidden Valley Ranch, subject to the provisions of the Declaration. A copy of such rules and regulations will be delivered or mailed to each Member promptly after adoption.

(c) To keep in good order, condition and repair all the Common Area and all items of personal property, if any, used in the enjoyment of the Common Area. No approval of the Members is required for expenditures for these purposes, except as otherwise required by the Declaration or these Bylaws.

(d) To fix, determine, levy, and collect the prorated Annual Assessments to be paid by each of the Members towards the gross expenses of Hidden Valley Ranch, and to adjust, decrease or increase the amount of the Assessments, and to credit any excess of Assessments over expenses and cash reserves to the Members against the next succeeding Assessment period.

(e) To levy and collect Special Assessments whenever, in the opinion of the Board, it is necessary to do so in order to meet increased operating or maintenance expenses or costs, or additional capital expenses, or because of emergencies. All Special Assessments

will be in statement form and will set forth in detail the various expenses for which the Special Assessments are being made.

(f) To levy and collect Default Assessments for violation of the Hidden Valley Ranch Documents or because the Association has incurred an expense on behalf of a Member under the Hidden Valley Ranch Documents.

(g) To collect delinquent Assessments by suit or otherwise and to enjoin or seek damages from an Owner as provided in the Declaration and these Bylaws; and to exercise other remedies for delinquent Assessments as set forth in the Declaration.

(h) To fix, determine, levy and collect the working capital funds to be paid by each of the Members towards the working capital account of the Association, and to adjust, decrease or increase the amount of working capital funds collected from each Member as provided in the Declaration.

(i) To borrow funds in order to pay for any expenditure or outlay required pursuant to the authority granted by the provisions of the Declaration and these Bylaws and to authorize the appropriate officers to execute all such instruments evidencing such indebtedness as the Board of Directors may deem necessary; provided, however, that the Board will not borrow more than \$10,000 or cause the Association to be indebted for more than \$10,000 at any one time without the prior approval of a majority of votes of Members present and voting in person or by proxy on the issue.

(j) To enter into contracts within the scope of their duties and powers.

(k) To establish one or more bank accounts for the operating account of the Association and for all separate funds as required or deemed advisable by the Board of Directors.

(l) To cause to be kept and maintained full and accurate books and records showing all of the receipts, expenses or disbursements and to permit examination of the books and records by Members or their Mortgagees during convenient weekday business hours.

(m) To cause any and all access roads, parking areas and roadways in, to and across the Property to be maintained to the extent those facilities are within the jurisdiction or control of the Association, subject to the provisions of the Declaration.

(n) To cause the maintenance of the lawn, trees, shrubs and other vegetation, and the sprinkler or other irrigation systems located on the Common Area for the benefit of the Members.

(o) To cause to be maintained the insurance coverage (including without limitation fidelity insurance, or in its place, a bond covering the Manager, the Board, the officers and any other persons charged with handling Association funds) as may be necessary to comply with the requirements of the Declaration, these Bylaws and the Act.

(p) To prepare a budget before the close of each fiscal year of the Association and submit the budget to the Association as required by the Act.

(q) To delegate to the Manager or any other person or entity such of the Association's duties or responsibilities as may be more conveniently or efficiently performed by someone other than by the Association, and to agree to assess the Members for a reasonable fee for such services, except that the duties set forth in subparagraphs (d), (e), (f), (h) and (q) of this Section 7.02 and duties reserved to the Board by law will not be so delegated.

Section 7.03. Manager. The Board of Directors may employ a professional management agent or agents as Manager for Hidden Valley Ranch, for compensation established by the Board to perform such duties and services as authorized by the Board. The Board of Directors may delegate to the Manager, subject to the Board's supervision, all of the powers granted to the Board of Directors by these Bylaws, other than the powers set forth in subparagraphs (d), (e), (f), (h) and (q) of Section 7.02 of this Article and duties reserved to the Board by law. Declarant, or an affiliate or employee of Declarant, may be employed as Manager, subject to the limitations of the Act. If the Board delegates powers of the Board or officers of the Association relating to collection, deposit, transfer or disbursement of Association funds to the Manager (other than Declarant):

(a) the Manager will maintain fidelity insurance coverage or a bond providing the same type of insurance as described in Section 11.7 of the Declaration in an amount not less than the greater of (i) \$50,000, (ii) (y) the amount equal to the maximum funds that will be in the custody of the Association or the Manager, or (z) the amount of three months' current Assessments plus reserves, as calculated from the current budget of the Association, on all Parcels in Hidden Valley Ranch, or (iii) such higher amount as the Board may require;

(b) the Manager will maintain all funds and accounts of the Association separate from the funds and accounts of other associations managed by the Manager and will maintain all reserve accounts of each association so managed separate from operational accounts of the Association, each with appropriate access controls, and the bank where the accounts are located must send copies of monthly bank statements directly to the Association, and the Manager will not have authority to draw checks on, or to transfer funds from, the Association's reserve account; and

(c) an annual accounting for Association funds and a financial statement will be prepared and presented to the Association by any one of the following: the Manager, a public accountant, or a certified public accountant.

