

BYLAWS OF THE HILLS OF NESKOWIN OWNERS ASSOCIATION

ARTICLE I DEFINITIONS

Section 1 - Association

"Association" shall mean The Hills of Neskowin Owners Association, a non-profit corporation organized and existing under the laws of the State of Oregon.

Section 2 - Articles of Incorporation

"Articles of Incorporation" shall mean the Articles of Incorporation of the Association.

Section 3 - Declaration

"Declaration" shall mean the Declaration of Protective Covenants, Conditions and Restrictions Affecting The Hills of Neskowin, recorded in the Deed Records of Tillamook County, Oregon, on August 29, 1997, in Book 389, at page 516, and the Declaration of Annexation of Phase II of The Hills of Neskowin, recorded in the records of Tillamook County on November 25, 1998, as the same may be subsequently amended and supplemented pursuant to the terms thereof.

Section 4 - Incorporation by Reference

Except as otherwise provided herein, the terms which are defined in Article I of the Declaration are used in these Bylaws as therein defined.

ARTICLE II MEMBERSHIP

Section 1 - Membership

Every owner of one or more lots within The Hills of Neskowin and Phase II of The Hills of Neskowin shall, during the entire period of such ownership, be a member of the Association. Such membership shall commence, exist and continue simply by virtue of such ownership, shall expire automatically upon termination of such ownership and need not be confirmed or evidenced by any certificate or acceptance of membership.

Section 2 - Membership List

The Secretary shall maintain a membership list showing the name and address of the owner of each lot. The Secretary may accept as satisfactory proof of such ownership a duly executed and acknowledged conveyance, a title insurance policy, or other evidence reasonably acceptable to the Board of Directors.

ARTICLE III MEETINGS AND VOTING

Section 1 - Place of Meetings

Meetings of the members of the Association shall be held at such place convenient to the members as may be designated in the notice of the meeting.

Section 2 - Annual Meeting

The annual meeting of the members for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held at such hour and on such day during the month of July or August of each year as the President may designate, or if the President should fail to designate a date by the first day of August, then at 7:30 p.m. on the last Tuesday in August.

Section 3 - Special Meetings

A special meeting of the Association may be called at any time by the President or by any two members of the Board of Directors. A special meeting shall be called upon receipt of a written request stating the purpose of the meeting from members who are entitled to vote 25 percent of all the votes of membership.

Section 4 - Notice of Meetings

(a) Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than 15 nor more than 30 days before the date of the meeting, either personally or by mail, by or at the direction of the President, or the Secretary, or the persons calling the meeting, to each member entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, with postage fully prepaid thereon, addressed to the member at his or her most recent address as it appears on the records of the Association.

(b) When a meeting is continued for 30 days or more, or when a redetermination of the persons entitled to receive notice of the continued meeting is required by law, notice of the continued meeting shall be given as for an original meeting. In all other cases no notice of the continuance or of the business to be transacted at the continued meeting need be given other than by announcement at the meeting at which such adjournment is taken.

Section 5 - Quorum

At any meeting of the Association, members having 50% of the votes present, in person or by proxy, shall constitute a quorum. When a quorum is once present to organize a meeting, it cannot be broken by the subsequent withdrawal of a member or members. If any meeting of members cannot be organized because of a lack of quorum, the members who are present, either in person or by proxy, may continue the meeting from time to time until a quorum is present.

Section 6 - Voting Rights

All owners of lots who are members of the Association, with voting privileges will be limited to one vote per lot. However, until such time as the Declarant has conveyed 75% of the lots in The Hills of Neskowin and The Hills of Neskowin Phase II (which total would equal 47 lots), the Declarant shall maintain administrative control of the Association and the affirmative vote of the Declarant would be required to take any action by the Association.

Section 7 - Joint Ownership

In any case in which two or more persons share the ownership, the vote or consent of any one or more of such persons shall constitute the vote or consent of the entire ownership interest; provided, however, that in the event such persons disagree among themselves as to the manner in which any vote or right of consent held by them shall be exercised with respect to a pending matter, any such person may deliver written notice of such disagreement to the Secretary of the Association and the vote or right of consent involved shall then be disregarded completely in determining the proportion of votes or consents given with respect to such matter.

Section 8 - Proxies

Every member entitled to vote or to execute any waiver or consent may do so either in person or by written proxy duly executed and filed with the Secretary of the Association. No proxy shall be valid after the meeting for which it was solicited, unless otherwise expressly stated in the proxy and every proxy shall automatically cease upon sale by the member of the lot or lots upon which the proxy is based.

