

**BY-LAWS OF THE ASSOCIATION OF UNIT OWNERS
FOR
NORTH SHORE TERRACE CONDOMINIUM**

A & D Development General Partnership, consisting of DVM, Inc. an Oregon corporation, (managing partner) and Hinds Enterprises, Inc., an Oregon corporation, General Partners, executed a Declaration, submitting real property to the Oregon Condominium Act, State of Oregon, ORS 100.005 to ORS 100.910.

An Association of Unit Owners was therein created and the Declarant thereunder now establishes the following as By-laws of the Association. These By-laws shall run with the land and shall be binding on and for the benefit of the unit owners, their heirs, successors and assigns.

ARTICLE I

Name and Office

1. Name. The name of this Association is THE ASSOCIATION OF UNIT OWNERS OF NORTH SHORE TERRACE CONDOMINIUM, hereinafter referred to as "the Association," an unincorporated association.

2. Principal Office. The principal office of the association shall be maintained at 433 North Coast Highway, Newport, Oregon. or at any other location in the State of Oregon as the owners may agree.

3. The Association shall have the responsibility of preparing or causing to be prepared and filing any required income tax return or forms for the Association pursuant to Internal Revenue Service requirements.

ARTICLE II

Members

1. Composition of Voting Rights. The Association shall be composed of all owners of condominiums of NORTH SHORE TERRACE CONDOMINIUM. Each condominium shall be entitled to one vote. Whenever any condominium unit is owned of record by two or more persons or entities jointly, the vote of that condominium unit may be exercised by any one of the co-owners. However, in the event of a protest by a co-owner to the vote of another co-owner, no one co-owner shall be entitled to vote without the approval of all other co-owners of that condominium unit. An owner may designate another person to represent him at any meeting of the Association by filing a signed written designation of authority with the Board of Directors before the meeting. Any such designation filed with

the Board of Directors shall be deemed valid until revoked in writing. A personal representative, guardian or trustee may vote at any meeting of the Association with respect to any condominium unit owned by him in such capacity, whether or not the same shall have been transferred to his name, as long as he provides evidence to the satisfaction of the Association of his capacity to act with regard to said condominium unit. The foregoing entitlement to vote is subject to Declarant control as reserved in the Declaration and therefore until such time as Declarant relinquishes control, pursuant to the Declaration, the Declarant shall have ten votes for each unit owned by Declarant. Once Declarant control is lost, Declarant, like other unit owners, will have one vote per unit.

ARTICLE III

Meetings

1. Turn-Over Meeting. Initially, pursuant to ORS 100.200(1), the Declarant shall control the Association of Unit Owners without requirement to call a meeting of unit owners, during which period of time Declarant, or any person designated by Declarant, may appoint and remove officers and members of the board of directors and exercise the powers and responsibilities otherwise assigned by the Declaration, By-laws or the provisions of Oregon law to the Association, the officers or the board of directors. No formal or written proxy or power of attorney need be required of the unit owners to vest the Declarant with such authority. At such time as Declarant is required to relinquish control as hereinabove defined and as set forth in the Declaration, Declarant shall issue, pursuant to ORS 100.210(2), a notice of the turn-over meeting. Said notice shall be at least seven, but not more than fifty, days prior to the meeting. The notice shall state the purpose of the meeting and the time and place where it is to be held. At the turn-over meeting, Declarant shall perform the requirements of ORS 100.210(5). Administrative control of the Association will shift from Declarant to unit owners and they shall elect a board of directors.

2. Initial Meeting. The initial meeting of the Association of Unit Owners of NORTH SHORE TERRACE CONDOMINIUM shall be held simultaneously with the turn-over meeting, and the Association business shall be conducted after Declarant has performed as required by ORS 100.210(5). The notice of said initial meeting shall be coincident with the notice for the turn-over meeting.

3. Annual Meeting. The initial meeting of the Association as hereinabove provided shall be declared to be the anniversary date of the Association for purposes of determining the annual meetings and thereafter in each subsequent year on the anniversary date, an annual meeting of the Association shall be held. The annual meeting shall be held for the purposes of electing directors and for the transaction of any other business brought before the

meeting.

4. Special Meetings. Special meetings of the Association may be called at any time by any two directors or at the request of any three unit owners. At any such special meeting, only such business shall be transacted as shall have been specifically or generally described in the notice of such meeting.