If a professional manager is employed, the management agreement must be for a specified term (not to exceed three years) and must contain specific termination provisions. Such termination provisions may not require the payment of any penalty for termination or require advance notice of termination in excess of 90 days. Declarant may enter into a management agreement before the expiration of the Period of Declarant Control, but the management agreement must provide that the Association has the right to terminate the management agreement without cause and such right may be exercised by the Association at any time after the expiration of the Period of Declarant Control.

Section 7.04. Accounts and Reports. The following management standards of performance will be followed unless the Board by resolution specifically determines otherwise:

(a) A segregation of accounting duties should be maintained, and disbursements by check in any amount greater than \$1,000 will require two signatures. Cash disbursements will be limited to amounts of \$200 or less.

(b) Cash accounts of the Association will not be commingled with any other accounts.

(c) No remuneration will be accepted by the Board of Directors or the Manager from vendors, independent contractors or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts or otherwise (except that such persons may be employees of Declarant during the Period of Declarant Control). Anything of value received will be for the benefit of the Association.

(d) Any financial or other interest that the Manager or a member of the Board of Directors may have in any firm (other than Declarant) providing goods or services to the Association will be disclosed promptly to the Board of Directors.

(e) Commencing at the end of the calendar quarter in which the first Parcel is sold by Declarant and closed, and continuing on a quarterly basis, financial reports will be prepared for the Board of Directors containing the following:

(i) An income statement reflecting all income and expense activity for the preceding three months;

(ii) A balance sheet as of the last day of the quarter;

(iii) A delinquency report listing all Owners who have been delinquent during the preceding three-month period in paying the periodic installments of Assessments and who remain delinquent at the time of the report, and describing the status of any action to collect such installments which remain delinquent.

(f) A balance sheet as of the last day of the Association's fiscal year and an operating statement for the fiscal year will be distributed to the Members. At the written request of an Owner or First Mortgagee, such statements will be audited at the requesting party's expense. Any such audited statements will be delivered to any Owner requesting the report and to the Association upon payment of a reasonable fee for copying.

(g) An account status report reflecting the status of all accounts in an "actual" versus "approved" budget format with a budget report reflecting any actual or pending obligations that are in excess of budgeted amounts by an amount exceeding the operating reserves or 10% of a major budget category (as distinct from a specific line item in an expanded chart of accounts) will be prepared for the Board periodically upon the Board's request and will be made available to all Members.

Section 7.05. Hearing Procedure. The Board will not impose a fine, suspend voting, or suspend any rights of a Member or other occupant of Hidden Valley Ranch for violations of rules and regulations or of the provisions of the Hidden Valley Ranch Documents unless and until the procedure below is followed:

(a) Demand. Written demand to cease and desist from the alleged violation will be served upon the alleged violator specifying:

- (i) the alleged violation;
- (ii) the action required to abate the violation; and
- (iii) a time period of not less than 10 days during which the violation may be abated without further sanction, if such violation is a continuing one, or a statement that any additional similar violation may result in the imposition of a sanction after notice and hearing, if the violation is not continuing.

(b) Notice. At any time within 12 months of such demand, if the violation continues past the period allowed in the demand for abatement without penalty or if the same rule is subsequently violated, the Board or its delegate will serve the violator with written notice of a hearing to be held by the Board. The notice will contain the following:

- (i) the nature of the alleged violation;
- (ii) the time and place of the hearing, which time will not be less than 10 days from the giving of the notice;
- (iii) an invitation to attend the hearing and produce any statement, evidence and witness on the Member's behalf; and

(iv) the proposed sanction to be imposed.

(c) Hearing. The hearing will be held pursuant to the notice, affording the Member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction under these Bylaws, proof of notice and the invitation to be heard will be placed in the minutes of the meeting. Such proof will be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, Director or agent who delivered such notice. The notice requirement will be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting will contain a written statement of the results of the hearing and the sanction, if any, imposed. Written and oral evidence may be presented. The presenting party will provide copies of any written evidence to the other party or parties. The decision of the Board will be final.

(d) Appeal. The Board may in its discretion appoint a Hearing Committee to hear the matter. In such event the procedure outlined above will apply except that either party may appeal the decision of the Hearing Committee to the Board by written notice to the Hearing Committee, the other party and the Board. The Board will consider the minutes of the hearing and report the decision of the Board within a reasonable period of time not exceeding 60 days after receipt of the notice. The decision of the Board will be final.

These procedures will not be necessary in order to impose any sanction or penalty for nonpayment of a delinquent Assessment.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 8.01. Enumeration of Officers. The officers of the Association will be a President, Vice-President, Secretary and Treasurer, and such other officers as the Board may from time to time create by resolution.

