BYLAWS

OF

OCEANSIDE ESTATES HOMEOWNER'S ASSOCIATION

AS AMENDED

RECITALS

OCEANSIDE ESTATES HOMEOWNER'S ASSOCIATION, an Oregon corporation, has been organized and formed by Declarant pursuant to Section 94.625 of the Oregon Planned Community Act, to serve as the association of Owners of Lots within OCEANSIDE ESTATES, a planned community.

ARTICLE I.

DEFINITIONS

When used in this declaration the following terms shall have meaning given below:

Section 1.1: "Act" means the Oregon Planned Community Act 94.550 et seq.

Section 1.2: "Articles of Incorporation" means the Articles of Incorporation filed with the Corporation Commissioner for the State of Oregon for the Oceanside Estates Homeowners Association, Inc.

Section 1.3: "Assessments" means and refers to each and all of the following:

"Annual Assessment" means a charge against each Owner and his Lot for the amount which is to be paid by each Owner to the Association for Common Expenses.

"Individual Assessment" means a charge against a particular Owner and his Lot, directly attributable to the Owner, to reimburse the Association for costs incurred in bringing the Owner and his Lot into compliance with the provisions of this Declaration, the Articles, Bylaws, or Association Rules, or any other charges designated as an Individual Assessment in this Declaration, the Articles, Bylaws, or Association Rules, together with attorneys' fees and other charges payable by such Owner pursuant to applicable provisions of this Declaration, plus interest thereupon as further provided for in this Declaration. An Individual Assessment may be for charges against a particular owner or his Lot, or may be, as is provided for herein, for a purpose benefitting all Lots equally and chargeable against all Lots equally.

"Special Assessment" means a special levy or charge applicable, one year at a time, to defray costs of capital improvements on Common Property for which the reserve account is inapplicable or inadequate. Such an assessment shall have the consent of two-thirds (2/3) of the votes of each class of Members.

"Replacement Reserves" means a charge against each Owner and his Lot representing a portion of the cost to the Association of replacement or anticipated replacement of Common Property having a useful life of from three (3) to thirty (30) years.

Section 1.4: "Board of Directors" means the Directors of the Association.

Section 1.5: "Building Envelope" means that portion of each respective Lot, as designated by the Plat, by which construction of the Living Unit and any associated structures are limited.

Section 1.6: "Bylaws" means the Bylaws of the Association as adopted as herein provided and as may be from time to time amended.

Section 1.7: "Committee" means the Design Review Committee established in Article IV, Section 1, of this Declaration.

Section 1.8: "Common expenses" means the actual and estimated costs of:

a. Maintenance, management, operation, repair and replacement of the Common Property, to include private streets, pathways and components thereof (trail system to beach across OSRUA), and any other areas of the subject property which are maintained by the Association.

b. Maintenance by the Association of areas within any public right-of-way in the vicinity of the Covered Property now or hereafter acquired by any governmental agency to be maintained by the Association.

c. Costs of management and administration of the Association, including, but not limited to, compensation paid by the Association to managers, accountants, attorneys, and employees.

d. Allocations for the purpose of establishing reasonable reserves against future Common Expenses, as deemed appropriate by the Board.

e. Any and all insurance and bond costs incurred by the Association. Bonding of Members of the Board, any professional managing agent or any other person handling funds of the Association.

f. Taxes paid by the Association, including local real property taxes on Common Property.

g. Amounts paid by the Association for the discharge of any lien or encumbrance levied against the Common Property or portions thereof.

h. Replacement Reserves.

i. Any deficits for prior fiscal years.

j. Expenses incurred by the Design Review Committee or other Committees of the Association.

k. Any other item or items designated by the Association as Common Expense or incurred by the Association for any reason whatsoever in connection with the Common Property, this Declaration, the Articles, or the Bylaws of the Association, or in furtherance of the purpose of the Association or in the discharge of any other obligations imposed upon the Association by this Declaration.

l. Charges for utilities serving Common Property

m. Other items agreed upon as Common Expenses by the Board.

Section 1.9: "Common Property" shall mean and refer to real property or interests therein and improvements thereon owned from time to time by the declarant or by the Association for the common use and enjoyment of the Members of the Association, which shall be that certain property as described in Exhibit C attached hereto. Any real property denominated as Common Property in a supplementary Declaration shall be conveyed or leased to the Association upon the first conveyance of a Lot located within the real property which is next to the subject property hereof by such supplementary Declaration. Declarant shall convey or lease the Common Property to the Association free of all liens and encumbrances except current real property taxes (which taxes shall be prorated as of the date of conveyance), title exceptions of record, covenants, conditions, restrictions and easements, including those set forth in this Declaration.

Section 1.10: "Declarant" means M. F. Gorski Construction, Inc., its successors and assigns. The term Declarant includes the party in title to the real property described in Exhibit A at the time of the recording of the Plat with the Clerk of Curry County, State of Oregon. The term Declarant does not include any Owners who acquire title to individual Lots as a result of a purchase and sale agreement between the Declarant or its successors and assigns.

Section 1.11: "East Side" means any portion of the subject property or any property annexed thereto located generally east of Dawson Road in the City of Brookings, County of Curry, State of Oregon (also referred to as Oceanside Estates II).