5. Notice of Meetings. No notice of the annual meeting need to given if the meeting is to be held on the anniversary date, and at the place of meeting hereinafter described. For any special meeting or an annual meeting other than at the date and place described, notice shall be given by the secretary in writing to each condominium owner, and shall be mailed not less than fourteen (14) days before such meeting; no notice need be given to any owner who shall waive such notice in writing or who shall be present at such meeting in person or by proxy. Said notice shall be effective, whether or not received, if mailed to the last known address of the condominium owner as shown on the books of the Association's secretary, and shall be effective as of the date mailed or personally delivered. The written ratification of any owner of any action taken at such meeting by the person so ratifying shall be equivalent to a waiver of notice of such meeting by the persons so ratifying. The notice of a meeting shall contain an agenda of matters to be taken up at the meeting, and no matters other than those shown on the agenda shall be considered at the meeting unless the condominium owners unanimously consent to the addition of other matters to the agenda.

6. Place of Meetings. All meetings of the Association shall be held at the principal office of the Association unless otherwise stated in the notice, and all meetings shall be held in the State of Oregon.

7. Quorum and Voting. At any meeting of the Association, attendance of a majority of the owners present in person or by proxy shall constitute a quorum, and the concurring vote of a majority of such owners present and constituting a quorum shall be valid and binding upon the Association except as otherwise provided by law or by these by-laws.

8. Informal Unit Owner Action. Any action required to be taken at a meeting of the condominium owners or any other action which may be taken at a meeting of the condominium owners may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the condominium owners entitled to vote with respect to the subject matter thereof.

ARTICLE IV

Powers of Members

1. Association of Unit Owners Powers. The Association of
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Unit Owners shall have the powers provided pursuant to ORS 100.405.

ARTICLE V

Board of Directors

1. Number and Election. The initial Board of Directors shall consist of three directors from separate condominium units elected by the Association. Should the condominium development progress by addition of newly created units, at such time as the units are increased to certain levels, additional directors will be added as hereinafter provided:

<u>Total No. of Units</u>	<u>Total No. of Directors</u>
1 to 9	3
10 to 14	4
15 to 22	5
22 to 30	6
30 to 40	7

Whenever a director sells his condominium, he shall be deemed to have resigned as of the closing date of said sale, and the remaining directors shall appoint a new director who is an owner of the condominium formerly owned by the resigning director, to serve until a new director is elected, either at a special meeting called for the purpose of electing new directors, or at the next annual meeting of the Association. In the event of a vacancy in the office of a director, the remaining directors shall appoint a director to serve until a new director is elected either at a special meeting called for the purpose of electing new directors, or at the next annual meeting of the Association. No person may serve as a director who is not an owner of a condominium in North Shore Terrace Condominium.

2. Quorum and Majority Rule. So long as the Board of Directors consists of three directors, two shall constitute a quorum for the transaction of business at any meeting of the board and shall be binding upon the Association except as otherwise provided by law or in these by-laws. At such time as the number of directors shall increase to four, a quorum shall be three, and at such time as the board is increased to five directors, a quorum shall be four; at such time as the board is increased to six a quorum shall be four; and at such time as the board is increased to seven, a quorum shall be five. A majority of the quorum shall control.

3. Compensation. The directors shall not receive any

compensation for their services as directors.

4. Powers. As the duly elected representatives of the membership, the Board of Directors shall be vested with, on behalf of the membership, the powers of the membership here above enumerated and as found in ORS 100.405(4) unless the exercise of a particular power as required by law or the Declaration or By-laws necessitates a decision by the membership as a whole.

5. Removal. A director may be removed from the Board for cause if a majority of the then unit owners shall find said cause to exist at the time of any special meeting called for such purpose.

6. Interim Directors. Until the initial meeting of the members as hereinabove provided, William O. Mishey, Dennis Moore, Thomas F. Moore shall be interim directors.

ARTICLE VI

Board of Directors Meetings.

1. Initial and Annual Meetings. The initial, and thereafter, annual meeting of the Board of Directors shall be held immediately upon conclusion of the initial and annual meetings of the membership respectively and shall be held without notice immediately after the adjournment of said initial or annual meeting of the Association

2. Special Meetings. Special meetings of the Board of Directors shall be called by the Secretary at the request of the Chairman or at the request of one of the other Board members.

3. Place of Meetings. All meetings of the Board of Directors shall be held at the principal office of the Association unless otherwise stated in the call, and all meetings shall be held in the State of Oregon.

4. Notice of Meetings. No notice of the initial and thereafter annual meetings need be given. If any meeting is to be held elsewhere or at a different time, notice shall be given by the Secretary in writing to each director, and shall be mailed not less than fourteen days before such meeting; no notice need be given to any director who shall waive such notice in writing or who shall be present at such meeting or by proxy. Said notice shall be effective, whether or not received, if mailed to the last known address of the director as shown on the books of the Association's secretary and shall be effective as of the date mailed or personally delivered. The written ratification of any director of any action taken at any meeting shall be equivalent to a waiver of notice of such meetings by the director so ratifying. The notice of a meeting shall contain an agenda of matters to be

taken up at the meeting, and no matters other than those shown on the agenda shall be considered at the meeting unless the directors unanimously consent to the addition of other matters to the agenda.