Section 9 - Majority Vote

The vote of a majority of the votes entitled to be cast by the members present or represented by proxy at a meeting at which a quorum is present, shall be necessary for the adoption of any matter voted upon by the members, unless a greater proportion is required by law, by the Declaration, by the Articles of Incorporation, or by these Bylaws. While the Declarant maintains administrative control of the Association as provided in Section 6 above, the affirmative vote of the Declarant will also be required to approve the adoption of any matter voted upon by the members.

ARTICLE IV
DIRECTORS: MANAGEMENT

Section 1 - Number and Qualification

The affairs of the Association shall be governed by a Board of Directors composed of five persons who are members of the Association, or the Declarant, or the Declarant's representatives. The initial board shall be composed of three directors and be appointed by the Declarant. At the first annual meeting in 2003, or at such time as declarant has sold all lots in The Hills of Neskowin and The Hills of Neskowin Phase II, whichever event first occurs, an election will be held and the number of directors shall be increased to five. The number of directors may be increased or decreased from time to time by amendment of these Bylaws, provided, however, that no reduction of the number of directors shall have the effect of removing any director prior to the expiration of his term of office.

Section 2 - Election and Tenure of Office

The three initial directors named in the Articles of Incorporation shall serve until their successors are elected, as provided in Section 1, Article IV, unless they resign or are removed from office. At the annual meeting of the Association specified above, the members shall elect three directors to serve for two years, and two directors to serve for one year. Thereafter, the successors to each director shall serve for terms of two years each. Except as provided otherwise in these bylaws, all directors shall hold office until their respective successors have been elected by the members. Election shall be by ballot.

Section 3 - Vacancies

(a) A vacancy in the Board of Directors shall exist upon the death, resignation or removal of any director, or if the authorized number of directors be increased, or if the members fail at any annual or special meeting of members at which any director or directors are to be elected to elect the full authorized number of directors to be voted for at that meeting.

(b) Vacancies in the initial Board of Directors may be filled by appointment by the Declarant. Each director so appointed shall hold office until the first election for directors is held, as specified above.

(c) Except for directors removed by vote of the members, vacancies in the Board of Directors may be filled by a majority of the remaining directors even though less than a quorum, or by a sole remaining director. Each director so elected shall hold office for the balance of the unexpired term and until his or her successor is elected, unless the director resigns or is removed from office.

Section 4 - Removal of Directors

All or any number of the directors may be removed, with or without cause, at a meeting of members called expressly for that purpose, by a vote of a majority of the number of votes entitled to be cast at an election of directors.

Section 5 - Powers

The Board of Directors shall exercise for the Association all powers, duties and authority vested in or delegated to the Association, except those reserved to the members or to the Declarant in the Declaration, Articles of Incorporation or these Bylaws.

Section 6 - Meetings

(a) Meetings of the Board of Directors shall be held at such place as may be designated from time to time by the Board of Directors or other persons calling the meeting.

(b) Annual meetings of the Board of Directors shall be held without notice immediately following the adjournment of the annual meetings of the members.

(c) Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the President or by any two directors.

Section 7 - Notice of Special Meetings

(a) Notice of the time and place of special meetings shall be given orally or delivered in writing personally or by mail or telegram at least 24 hours before the meeting. Notice shall be sufficient if actually received at the required time or if mailed or faxed not less than 72 hours before the meeting. Notice mailed or telegraphed shall be directed to the address shown on the corporate records or to the director's actual address ascertained by the person giving the notice.

(b) Notice of the time and place of holding a continued meeting need not be given if such time and place be fixed at the meeting adjourned.

(c) Attendance of a director at a meeting shall constitute a waiver of notice of such meeting except where 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.

Section 8 - Quorum and Vote

(a) A majority of the directors shall constitute a quorum for the transaction of business. A minority of the directors, in the absence of a quorum, may convene or continue a meeting from time to time but may not transact any business.

(b) The action of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors unless a greater number is required by law, the Declaration, the Articles of Incorporation or these Bylaws. While the Declarant retains administrative control of the subdivision, the affirmative vote of the Declarant will be required to take any action by the Board.

(c) Each director shall have one vote and voting may not be done by proxy.

Section 9 - Compensation

No director shall receive any compensation from the Association for acting as such.

ARTICLE V OFFICERS

Section 1 - Designation and Qualification

The officers of the Association shall be the President, the Secretary and the Treasurer, all of whom shall be elected by and from the Board of Directors. Any two offices may be held by the same person except the offices of President and Secretary.