Section 1.12: "First Mortgage" means a mortgage whose mortgagee has priority over any other mortgages encumbering a specified Lot.

Section 1.13: "Homeowners Association" means the Oceanside Estates Homeowners Association, Inc., a non-profit corporation, organized under the laws of the State of Oregon, and its successors and assigns.

Section 1.14: "Living Unit" means any structure or group of structures erected as an improvement on any "Lot."

Section 1.15: "Lot" means a lot shown on a recorded Plat or tract map or a parcel shown on any recorded parcel map to the extent such lots or parcels are part of the subject property; provided, however, that "Lot" shall not include Common Property.

Section 1.16: "Member" means any and every person or entity who qualifies for membership in the Association pursuant to the provisions of this Declaration respecting membership, including Declarant so long as Declarant qualifies.

Section 1.17: "Mortgage" means any duly recorded mortgage or trust deed encumbering a Lot.

Section 1.18: "Mortgagee" means the beneficial owner of any security interest in real property, such as the grantee of a mortgage, or a beneficiary under any trust deed.

Section 1.19: "Occupant" means any person entitled to or actually occupying a Living Unit.

Section 1.20: "Owner" means one or more persons or entities who alone or collectively is or are the record Owner of fee simple title to a Lot, including Declarant, or the buyer under a land sale installment sales contract of a Lot. Owner shall not include, however, anyone having such interest in the property merely as a security for the performance of an obligation by another party.

Section 1.21: "Plat" means the plat of Oceanside Estates, Phase I, a Planned Community, and any plat of additional property next to the Planned Community.

Section 1.22: "Turnover Meeting" means the meeting of the Homeowners Association and all its Members at which time, pursuant to this Declaration, the Declarant shall deliver to the Association the following:

1. The original or a photocopy of a recorded Declaration and copies of the Bylaws and Articles of Incorporation of the Planned Community and any supplements and amendments to the Articles or Bylaws.

2. A deed to the Common Property in the Planned Community, unless otherwise provided for in this Declaration.

3. The minute books, including all minutes, and other books and records of the Association and the Board of Directors.

4. All rules and regulations adopted by the Declarant or the Homeowners Association.

5. Resignation of officers and Members of the Board of Directors who are required to resign because of the expiration of any period of Declarant control.

6. A report of the present financial position of Association.

7. All funds of the Association and control of the funds.

8. Records of all property tax payments for the Common Property to be administered by the Association.

9. Copies of any income tax returns filed by the Declarant in the name of the Association.

10. All bank signature cards.

11. Any reserve accounts established in the name of association.

12. An operating budget for the portion of the Planned Community turned over to the Association administration.

13. Insurance policies of the Association.

14. A roster of Owners and their addresses and telephone numbers, if known, as shown on the records of the Declarant.

15. Any contracts to which the Homeowners Association is a party.

Section 1.23: "West Side" means any portion of the subject property or any property annexed thereto located generally west of Dawson Road in the City of Brookings, County of Curry, State of Oregon (also referred to as Oceanside Estates I).

ARTICLE II.

PLAN OF LOT OWNERSHIP

Section 2.1 Membership. Owners or purchasers under land sale contract are to be mandatory Members of the Association. Any transfer of ownership in a Lot automatically transfers all membership rights in the Association to the transferee.

Every Owner shall be a Member of the Association subject to the terms of the Bylaws, the Declaration, the Articles, and any Association rules and regulations. Ownership of a Lot shall be the sole qualification for membership in the Association; provided, however, a Member's voting rights or rights to use Common Property may be regulated as provided in this Declaration, the Bylaws, or the Association rules. The membership of an owner shall be

appurtenant to and may not be separated from the interest of an Owner in his or her Lot. Lot ownership shall be determined, for all purposes hereof and the Bylaws and the administration of the property, from the record of Lot ownership maintained by the Association.

The Board of Directors may, at its discretion, require that a Lot Owner file with the Association satisfactory proof of ownership, including a copy of the deed to or land sale, or installment contract, for his Lot to which shall be affixed the Certificate of the recording office of Curry County, Oregon, showing the date and place of recording such deed or contract. Notwithstanding the foregoing, the Declarant shall be the Owner of all previously unsold Lots, although no deed or land sale contract with respect to such Lots has been filed with the Association.

ARTICLE III.

VOTING; MAJORITY; QUORUM; PROXIES

Section 3.1 Voting. Members in good standing are entitled to voting rights. Members shall be deemed to be in good standing if all Assessments payable by the Member have been paid when due, or are paid at the time of the vote.

Not later than the first conveyance by Declarant of a Lot to an individual Owner, other than the Declarant, the Association shall assume control of the Common Property and commence to perform its obligations hereunder, at which time voting rights shall commence as to all Lots within the subject property. All voting rights shall be subject to the restrictions and limitations provided herein and in the Articles, Bylaws, and Association rules.

The Association has two classes of voting Members:

a. Class A Members: All Owners with the exception of Declarant. Class A Members entitled to one vote for each Lot owned.

b. Class B Members: The Declarant. Class B Members entitled to four votes for each Lot owned. Class B membership to cease and convert to Class A membership at the time of the Turnover Meeting.