5. Conduct of Meetings. All meetings of the Board of Directors shall be open to the unit owners. For other than emergency meetings, notice of Board of Directors' meetings shall be posted at a place on the property at least three days prior to the meeting, or notice shall be provided by a method otherwise reasonably calculated to inform unit owners of such meetings. Meetings of the Board of Directors may be conducted by telephone for all business to come before the Board if the majority of the units are not the principal residence of the occupants. In those instances where the majority of the units are the principal residence of the occupants, only emergency meetings of the Board of Directors may be conducted by telephone communication.

6. Consent to Meetings. Any action required to be taken at a meeting of the Board of Directors or any other action which may be taken at a meeting of the Board of Directors may be taken without a meeting if a consent in writing, setting forth the action so taken shall be signed by all of the directors entitled to vote with respect to the subject matter thereof; provided, however, that the right of owners to notice and attendance under ORS 100.420 must be adhered to or waived in writing by all owners.

ARTICLE VII

Manager

1. Manager. The Board of Directors may designate a manager to supervise the management, maintenance, repair or rental of the property and may set his compensation and duties. The Board of Directors may delegate any of its duties to the manager and may revoke any such delegation at any time upon written notice to the manager.

ARTICLE VIII

Officers

1. Office, Election and Removal. The Board of Directors shall elect by majority vote at the initial meeting, and thereafter annually at the annual meeting of the Board of Directors, a Chairman, Vice Chairman, Secretary and Treasurer, each of whom shall serve for the ensuing year and until a successor is elected. The Chairman and Vice Chairman shall be elected from among the Board of Directors. The Secretary and Treasurer need not be members of the Board or condominium owners. The Board of Directors may elect such other officers as it may deem necessary, who shall have such authority and perform such duties as may be prescribed

by the Board of Directors from time to time. One person may hold more than one office, except that the Chairman shall hold no other office. Any officers shall be subject to removal at any time by the affirmative vote of a majority of the whole Board of Directors. If the office of any officer shall become vacant for any reason, the Board of Directors may elect a successor.

2. Chairman. The Chairman shall preside over all meetings of the Board of Directors and the Association at which he shall be present. The Chairman shall have the powers and perform such duties customarily incidental to the chief executive officer of a corporation and such other powers and duties as are assigned to him elsewhere in these by-laws, or as may be assigned to him from time to time by the Board of Directors.

3. Vice-Chairman. The Vice Chairman shall perform all duties and functions of the chairman in the chairman's absence.

4. Secretary. The secretary shall keep the minute books wherein all resolutions duly passed and all other actions taken at any meeting of the Association and by the Board of Directors shall be recorded. He shall give notice of all meetings of the Association and the Board of Directors. The secretary shall have the powers and perform the duties customarily incidental to his office and such other powers and duties as may be assigned to him from time to time by the Board of Directors.

5. Treasurer. The Treasurer shall keep all financial records and books of account and have custody of all funds and securities of the Association and be responsible for the safe keeping of all monies, notes, bonds and other money instruments belonging to the Association. He shall render statements in such form and as often as required by the Board of Directors and the Association. He shall send a financial statement to each condominium unit owner within 90 days after the end of the fiscal year of the Association. The financial statement shall consist of a balance sheet and an income and expenses statement for the preceding fiscal year. He shall have the powers and perform the duties customarily incidental to his office and such other powers and duties as may be assigned to him by the Board of Directors.

6. Compensation. The Chairman and Vice Chairman shall serve without compensation as such. The Secretary and Treasurer shall receive such compensation as the Board of Directors shall determine.

ARTICLE IX

Rules and Regulations

By way of modification to the general powers of the membership and Board of Directors as hereinabove set forth, the following

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shall apply with regard to the adoption of rules and regulations:

In order to ensure a peaceful and orderly use and enjoyment of the property, and particularly the common elements of the property, the Association may, from time to time, adopt, modify and revoke in whole or in part, the rules and regulations governing the conduct of persons and the operation and use of the condominium and the common elements and other property as may seem necessary or appropriate by a vote by the then majority of condominium owners entitled to vote, in person, or by proxy, at any meeting. Notice of said meetings shall have stated that the adoption, modification or revocation of such rules and regulations, upon adoption, and a copy of each amendment, modification and revocation thereof shall be delivered to each condominium owner by the secretary to be binding upon all condominium owners and the occupants of all condominiums from the date of delivery. Such rules and regulations shall not be inconsistent with any existing contract for rental agreements of any unit.

