

BYLAWS
OF
NEWPORT HILLS HOMEOWNERS ASSOCIATION, INC.

ARTICLE I. NAME

The name of this association shall be the Newport Hills Homeowners Association, Inc. (hereinafter "the Association").

ARTICLE II. OBJECT

Section 1. The object of the Association shall be those actions required to protect and enhance all properties lying within the boundaries of that portion of Newport Hills.

Section 2. All present or future Owners, tenants, occupants, or their employees, or any other person that might use the facilities of Newport Hills, in any manner, are subject to the regulations set forth in these Bylaws.

ARTICLE III. MEMBERSHIP

Section 1. Membership in the Association. Membership in the Association shall be by ownership, either by deed or by purchase under a contract of sale, of one or more lots.

Section 2. Voting. The Association's voting power shall be determined as follows:

2.1 Each owner of one lot shall have one vote.

2.2 In those cases of joint owners, they shall be considered as a single unit thereby entitled to one vote. In no event will fractional voting be allowed.

2.3 In those cases where more than one lot is owned by one owner, the owner shall have one vote per lot.

Section 3. Voting Rights. The term "Majority" shall mean those owners holding over fifty percent (50%) of the voting rights. "Majority of Owners present" shall mean Owners holding over fifty percent (50%) of the votes present at any legal meeting.

Section 4. Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of owners holding fifteen percent (15%) or more of the outstanding votes in the Association, shall constitute a quorum. A legal meeting is one duly called pursuant to these Bylaws where a quorum is present in person or by proxy, or if a vote is taken by written ballots, when ballots are returned representing more than fifteen percent (15%) of the vote.

Section 5. Place of Meetings. Meetings of the Association shall be held at Newport Hills or such other suitable place as convenient to the Owners as may be designated by the Board of Directors.

Section 6. Annual Meetings. The annual meeting of the Association shall be held as directed by the Board of Directors, but in no event less than annually. At such meeting, new members of the Board of Directors shall be elected in accordance with these Bylaws and the Owners may transact such other business of the Association as may properly come before them.

Section 7. Special Meetings. Special Meetings may be called by the President; a Resolution of the Board of Directors upon a Petition signed by sixty percent (60%) or more of the Directors; or upon a Petition signed by twenty percent (20%) or more of the Owners.

Section 8. Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual, special, or meeting by ballot, stating the purpose of the meeting and the time and place where it is to be held. Notice shall be mailed at least seven (7) days but no more than fifty (50) days prior to such meeting. The mailing shall be to the Owner's address last given the Secretary in writing by the Owner. If Lot ownership is split or the Lot has been sold on a contract, notice shall be sent to a single address of which the Secretary has been notified in writing by such parties.

ARTICLE IV. BOARD OF DIRECTORS

Section 1. Number and Qualification. The affairs of the Association shall be governed by a Board of Directors composed of five (5) persons, all of whom must be an Owner or Co-Owner of a Lot. Board Members shall be the Officers of the corporation and one (1) shall be a member at large.

Section 2. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law or by these Bylaws directed to be exercised and done by the Owners.

Section 3. Other Duties. In addition to duties imposed by these Bylaws or by resolutions of the Association, the Board of Directors shall have authority to carry out and be responsible for the following matters:

3.1 Care, upkeep and supervision of the Monuments.

3.2 Establishment and maintenance of replacement reserve accounts and other reserves which are required to be maintained by the Oregon Planned Community Act, the Amended Covenants, Conditions, and Restrictions or these Bylaws and such other reserve accounts as are permitted by these Bylaws.

3.3 Designation and collection of monthly assessments from the Owners, in accordance with these Bylaws, the Amended Covenants, Conditions, and Restrictions and the Oregon Planned Community Act.

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

3.5 Obtaining and maintaining insurance policies and payment of premiums therefore out of the common expense funds in respect to the Common Property.

3.6 Designation and dismissal of the personnel necessary for the maintenance and operation of the common property.

3.7 Causing the preparation and distribution of annual financial statements of the Association to each of the Owners.

3.8 Adoption and amendment of administrative rules and regulations governing the details of operation and use of the Common Property. Provided, however, any such rules or regulations shall always be subject to rescission or amendment by the Association upon Majority vote of Owners present at any properly called meeting.

3.9 Overseeing and enforcing the architectural controls as described in the Declaration of Covenants, Conditions and Restrictions for Newport Hills as amended, including but not limited to, improvement review, enforcement of architectural guidelines, inspection of improvements, house color approval.

3.10 Enforcement of the restrictions on use of the property as described in the Declaration of Covenants, Conditions and Restrictions for Newport Hills as amended, including but not limited to, restrictions on occupancy improvements, fences, clothes lines, garbage cans, animals, pets, commercial activity, offensive activity, signs, exterior lighting, noise making devices, antennas, limitations on transfer, mobile homes, single family residence, utilities, view preservation, parking, square footage minimum, open burning, tree cutting, and landscape maintenance.