Section 3.2 Majority of Owners. As used in these bylaws, the term "majority owners" shall mean those owners holding fifty-one percent (51%) of the votes in accordance with the percentages assigned in the Declaration and these Bylaws.

Section 3.3 Quorum. Except as otherwise provided in these bylaws, the presence in person or by proxy of a "majority of owners" as defined in the preceding paragraph of this article shall constitute a quorum.

Section 3.4 Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the secretary before the appointed time of each meeting.

ARTICLE IV.

ADMINISTRATION

Section 4.1 Association Responsibilities. The Owners of the Lots will constitute the Oceanside Estates Homeowner's Association, referred to as Association, who will have the responsibility of administering the project, including any property annexed thereto or to be or elected to be included therein, approving the annual budget, establishing and collecting assessments, and arranging for the management of the project. Except as otherwise provided, decisions and resolutions of the Association shall require approval by a majority of the Owners.

Section 4.2 Place of Meetings. Meetings of the Association shall be held at the laws offices of Babin & Keusink, P.C., located at 517 Chetco Avenue Brookings, Oregon or such other suitable place convenient to the Owners as may be designated by the Board of Directors.

Section 4.3 Annual Meetings. The first annual meeting of the Association shall be held on July 14, 1995. Thereafter, annual meetings shall be held on the 15th day of July of each succeeding year. At such meetings, there shall be elected by ballot a Board of Directors in accordance with the requirements of Section 4.5 of these Bylaws. The Owners may also transact such other business of the Association as may properly come before them.

Section 4.4 Special Meetings. It shall be the duty of the president of the Board of Directors to call a special meeting of the Owners as directed by resolution of the Board of Directors or on a petition signed by a majority of the Owners and having been presented to the secretary. No business shall be transacted at a special meeting except as stated in the notice unless by consent of four-fifths of the Owners present, either in person or by proxy.

Section 4.5 Notice of Meetings. It shall be the duty of the secretary to mail a notice of each annual or special meeting stating the purpose as well as the time and place of the meeting, to each Owner of record at least five but not more than thirty days prior to such meeting. The mailing of notice in the manner provided in this section shall be considered notice served.

Section 4.6 Adjourned Meetings. If any meeting of Owners cannot be organized because a quorum has not attended, the Owners who are present either in person or by proxy may adjourn the meeting to a time not less than 48 hours from the time the original meeting was called.

Section 4.7 Order of Business. The order of business at all Association meetings shall be as follows:

(A) Roll Call.
(B) Proof of notice of meeting or waiver of notices
(C) Reading of minutes of preceding meeting.
(D) Reports of officers.
(E) Report of committees.
(F) Election of inspectors of election.
(G) Election of directors.
(H) Unfinished business.
(I) New business.

Section 4.8 Initial Meeting; Declarant Reservation of Control. There shall be an initial organizational meeting held not later than one hundred twenty (120) days following incorporation of the Association, at which initial meeting Declarant shall appoint an Interim Board of Directors for the Association. Until the turnover meeting is held pursuant to this Article, Declarant shall have the power to appoint and remove members and officers of the Interim Board and any committees of the Interim Board of the Association. Declarant hereby reserves the right to control the Association until such time as Lots representing ninety percent (90%) of the votes have been conveyed, which control shall include allocation of a greater number of votes to Lots owned by Declarant, to appoint or remove members of the Interim Board and committees subject to any rights of Owners to appoint directors during such time as may be provided for elsewhere in the Declaration, to approve any amendment to the Declaration of these Bylaws, and such other matters as may be set forth in the Declaration and the Bylaws. Nothing herein shall be deemed or construed, however, to modify, abridge or amend any provisions of the Declaration or the Bylaws pursuant to which Declarant has reserved any rights which shall remain effective following the turnover meeting.

Section 4.9 Deleted

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Section 4.10 Notice of Turnover Meeting.

(A) Not later than one hundred twenty (120) days after Lots representing ninety percent (90%) of the votes have been conveyed, Declarant or the Interim Board of Directors shall call a meeting for the purpose of turning over administrative responsibility for the Covered Property to the Association.

(B) Notice of the turnover meeting shall be sent or otherwise given in accordance with this Section not less than ten (10) nor more than ninety (90) days before the date of the meeting. The notice shall specify the place, date, and hour of the meeting, and the purpose thereof. Notice shall be given either personally or by first-class mail, telegraphic or other communication, charges prepaid, addressed to each member appearing on the books of the Association or the address given by the Member to the Association for the purpose of notice. If no address appears on the Association's books and no other address has been given, notice shall be deemed to have been given if sent to that Member by first- class mail or telegraphic or other written communication, to the Association's principal office. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication. An affidavit of the mailing or other means of giving any notice of the meeting may be executed by the secretary, or assistant secretary of the Board, Declarant, or any other party giving the notice, and, if so executed, shall be filed and maintained in the minute book of the Association.