Section 2 - Election and Vacancies

The officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new board to serve for one year and until their respective successors are elected. If any office shall become vacant by reason of death, resignation, removal, disqualification or any other cause, the Board of Directors shall elect a successor to fill the unexpired term at any meeting of the Board of Directors.

Section 3 - Removal and Resignation

(a) Any officer may be removed upon the affirmative vote of a majority of the directors whenever in their judgment the best interest of the Association will be served thereby. The removal of an officer shall be without prejudice to the contract rights, if any, of the officer so removed. The officer so removed will remain on the Board, unless removed from the Board by vote of the Association.

(b) Any officer may resign at any time by giving written notice to the Board of Directors, the President or the Secretary of the Association. Any such resignation shall take effect upon receipt of such notice or at any later time specified therein. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective, provided that the Board of Directors may reject any post-dated resignation by notice in writing to the resigning officer. The effectiveness of such resignation shall not prejudice the contract rights, if any, of the Association against the officer so resigning.

Section 4 - President

The President shall be the chief executive officer of the Association and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and affairs of the Association. He or she shall preside at all meetings of the members and of the Board of Directors. He and she shall be an ex officio member of all the standing committees, shall have the general powers and duties of management usually vested in the office of president of a non-profit corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

Section 5 - Secretary

(a) The Secretary shall keep or cause to be kept a Book of Minutes of all meetings of directors and members showing the time and place of the meeting, whether it was regular or special, and if special, how authorized, the notice given, the names of those present at directors' meetings, the number of memberships present or represented at members' meetings and the proceedings thereof.

(b) The Secretary shall give or cause to be given such notice of the meetings of the member sand of the Board of Directors as is required by these Bylaws or by law. He or she shall keep the seal of the Association, if any, and affix it to all documents requiring a seal, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

Section 6 - Treasurer

The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts and disbursements. The books of accounts shall at all reasonable times be open to inspection by any director. The Treasurer shall deposit all moneys and other valuables in the name and to the credit of the Association with such depositories as may be designated by the board. He or she shall disburse the funds of the Association as may be ordered by the board, shall render to the President and directors, whenever they request it, an account of all of his or her transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the board or these Bylaws.

Section 7 - Compensation of Officers

No officer who is a member of the Board of Directors shall receive any compensation from the Association for acting as an officer.

ARTICLE VI
EXECUTIVE AND OTHER COMMITTEES

Subject to law, the provisions of the Articles of Incorporation and these Bylaws, the Board of Directors may appoint an executive committee and such other committees as may be necessary from time to time, consisting of such number of its members and having such powers as it may designate. Such committees shall hold office at the pleasure of the Board.

ARTICLE VII
RESPONSIBILITY OF BOARD, RECORDS AND REPORTS

Section 1 - Responsibility of Board

The Association, through its Board of Directors, shall be responsible for the following:

(a) Maintaining all Private Ways, Storm Drainage System, Common Areas and the improvements thereon.

(b) Maintaining the sand dune and the entry sign at the entrance to the subdivision.

(c) Construction of such improvements on the Private Ways and Common Areas as it deems will be of benefit to the Owners and their guests.

(d) Enforcement of all covenants and restrictions in the Declaration and The Hills of Neskowin Rules and Regulations.

(e) Promulgation and enforcement of The Hills of Neskowin Rules and Regulations and the enforcement of the Design Committee Rules and decisions of the Design Committee.

(f) Payment of all ad valorem taxes and assessments imposed on any of the Common Areas and Private Ways within The Hills of Neskowin.

(g) Provision of such services to the Owners as it shall deem to be of benefit to the Owners of The Hills of Neskowin.

(h) Procuring and maintaining insurance on all improvements constructed on the Common Areas.

(i) From time to time and at least annually, preparing a budget for the Association, estimating the common expenses expected to be incurred with adequate allowance for reserves, determining whether the monthly maintenance assessment should be increased or decreased and reporting the same to the membership at the

annual meeting and, where appropriate, seeking adjustments in the maintenance assessment as provided in the Declaration.

(j) Keeping records of the receipts and expenditures affecting the funds of the Association, maintaining an assessment roll showing the amount of each assessment against each owner, the amounts paid upon the account and the balance due on the assessments, giving each member written notice of each assessment at least two weeks prior to the time when such assessment shall become due and payable, and promptly providing any member who makes a request in writing with a written statement of his or her unpaid assessments.

Section 2 - Records

The Association shall keep correct and complete books and records of accounts and shall keep minutes of the proceedings of its members, Board of Directors and committees having any of the authority of the Board of Directors.