3.11 All other duties, powers, responsibilities and rights of the Declarant under the Declaration of Covenants, Conditions and Restrictions for Newport Hills as amended.

3.12 Causing the Association to comply with the Oregon Planned Community Act relating to maintenance and distribution of financial statements and maintaining copies suitable for duplication of the following: Amended Covenants, Conditions, and Restrictions, Bylaws, Association Rules and Regulations and any amendments thereto, the most recent Annual Financial Statement, and the current Operating Budget of the Association.

Section 4. Income Tax Returns.

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

Section 5. Budgets and Financial Statements.

5.1 The following financial and related information shall be regularly prepared and distributed by the Board of Directors to all members of the Association:

5.1.1 A pro forma operating budget for the immediately ensuing fiscal year consisting of at least the following, information shall be distributed:

5.1.1.1 Estimated revenue and expense.

5.1.1.2 The amount of the total cash reserves of the Association currently available.

5.1.1.3 An estimate of the current replacement costs of, and the estimated remaining life of, and the methods of funding used to defray the future repair, replacement or additions to, those major components of the common areas and facilities which the Association is obligated to maintain.

5.1.2 A balance sheet.

5.1.3 A report consisting of the following shall be distributed within 120 days after the close of the fiscal year.

5.1.3.1 A balance sheet as of the end of the fiscal year.

5.1.3.2 An operating (income) statement for the fiscal year.

5.2 In lieu of the distribution of the pro forma operating budget required by Section 5.1.1, the Board of Directors may elect to distribute a summary of the items described in Section 5.1.1 to all members of the Association with a written notice that the budget is available at the business office of the Association or at another suitable location and that copies will be provided upon request and at the expense of the Association. If any member requests copies of the pro forma operating budget including the items described in Section 5.1; the Association shall provide such copies to the member.

Section 6. Directors, Election and Term of Office. The term of the Directors shall be two (2) years. Three (3) Directors shall be elected on odd years and two (2) Directors elected on even years. Directors shall hold office until their successors have been elected. The Board of Directors may be elected by a single ballot with each Owner permitted to vote for the number of openings in that year.

Section 7. Vacancies. Vacancies on the Board of Directors caused by any reason other than the removal of a Director by a vote of the Association shall be filled for the balance of the term of each directorship by vote of a Majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is

elected upon expiration of the term for which such person was elected by the other Directors to serve.

Section 8. Removal of Directors. At any legal annual or special meeting, other than a meeting by ballot, any one (1) or more of the Directors may be removed with or without cause, by Majority vote of the total voting power of the Owners and a successor may be then and there elected to fill the vacancy thus created. Provided however, the notice of meeting shall specifically indicate that the removal of one (1) or more named directors is an agenda item for such meeting: Any Director whose removal has been by the Owners shall be given an opportunity to be heard at the meeting.

Section 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. Notice of regular meetings of the Board of Directors may be called by the President on three (3) days' notice to each Director, given personally or by mail, telephone, fax or e-mail, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

Section 10. Special Meetings. Special meetings of the Board of Directors may be called by the President or Secretary or on the written request of at least three (3) Directors. Special meetings of the Board of Directors may be called on three (3) days' notice to each Director given personally or by mail, telephone, fax or e-mail, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

Section 11. Waiver of Notice to Directors. Before, at or after any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. The attendance by a Director at any meeting of the Board shall be a waiver of notice by him or her. If all the Directors are present at any meeting of the Board, no notice to Directors shall be required and any business may be transacted at such meeting.

Section 12. Board of Directors' Quorum. At all meetings of the Board of Directors, a Majority of the existing Directors shall constitute a quorum for the transaction of business, and the acts of the Majority of the Directors or at least three (3) Directors, whichever is greater, shall be the acts of the Board of Directors. If at any meeting of the Board of Directors there is less than a quorum present, the Majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 13. Board of Directors Meetings Open to All Association Members. All meetings of the Board of Directors shall be open to any and all members of the Association. Provided, however, no Association member shall have a right to participate in the Board of Directors meetings unless such member is also a member of the Board of Directors. The President shall have authority to exclude any Association member who disrupts the proceedings at a meeting of the Board of Directors.

Section 14. Notice to Association Members of Board of Directors. For other than emergency meetings, notice of Board of Directors meetings shall be given to the members in a manner reasonably calculated to inform each member of such meetings.

Section 15. Compensation of Directors. No Director shall be compensated in any manner, except for out-of-pocket expenses, unless such compensation is approved by vote of the Owners.