Section 4.11 Turnover Meeting; Transfer of Administration. At the meeting called under Section 4.10, the Interim Board shall turn over to the Association the responsibility for the administration of the planned community, and the Association shall accept the administrative responsibility from the Interim Board of Directors. In the event that the turnover meeting is not called within the required time, the Transitional Advisory Committee or any owner may call the meeting and give notice as provided for in Section 4.10. In connection with the turning over of such responsibility at said meeting:

(A) the members shall elect a Board of Directors in accordance with the provisions of the Articles hereof respecting election of members of the Board by the Association;

(B) the Declarant, or the Interim Board, shall deliver to the Association:

(1) the original or a photocopy of the recorded Declaration and copies of the Bylaws and the Articles of the planned community and any supplements and amendments to the Articles or Bylaws;

(2) a deed or lease to the Common Property;

(3) the minute books, including all minutes, and other books and records of the Association and the Board;

(4) all rules and regulations adopted by Declarant;

(5) resignations of officers and members of the Board who are required to resign because of the expiration of any period of Declarant control reserved pursuant to the Declaration and this Article;

(6) a report on the present financial position of the Association, consisting of a balance sheet and an income and expense statement for the twelve (12) month period following the recordation of the Declaration, or for a lesser period if the meeting is held less than twelve (12) months following the said recordation;

(7) all funds of the Association and control of the funds;

(8) all tangible personal property that is the property of the Association, and an inventory of the property;

(9) records of all property tax payments for the Common Property to be administered by the Association;

(10) copies of any income tax returns filed by Declarant or the Interim Board in the name of the Association, and supporting records for the returns;

(11) all bank signature cards;

(12) the Reserve Account for the Replacement of Common Property having an estimated life of between three (3) and thirty (30) years, as established pursuant to the Declaration, and any other like reserve accounts established under this Declaration;

(13) an operating budget for the portion of the Covered property turned over to the Association administration and a budget for replacement and maintenance of the Common Property;

(14) insurance policies;

(15) any permits issued by governmental bodies applicable to the Covered Property in force or issued within one (1) year before the date of the turnover meeting;

(16) a roster of Owners and their addresses and telephone numbers, if known, as shown on the records of the Association;

(17) leases of the Common Property, if any, and any other leases to which the Association is a party;

(18) employment or service contract, if any, in which the Association is one of the contracting parties or service contracts, if any, in which the Association or the Owners have an obligation or responsibility, directly or indirectly, to pay some or all of the fee or charge of the person performing the service; and

(19) any other contracts to which the Association is a party.

(C) During the three-month period following the turnover meeting, Declarant or an informed representative of Declarant or the Interim Board of Directors shall be available to meet with the Board on at least three (3) mutually convenient dates to review the documents delivered under Subsection (B).

(D) Notwithstanding any of the foregoing, if Declarant has not completed development of Lots, proposed Lots as proposed in the preliminary plats for both the west side and the east side, or development of the Common Property at the time of the turnover meeting, then and in that event Declarant shall continue to hold and exercise those rights specially reserved to Declarant under the provisions of this Declaration, provided, however, that Declarant shall not amend the Declaration to increase the scope of any of the said rights reserved unless the Owners consent to such amendment.

ARTICLE V.

BOARD OF DIRECTORS

Section 5.1 Number and Qualifications. The Association's affairs shall be governed by a Board of Directors composed of three (3) persons, all of whom must be the Owner of a Lot in the planned Community; except that the initial Board of Directors may consist of non-owners.

Section 5.2 Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the Association's affairs and may do all such acts and things as are not by law or by these Bylaws directed to be exercised and done by the Owners.

Section 5.3. Other Duties. In addition to duties imposed by these Bylaws or by resolutions of the Association, the Board of Directors shall be responsible for the following:

(A) Care, upkeep, and surveillance of Oceanside Estates and common areas and facilities and the restricted common areas.

(B) Collection of assessments from the Owners.

(C) Designation and dismissal of the personnel necessary for the maintenance and operation of the project, the common areas and facilities, and the restricted common areas.

Section 5.4 Design Review Committee. The Board shall appoint a Design Review Committee ("Committee") consisting of a maximum of three Members. The decision by the majority of the Committee shall be a decision of the Committee. A majority of the Committee may designate a representative Member to act for the Committee. The Board may replace any Member of the Committee upon said Member's resignation.

Section 5.5 Election and Term of Office. At the first annual meeting of the Association, the Declarant under the Covenants, Conditions and Restrictions shall appoint the first members of the Board of Directors. The term of the initial Board shall be four (4) years. At the expiration of the initial term of office of each respective director, a successor shall be elected to serve a term of three (3) years. The directors shall hold office until their successors have been elected and hold their first meeting.

Section 5.6 Vacancies. Vacancies on the Board of Directors caused by any reason other than removal of a director by a vote of the Association shall be filled by vote of the majority of the remaining directors, even though they may constitute less than a quorum; and each person so elected shall be a director until a successor is elected at the Association's next annual meeting.

Section 5.7 Removal of Directors. At any regular or special meeting duly called, any one or more of the directors may be removed with or without cause by a majority of the Owners, and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the Owners shall be given an opportunity to be heard at the meeting.