Section 8.02. Election of Officers. The election of officers will take place at the first meeting of the Board of Directors following each annual meeting of the Members.

Section 8.03. Term. The officers of the Association will be elected annually by the Board, and each will hold office for one year or until his successor is duly elected and qualified, unless he sooner resigns, or is removed, or is otherwise disqualified to serve.

Section 8.04. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom will hold office for such period, have such authority and perform such duties as the Board may determine from time to time.

Section 8.05. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to

the Board, the President or the Secretary. Such resignation will take effect on the date of receipt of such notice or at any later time specified in the notice, and unless otherwise specified in the notice, the acceptance of such resignation will not be necessary to make it effective.

Section 8.06. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy will serve for the remainder of the term of the officer replaced.

Section 8.07. Multiple Offices. Any two or more offices may be held by the same person except the offices of President and Secretary.

Section 8.08. Duties. The duties of the officers are as follows:

(a) President. The President will preside at all meetings of the Association and the Board of Directors; see that orders and resolutions of the Board are carried out; sign all leases, mortgages, deeds and other written instruments; will co-sign all promissory notes; cause to be prepared and execute, certify and record amendments to the Declaration on behalf of the Association; and exercise and discharge such other duties as may be required of the President by the Board.

(b) Vice-President. The Vice-President will act in the place and stead of the President in the event of his absence, inability or refusal to act, and will exercise and discharge such other duties as may be required by the Board.

(c) Secretary. The Secretary will 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 place it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate current records listing the Members together with their addresses; and perform such other duties as required by the Board.

(d) Treasurer. The Treasurer will receive and deposit in appropriate bank accounts all monies of the Association and will disburse such funds as directed by resolution of the Board of Directors; sign all checks of the Association unless the Board specifically directs otherwise, and co-sign all promissory notes of the Association; keep proper books of account; at the direction of the Board, cause an annual audit of the Association books to be made by a public accountant at least once in every three fiscal years; and prepare an annual budget and a statement of income and expenditures to be presented to the Members at their regular annual meeting, and deliver or make copies available to each of the Members.

ARTICLE IX

COMMITTEES

The Board of Directors may appoint a Hearing Committee as described in Article VII above, and other committees as the Board deems appropriate in carrying out its purposes. Following the Period of Declarant Control provided in the Declaration, the Board will also appoint the Design Review Committee.

ARTICLE X

INDEMNIFICATION

To the extent permitted by law and consistent with the Articles of Incorporation, the Association will indemnify every member of the Board of Directors, and every officer, employee and agent of the Association and every person who serves at the request of the Association as a director, officer, employee, fiduciary or agent of any other foreign or domestic corporation or of any partnership, joint venture, trust or other enterprise or employee benefit plan against liability asserted against or incurred by such person in such capacity or arising out of that person's capacity as such. The indemnification permitted under this Article will not extend, in any event, to any act or omission occurring prior to the date of incorporation of the Association.

In the event of a settlement, indemnification will be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified has not been guilty of such actions or omissions in the performance of such person's duties for the Association. The foregoing rights will not be exclusive of other rights to which such member of the Board of Directors or officer or other person may be entitled. All liability, loss, damage, cost and expense arising out of or in connection with the foregoing indemnification provisions will be treated and handled by the Association as a Common Expense.

ARTICLE XI

NONPROFIT CORPORATION

The Association is not organized for profit. No Member of the Association, member of the Board of Directors, or person from whom the Association may receive any property or funds will receive or will be lawfully entitled to receive any pecuniary profit from the operations of the Association, and in no event will any part of the funds or assets of the Association be paid as a dividend or be distributed to, or inure to the benefit of, any member of the Board of Directors. Notwithstanding the foregoing, (i) reasonable compensation may be paid to any Member or Director acting as an agent or employee of the Association for services rendered in effecting one or more of the purposes of the Association, (ii) any Member or Director may, from time to time, be reimbursed for his actual and

reasonable expenses incurred in connection with the administration of the affairs of the Association, and any Director may be reimbursed for actual expenses incurred in the performance of his duties.

ARTICLE XII

AMENDMENTS

These Bylaws may be amended, at a regular or special meeting of the Board, by a vote of a majority of a quorum of Directors present in person or by proxy, but amendment of Article V, X, XII or any portion of those Articles will require approval of all Directors.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Fiscal Year. The fiscal year of the Association will begin on the first day of January and end on the 31st day of December every year, except that the first fiscal year will begin on the date of incorporation.

Section 13.02. Corporate Seal. The Association will have a seal in circular form having within its circumference the words: "Hidden Valley Ranch Association."

Section 13.03. Conflicts of Documents. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles will control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration will control.

[This portion intentionally left blank.]

The undersigned members of the initial Board of Directors have executed these Bylaws this 31 day of July 2000.



J. R. Ford



Gary W. Reese



W. Robert Cotham