Section 3 - Inspection of Books and Records

All books and records of the Association may be inspected by any member, or his agent or attorney, and by any holder of a first mortgage or deed of trust on a lot for any proper purpose at any reasonable time.

Section 4 - Certification and Inspection of Bylaws

All original or a copy of the Bylaws and any amendments thereto, certified by the Secretary, shall be open to inspection by the members and directors in the manner and to the extent required by law.

Section 5 - Checks Drafts Etc.

All checks, drafts and other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Association, shall be signed or endorsed by such person or persons and in such manner as shall be determined from time to time by resolution of the Board of Directors.

Section 6 - Execution of Documents

The Board of Directors may, except as otherwise provided in the Declaration, Articles of Incorporation or these bylaws, authorize any officer or agent to enter into any contract or execute any instrument in the name of and on behalf of the Association. Such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Association by any contract or engagement, or to pledge its credit, or to render it liable for any purpose or for any amount.

Section 7 - Reports and Audits

An annual report of the receipts and expenditures of the Association shall be rendered by the Board of Directors to all members and to all holders of mortgages or trust deeds on lots who have request the same promptly after the end of each fiscal year. From time to time the Board of Directors, at the expense of the Association may obtain an audit of the books and records pertaining to the Association and furnish copies thereof to the members. At any time, any member or holder of a mortgage or trust deed may, at his or her own expense, cause an audit or inspection to be made of the books and records of the Association.

ARTICLE VIII
LIABILITY AND INDEMNIFICATION OF DIRECTORS

Section 1 - Limitation of Liability

The civil liability of the qualified director for the performance or the nonperformance of the director's duty shall be limited to gross negligence or intentional misconduct.

Section 2 - Indemnification

The Association may indemnify an individual made a party to a proceeding because the individual is or was a director, against liability incurred in the proceeding, in accordance with the provisions of ORS 65.387 to 65.414, as those sections are presently constituted or are subsequently amended or recodified.

ARTICLE IX
GENERAL PROVISIONS

Section 1 - Seal

The Board of Directors may, by resolution, adopt a corporate seal.

Section 2 - Notice

All notices to the Association or to the Board of Directors shall be sent in care of the managing agent, or if there is no managing agent, to the principal office of the Association or to such other address as the Board of Directors may hereafter designate from time to time. All notices to members shall be sent to the member's unit or to such other address as may have been designated by the member from time to time in writing to the Board of Directors.

Section 3 - Waiver of Notice

Whenever any notice to any member or director is required by law, the Declaration, the Articles of Incorporation or these Bylaws, a waiver of notice in writing signed at any time by the person entitled to notice shall be equivalent to the giving of the notice.

Section 4 - Action Without Meeting

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

Section 5 - Conflicts

These Bylaws are intended to comply with the Oregon Nonprofit Corporation Law, the Declaration and the Articles of Incorporation. In the case of any irreconcilable conflict, such statute and documents shall control over these Bylaws.

ARTICLE X AMENDMENTS TO BYLAWS

Section 1 - How Proposed

Amendments to these Bylaws shall be proposed by either a majority of the Board of Directors, by Declarant while it has administrative control of the subdivision, or by members having one-fourth of the votes of the Association. The proposed amendment must be reduced to writing and shall be included in the notice of any meeting at which action is to be taken thereon.

Section 2 - Adoption

The proposed amendment may be adopted at a regular or special meeting of the members called for that purpose at which a quorum is present by a majority vote of the members entitled to vote present in person or by proxy at such meeting, provided, however, that those provisions of these Bylaws which are governed by the Declaration or the Articles of Incorporation of this Association may not be amended except as provided in those documents, and while the Declarant has administrative control of the subdivision, the Bylaws may be amended by Declarant.

Section 3 - Recording

Once adopted, such amendment shall be copied in the appropriate place of the Book of Minutes of the Association containing the original Bylaws. If any Bylaw is repealed, the fact of such repeal and the date on which the repeal occurred shall be stated in such book and place.

ARTICLE XI

Adoption of Rules and Regulations

Updates to the Rules and Regulations may be adopted upon a majority vote of the members of the Board present at a Board meeting at which there is a quorum of Board members. A copy of any and all proposed changes shall be made available to each Owner prior to the meeting. Upon adopting the final version of any such rules and regulations, the Board shall cause copies thereof to be made available to each Owner. Any rule or regulation which conflicts with State or Federal Law, the Declaration, or the Bylaws shall be null and void.