Section 5.8 Organization Meeting. The first meeting of the newly elected Board of Directors shall be held within 10 days of election at such place as shall be fixed by the directors at the meeting at which such directors were elected and no notice shall be necessary to the newly elected directors in order legally to constitute such meeting, provided a majority of the whole board shall be present.

Section 5.9 Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the directors, but at least at two such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each director, personally or by mail, telephone or telegraph, at least three days prior to the day named for such meeting.

Section 5.10 Special Meetings. Special meetings of the Board of Directors may be called by the president on three days' notice to each director, given personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the president or secretary in like manner and on like notice on the written request of at least three directors.

Section 5.11 Waiver of Notice. Before or at any meeting of the board of directors, any director, in writing, may waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the board shall be a waiver of notice by such director of the time and place of the meeting. If all the directors are present at any meeting of the board, no notice shall be required and any business may be transacted at such meeting.

Section 5.12 Quorum. At all meetings of the board of directors, a majority of the directors shall constitute a quorum for the transaction of business, and the acts of the quorum shall be the acts of the board of directors. If, at any meeting of the board of directors, there be less than a quorum present, the members present may adjourn the meeting from time to time. At any such meeting, any business that might have been transacted at the meeting as originally called, may be transacted without further notice.

Section 5.13 Fidelity Bonds. The board of directors shall require that all officers and employees of association handling or responsible for association funds shall furnish adequate fidelity bonds. The premiums of such bonds shall be paid by the association.

ARTICLE VI.

OFFICERS

Section 6.1 Designation. The principal officers of the Association shall be a president, a secretary and a treasurer, all of whom shall be elected by and from the board of directors. The president, secretary and treasurer may be the same person.

Section 6.2 Election of Officers. The officers of the Association shall be elected annually by the board of directors at the organization meeting of each new board and shall hold office at the pleasure of the board.

Section 6.3 Removal of Officers. On an affirmative vote of a majority of the members of the board of directors, any officer may be removed, either with or without cause, and a successor elected at any regular meeting of the board of directors, or at any special meeting of the board called for such purpose.

Section 6.4 President. The president shall be the chief executive officer of the Association. The president shall preside at all meetings of the Association and of the board of directors. The president shall have all of the general powers and duties that are usually vested in the office of president of an Association, including but not limited to, the power to appoint committees from among the owners from time to time as the president may decide is appropriate to assist in the conduct of Association's affairs.

Section 6.5 Secretary. The secretary shall keep the minutes of all meetings of the board of directors and the minutes of all meetings of Association; shall have charge of such books and papers as the board of directors may direct; and shall, in general, perform all the duties incident to the office of secretary.

Section 6.6 Treasurer. The treasurer shall have responsibility for association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to Association. The treasurer shall be responsible for the deposit of all moneys and other valuable effects in the name, and to the credit of, Association in such depositories as may from time to time be designated by the board of directors.

ARTICLE VII.

RECORDS AND REPORTS

Section 7.1 Inspection Rights. Any Member of the Association may:

(A) inspect and copy the records of the Members' names and mailing addresses and phone numbers, and voting rights, during usual business hours and on five (5) days, prior written demand on the Association, stating the purpose for which the inspection rights are requested; and

(B) obtain from the Secretary, upon written demand therefor and upon payment of such charges as are usually assessed for such service, if any, a list of names and addresses of Members who are entitled to vote for the election of directors, and their voting rights, as of the most recent record date for which that list has been complied, or as of a date specified by the Member after the date of demand. The demand shall state the purpose for which the list is requested. The list shall be made available to any such Member by the Secretary on or before the later of the ten (10) days after the demand is received or the date specified in it as the date by which the list is to be compiled. Any inspection and copying under this Article may be made in person or by an agent or attorney of the Member and the right of inspection includes the right to copy and make extracts.

Section 7.2 Maintenance and Inspection of Articles and Bylaws. The Association shall keep at its principal office the original or a true copy of the Declaration, Articles, Bylaws and Association Rules as amended to date, which shall be open to inspection by the members, First Mortgagees, Mortgage servicing contractors, and insurers and guarantors of First Mortgages, and such other persons or entities as may be specified in the Declaration or these Bylaws, at all reasonable times during office hours.

Section 7.3 Maintenance and Inspection of Other Corporate Records. The accounting books, records and minutes of proceedings of members and the Board and any committee(s) of the Board shall

be kept at such place or places designated by the Board, or, in the absence of such designation, at the principal office of the Association. The minutes shall be kept in written or typed form, and the accounting books and records shall be kept either in written or typed form or in any other manner capable of being converted into written, typed or printed form. The minutes and accounting books and records shall be opened to inspection on the written request of any Member at any reasonable time during usual business hours for a purpose reasonable related to the Member's interests as a Member. The inspection may be made in person or through an agent or attorney of the Member, and shall include the right to copy and make extracts at the Member's expense. In respect to such inspection by any Member, the Board shall adopt reasonable rules with respect to:

(A) Notice to be given to the custodian of the documents to be inspected by the Member;

(B) Hours and days of the week when such inspection may be made; and

(C) Payment of the cost of reproducing copies of the documents required by a Member.