ARTICLE V. OFFICERS

Section 1. Designation. The principal officers of the Association shall be a President, a Vice-President, a Secretary and a Treasurer, all of whom shall be elected by the Directors.

Section 2. Election of Officers. The officers of the Association may be elected by the Board of Directors, and shall hold office at the pleasure of the board.

Section 3. Removal of Officers. Upon an affirmative vote of a Majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his or her successor elected at any regular or special meeting of the Board of Directors.

Section 4. President. The President shall be the chief executive officer of the Association. The President shall preside at all meetings of the Association and Board of Directors. The President shall have all of the general powers and duties which are usually vested in the office of the president of an association, including, but not limited to, the power to appoint committees from among the Owners, from time to time, as he or she may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Association.

Section 5. Vice-President. The Vice-President shall act in the stead of the President if the President is unable or fails to act.

Section 6. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Association; he or she shall have charge of such books and papers as the Board of Directors may direct; and he or she shall, in general, perform all the duties incident of the office of the Secretary.

Section 7. Treasurer. The Treasurer shall have responsibility for Association funds and securities not otherwise held by the managing agent, and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He or she shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board of Directors.

Section 8. Directors as Officers. Any Director may be an officer of the Association.

ARTICLE VI. OBLIGATIONS OF THE OWNERS.

Section 1. Assessments. All Owners are obligated to pay assessments imposed by the Association to meet all the Association's general common expenses as more particularly set forth in the Amended Covenants, Conditions, and Restrictions. Assessments shall be payable on a periodic basis, not more frequently than monthly, as determined by the Board of Directors.

Section 2. Special Assessments. Special assessments or charges may be levied as allowed by the Oregon Planned Community Act.

Section 3. Default. Failure by an Owner to pay any assessment of the Association shall be a default by such Owner of his or her obligations pursuant to these Bylaws and the Oregon Planned Community Act. In addition to the interest which may be charged on delinquent assessments, the Board of Directors, at its option, may impose a late charge penalty in respect to any assessment not paid within thirty (30) days from the assessment. The Association shall be entitled to a lien which may be enforced upon compliance with the provisions of the Oregon Planned Community Act. In any foreclosure suit by the Association with respect to such lien, the Association shall be entitled to collect reasonable rent from the defaulting Owner for the use of his or her Lot or shall be entitled to the appointment of a receiver. Any default by the Owner in any provisions of these Bylaws or the Oregon Planned Community Act shall be deemed to be a default by the Owner of any mortgage to which the Owner is a party or to which the Lot is subject.

ARTICLE VII. INSURANCE.

The Board of Directors shall obtain and maintain at all times insurance of the type and kind and in the amounts referred by Oregon Planned Community Act or as determined by the Board of Directors from time to time.

ARTICLE VIII. AMENDMENT.

These Bylaws may be amended at any time by an instrument approved by at least a Majority of the Members.

ARTICLE IX. COMPLIANCE.

These Bylaws are intended to comply with the provisions of the Oregon Planned Community Act. In case any of the provisions hereof conflict with the provisions of said statutes, the statutory provisions shall apply. In case of any conflict between the provisions hereof and the Amended Covenants, Conditions, and Restrictions, the provisions of the Amended Covenants, Conditions, and Restrictions shall apply.

ARTICLE X. INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS.

The Association shall indemnify any Director, officer, employee or agent who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit

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

ARTICLE XI. ASSESSMENT COLLECTION COSTS; SUITS AND ACTIONS.

Owners shall be obliged to pay reasonable fees and costs including, but not limited to, attorney fees incurred in connection with efforts to collect any delinquent unpaid assessments. In addition to the monthly assessment for operating expenses and the funding of reserves, such assessments may include fees, late charges, fines and interest imposed pursuant to Oregon law. In the event suit or action is commenced by the Directors for the collection of any amounts due pursuant to these Bylaws or for the enforcement of any provisions of the Amended Covenants, Conditions, and Restrictions, Bylaws or of the Oregon Planned Community act, the Owner or Owners, jointly and severally, will in addition to all other obligations, pay the costs of such suit or action, including reasonable attorney fees to be fixed by the trial court and, in the event of an appeal, the cost of the appeal, together with reasonable attorney fees in the appellate court to be fixed by such court.

ARTICLE XII. MISCELLANEOUS.

Section 1. Notices. All notices to any Owner shall be sent to such address as may have been designated by him or her from time to time, in writing, to the Board of Directors, or if no address has been designated, then to the Owner's Lot.

Section 2. Waiver. No restriction, condition, obligation or provision contained in these Bylaws shall be deemed to have abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

It is hereby certified that these Bylaws have been adopted by Newport Hills Homeowners Association, Inc.

DATED this _____ day of September, 1998.

**NEWPORT HILLS HOMEOWNERS
ASSOCIATION, INC.**

By: _____
_____, Secretary