Section 7.4 Inspection by Directors. Every director, First Mortgagee, Mortgage servicing contractor, and insurer or guarantor of a First Mortgage shall have the absolute right, upon reasonable notice, at any reasonable time to inspect all books, records, and document of every kind and the physical properties owned or controlled by the Association. This inspection may be made in person or through an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents for the same costs as are charged Members for such reproduction or duplication.

Section 7.5 Financial Reports. The Board shall cause the following financial information be regularly (except in the case of (D), below) prepared and distributed to all Members regardless of their number or the amount of assets of the Association:

(A) A budget for each fiscal year containing at least the following information shall be distributed not less than forty-five (45) nor more than sixty (60) days prior to the beginning of such fiscal year:

(1) Estimated revenue and expenses on an accrual basis;

(2) The amount of the total cash reserves of the Association currently available for replacement or major repair of the common facilities and for contingencies;

(3) An itemized estimate of the current replacement costs of the estimated remaining useful like of, and the methods of funding defray the costs of repair, replacement or additions to,

the Common Property and other areas and improvements (including all facilities thereof, if any) for which the Association is responsible; and

(4) A general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the Common Property and other areas and improvements (including all facilities thereof, if any) for which the Association is responsible.

(B) A report containing at least the following shall be distributed within one hundred twenty (120) days after the close of each fiscal year:

(1) A balance sheet as of the end of the fiscal year;

(2) An operating (income) statement for the fiscal year; and

(3) A statement of changes in financial position for the fiscal year vis-a-vis any immediately preceding fiscal year.

For any fiscal year in which the gross income of the Association exceeds Seventy-Five Thousand Dollars ($75,000.00), all portions of such report shall be reviewed in writing and in accordance with generally accepted accounting principles by a Certified Public Accountant and a copy of that review shall be distributed with such report.

(C) A statement of the Association's policies and practices with regard to enforcing its remedies against Members for defaults in the payment of all types of Assessments (including Regular and Special Assessments) shall be distributed not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of each fiscal year, such statement to include the Association's policies and practices with regard to the recordation and foreclosure of liens against Members' Lots.

(D) A balance sheet as of an accounting date ("said accounting date") which is the last day of the month closest in time to six (6) months after the date of the first conveyance of a Lot within the initial Covered Property to an Individual Owner and an operating statement for the period commencing on the date of the first conveyance of a Lot within the initial Covered Property to an Individual Owner and ending on said accounting date, which operating statement shall include a schedule of Assessments received and receivable identified by the number (or other designation) of each Lot then within the Covered Property and the name of the Owner assessed, shall be distributed within sixty (60) days after said accounting date.

(E) In lieu of distributing the information otherwise required by this Section to be distributed to Members (other than

that required by Subsection (C) which shall, in any event, be distributed to Members), the Board may elect to distribute a written summary of such information to all of the Members which a written notice that the information is available at the business office of the Association or at another suitable location within the boundaries of the Covered Property and that copies thereof will be provided upon request and at the expense of the Association. If any Member requests that a copy of such information be mailed to such Member, the Association shall mail the same to such Member by first-class mail at the expense of the Association so that the same is delivered to such Member within five (5) days. The written notice contained in such summary distributed to the Members shall be in at least 10-point bold type on the front page of such summary.

Section 7.6 Preparation of Annual Report. If the annual report referred to in Subsection (B) of Section 5 of this Article has not been reviewed by a Certified Public Accountant, it shall be accompanied by the certificate of an authorized officer of the Association certifying that the same was prepared without audit from the books and records of the Association. When such annual report has been reviewed by an independent accountant, any Mortgagee, Mortgage servicing contract, insurer or guarantor, or a First Mortgage holder shall be entitled to receive a copy thereof and of such review upon request; and when such annual report has not been reviewed by an independent accountant, any Mortgagee, Mortgage servicing contract, insurer or guarantor or a First Mortgage holder shall be entitled to receive a copy thereof and to have an audited annual report (and any other financial report) of the Association prepared at the expense of such Mortgagee, Mortgage servicing contract, insurer or guarantor.

ARTICLE VIII.

OBLIGATIONS OF OWNERS

Section 8.1 Assessments. Each Owner is obligated to pay to the Association (1) annual assessments, (2) special assessments and (3) individual assessments. Each Owner of any Lot, by acceptance of the Deed or other instrument creating in such Owner the interest required to be deemed an Owner, whether or not it shall be so expressed in any such deed or other instrument, is deemed to covenant and agree to pay the aforesaid assessments. The assessments, together with any additional amounts as provided by this Declaration, shall, upon recordation of a Notice of Delinquent Assessments in the office of the recording officer of Curry County, Oregon, become a lien upon the Lot against which each such assessment is made. Each such assessments, together with any additional amounts, shall also be the personal obligation of the Owner of such Lot at the time the assessment becomes due; provided, however, that any such assessment which becomes a lien upon a Lot hereunder shall run with the property and remain a lien thereon even if a personal obligation therefor fails to pass to any successor in title to said Lot. Assessments and collection costs are to be a continuing lien upon the Lot. The lien of the

assessment is to run with the Lot. The Association may provide for the method of assessing and recording such liens. Interest will be due on such assessments if not paid within thirty days of date of billing. Interest will be charged at the legal rate. Reasonable attorneys' fees and other costs of collection may be added to the assessment in the event that such assessments are not paid within thirty (30) days of date of billing, and in the case that such assessments or liens are sought to be enforced in a Court of law or equity at trial and on appeal. To aid the Association in collecting the assessments, a seller of a Lot is to give the name and address of the buyer to the Association, including date of sale, within thirty (30) days of date of sale.

ARTICLE IX

INSURANCE

Section 9.1 Types of Insurance. The Association shall obtain and maintain in effect the following types of insurance:

(A) A Comprehensive Public Liability insurance policy insuring the Association and the Owners against liability incident to the Ownership or use of the Common Property only. In addition, if reasonably obtainable, a cross-liability endorsement insuring each insured against liability to each other insured. Such comprehensive liability insurance policy may be obtained as a separate policy or in combination with the insurance described in Subsection (B), hereof. In either case, the limits of such liability insurance shall not be less than One Million Dollars ($1,000,000.00) under a combined single limit for each occurrence applicable to both death or injury involving one or more persons and to property damage. Such liability insurance shall contain the broadest extensions of liability coverage reasonable available.

(B) A master or blanket policy of insurance for the full replacement value, without deduction for depreciation, of all of the improvements of the Common Property. Such policy shall be issued upon an "All Risk" basis excluding earthquake and flood perils with respect to building(s) and improvements and shall also contain "Replacement Cost," "Stipulated Amount" and "automatic increase" (inflationary guard) endorsements. Each such policy may, if reasonably available, also contain a determinable cash adjustment provision, or equivalent endorsement, to permit a cash settlement covering the full value of the improvements insured in the event of the destruction of such improvements and a decision not to rebuild pursuant to the Article hereof entitled "Damage and Destruction." Subject to compliance with the foregoing, each such policy shall be in such amounts as shall be determined by the Board pursuant to the Section of this Article entitled "Annual Insurance Review" and shall name as insures the Association and Declarant, so long as Declarant is an Owner. Each such policy shall also contain a loss-payable provision in favor of the Board.

Section 9.2 Waiver by Members. All insurance obtained by the Association shall be maintained by the Association for the benefit of the Association. As to each of said policies which will not be

voided or impaired thereby, the Owners hereby waive and release all claims against the Association, the Board, other Owners, Declarant, and agents and employees of each of the foregoing, with respect to any loss covered by such insurance and as to such damages or losses in excess of available proceeds, whether or not caused by negligence of or breach of any agreement by said persons.

Section 9.3 Other Insurance. The Board shall purchase and maintain in effect workers, compensation insurance to the extent required by law for all employees of the Association. The Board shall also purchase and maintain in effect insurance on personal property owned by the Association. Whenever in this Article insurance coverage is to be obtained if reasonably available, the Board shall make the determination of reasonable availability.

Section 9.4 Premiums, Proceeds and Settlement. Insurance premiums for any such blanket insurance coverage obtained, or otherwise disposed of as provided in the Article of this Declaration entitled "Damage and Destruction." The Association is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers. Any two (2) directors of the Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on the Association and its Members.

Section 9.5 Annual Insurance Review. The Board shall annually review all insurance policies described in this Article with respect to the adequacy, type and quality of insurance coverage in force, as well as the quality and financial stability of the insurance carriers providing coverage, and shall either amend existing insurance policies or shall purchase such other or additional insurance as it deems necessary or appropriate to protect the interests of the Association. In making such determination, due consideration should be given by the Board to fluctuations in construction costs during inflationary periods and to any new risks or exposures which affect the interests of the Association. The Board may engage the services of a qualified insurance advisor to assist with such review, the cost of which shall be a Common Expense of the Association.

Section 9.6 Board as Payee Under Certain Policies. Except as provided below, all insurance proceeds payable under Section 9.1, subsection (B) of this Article shall be paid to the Board. The Board shall hold, distribute and expend such proceeds for the benefit of the Owners, Mortgagees and others, as their respective interests may appear, pursuant to the Article of this Declaration entitled "Damage and Destruction."

Section 9.7 Individual Lot Insurance.

(A) No Owner shall be required to obtain any type of insurance coverage whatsoever on his Lot. An Owner shall nevertheless be permitted to insure his Lot, improvements thereon and personal property against loss by fire or other casualty and may carry public liability insurance covering his individual liability for damage to persons or property occurring inside his

Lot, and any other insurance which he deems appropriate. The Association will not provide any insurance policies other than those specified in this Article.

(B) Any insurance coverage obtained and maintained by the Board or the Association, may not be brought into contribution with insurance bought by any Owner of a Lot or their mortgagees, for any property, including Common Property.

Section 9.8 Overriding Insurance Requirements. Notwithstanding any other provision of this Article:

(A) as to the Common Property (including Common Property set aside for the exclusive use of Lot Owners) and the Association shall continuously maintain in effect fire and extended insurance coverage on a current replacement cost basis in an amount which is at least one hundred percent (100%) of the insurable value of the improvements thereof;

(B) the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the insurance and fidelity bond requirements for the Common Property only, established by the Federal National Mortgage Association ("FNMA") and the Governmental National Mortgage Association so long as either is a Mortgagee or Owner of a Lot within the Covered Property, except to the extent such coverage is not available or has been waived by either of the foregoing mortgage associations; and

(C) except as otherwise required by Subsections (A) and (B) of this Section, in the event the Board determines that any insurance coverage, parties to be insured, endorsements, beneficiary or insured designations or other requirements of this Article are unavailable or cannot be obtained or met without placing an unreasonable financial burden upon the Association, then in that event the Association need not obtain the same or comply with the same.

ARTICLE X.

AMENDMENTS

Section 10.1 Bylaws. These bylaws may be amended by Association in a duly constituted meeting for such purpose, and no amendment shall take effect unless approved by Owners representing at least fifty-one percent (51%) of the voting rights.

ARTICLE XI.

ASSOCIATION RULES

Section 11.1 Promulgation. The Board shall promulgate rules and regulations governing the Covered Property and the use thereof, which rules and regulations shall be consistent with the Declaration, the Articles and these Bylaws. Such rules and regulations promulgated by the Board, and as may be amended from

time to time, shall be known as "Association Rules."

Section 11.2 Adoption of Rules. Association Rules shall be enacted, and may from time to time be amended or repealed, only by the affirmative vote of a majority of the Board at a regular or special meeting held for such purpose, following the allowance of reasonable comments thereupon by Owners in attendance at such meeting and the public reading of any written comments thereupon submitted to the Board by any absent Owner. Notice of the meeting at which any rule or regulation, or amendment or repeal of any rule or regulation, is to be considered shall contain a reference to the proposed action and a brief and informative description of the subject rule. The notice of the meeting shall be given in the same manner as for other meetings of the Board.

Section 11.3 Effective Date of Rules. Every Association Rule, or the amendment or repeal thereof, shall become effective upon the delivery of a true and correct copy of the enactment to the Owners of Lots within the Covered Property; provided, that in the event of an emergency declared by four-fifths (4/5) of the Board to then exist, any rule or regulation adopted, amended or repealed in response to said emergency may become immediately effective. For purposes of this subsection, an emergency is defined to be a conditions which, by the nature thereof, requires that the adoption, amendment or repeal of the rule or regulation take immediate effect in order to preserve the general health, safety and welfare of the planned community.

Section 11.4 Notice of Association Rules. Following the adoption, amendment or repeal of any Association Rule, the Board shall cause notice of the action so taken to be provided to Owners of Lots within the Covered property and First Mortgagees. Said notice shall be given in writing and delivered personally or by first-class mail, postage prepaid thereon, to the addresses of the Owners and Mortgagees on file with the Association for the purpose of providing notices.

Section 11.5 Inspection of Association Rules. A complete and legible copy of all Association Rules, as amended, shall be maintained by the Association for inspection by Owners and occupants of Lots, delegates or Owners who are permitted to use the Common Property, and Mortgagees, or the representatives of any of the foregoing. The Association may charge a reasonable fee to defray the cost of duplicating Association Rules to any of the foregoing who may request a copy thereof.

Section 11.6 Conflict. In the event of any conflict between any Association Rules and any provisions of the Declaration, the Articles or Bylaws, the Association Rule shall be deemed superseded by the provisions of this Declaration, Articles or Bylaws to the extent of any such conflict.

Section 11.7 Fines and Penalties.

(A) The Board shall adopt a list of specific fines and penalties for the violation by any Member of the provisions of the

Declaration, the Articles, these Bylaws and Association Rules; provided, no such violation shall entitle the Board or the Association to forfeit or abridge any Member's voting rights or the right to the full use and enjoyment of the Member's Lot (including use of Common Property designated for exclusive use of the Member), or any necessary access to his Lot. Such fines and penalties shall not be deemed to be exclusive of such other remedies available to the Association and the Board as provided by applicable law, the Declaration, the Articles, these Bylaws or Association Rules. A fine levied hereunder may be collected as a Special Assessment against the offending Member and his Lot.

(B) Fines and penalties shall be adopted as in the manner of the adoption of Association Rules generally, and shall not be effective until property communicated to the Membership.

(C) The Board shall also adopt, as in the manner for Association Rules, standards and procedures for notice to an offending Member of the violation he/she is charged with, and to provide such Member an adequate opportunity to be heard thereon prior to the imposition of any fine or penalty. No fine or penalty shall be effective unless and until such standards and procedures for minimal due process are adopted and the Members notified thereof.

ARTICLE XII.

MORTGAGEES

Section 12.1 Notice to Association. An Owner who mortgages a Lot shall notify Association through the President of the Board of Directors the name and address of the mortgagee; and the Association shall maintain such information in a book entitled: Register of Mortgagees.

Section 12.2 Notice of Unpaid Assessments. The Association, at the request of a mortgagee of a Lot, shall report any unpaid assessments due from the owner of such Lot.

ARTICLE XIII.

COMPLIANCE

These bylaws are set forth to comply with the requirements of ORS 94.625, et seq. In case any of these Bylaws conflict with the provisions of that statute, it is agreed and accepted that the provisions of the statute will apply.

DATED:

Director

President

Director

Director