ARTICLE X

Maintenance, Repairs, Expenses and Assessments

1. Association's Responsibilities. A unit that has suffered damage must be repaired or reconstructed. As a result thereof the Association shall, through its Board of Directors, procure the insurance required by ORS 100.435(2).

2. Owners' Responsibilities. Each owner shall maintain and repair, at his own expense, the unit including costs of redecorating, maintaining, repairing and replacing any plumbing fixtures or appliances which may be in said unit. The owner shall also be responsible for all repairs, maintenance and expenses which are not specifically delegated to the Association. Each owner shall maintain fire insurance, extended coverage for vandalism and malicious mischief, and legal liability insurance covering his individual unit. Each owner shall provide proof of such insurance to the Association annually and shall have the policy endorsed with a provision of notice to the Association in the event of cancellation, termination or any other similar event. Additionally, each unit owner shall be responsible for maintaining the limited common elements in good repair and condition.

3. Assessments. At least annually, the Board of Directors shall determine the estimated costs to be incurred in carrying out its responsibilities as set forth herein for the ensuing year. In addition, the Board may assess against any condominium unit any costs as they are incurred as a result of the negligence of any owner of a unit or of his guests or tenants. The owner or owners of the condominium unit are jointly and severally liable for the amount of any assessment against a condominium unit, and the owners shall pay such total assessment within thirty days after the date

on which the assessment is mailed to them, by delivery to the then treasurer at the address indicated on the assessment. Any assessments, not paid within thirty days after the date of mailing the assessment notice, shall bear interest at the rate of twelve percent per annum from the due date until paid. In the event the Association is required to consult an attorney to collect the amount of any assessment, the owner or owners liable for said assessment shall pay a reasonable attorneys' fee to the Association, and said fee may be included in any lien filed by the Association. The amounts received pursuant to said assessments shall be held by the Treasurer in trust until they are expended for the purposes set forth in this article.

4. Payment Vouchers for Association Expense. All monies expended by the Association for maintenance, upkeep and repair of the common elements as above required and for other authorized purposes shall be so expended only after approval by a majority of the Board of Directors and once paid, payment vouchers of the Association and receipts for same shall be filed at the main office of the Association.

5. Proration. All general assessments shall be prorated among the units with each unit being responsible for a portion of the general assessment equal to that unit owner's fractional ownership of the common elements.

6. Maintenance and Employment. Nothing herein shall be so construed so as to prevent the Association from retaining the services of personnel necessary for the maintenance, upkeep and repair of the common elements, and the expense of same shall be the expense of the Association. If entered into prior to the turn-over meeting of the condominium unit owners, no management agreement, service contract or re-employment contract which is directly made by or on behalf of the Association, the Board of Directors or the unit owners as a group shall be in excess of three years. In addition, any such contract or agreement may be terminated without penalty by the Association or the Board of Directors upon not less than 30 days written notice to the other party given not later than 60 days after the turn-over meeting.

7. Declarant's Initial Obligation. Declarant shall have all obligations hereinabove created as if a unit owner with regard to assessments, expenses, etc., at such time as the first unit is sold by Declarant. However, pursuant to ORS 100.175(2) all such payments shall be deferred until the unit bearing the assessments has been sold.

ARTICLE XI

Liens

In the event any assessment against a condominium unit is not paid when due, the Association shall have a lien against said condominium unit for the amount of the unpaid assessment, with interest and attorneys' fees as provided above, and may cause a lien claim notice to be filed against said condominium unit as provided in ORS 100.450. The lien shall have the priority set forth in ORS 100.450 as well as ORS 100.460. The owners of any condominium unit not being foreclosed, or any one of them, shall have the power to bid on the foreclosed condominium unit at the foreclosure sale and to acquire, hold, lease, mortgage and convey the same.

ARTICLE XII

Annual Report Filing

It shall be the responsibility of Declarant, as provided for the duration under ORS 100.250, and thereafter the responsibility of the Board of Directors, to file with the Office of the Secretary of State a condominium information report initially, and a subsequent report annually. The fees for this report shall be a common expense of the condominium in every case.

ARTICLE XIII

Exclusive Ownership and Possession by Owner.

The owners of each condominium unit shall be entitled to exclusive ownership and possession of their unit. The owners of each condominium shall be entitled to an undivided interest in the common elements as provided for in the Declaration.

The allocation of the undivided interest in the common element shall be deemed to be conveyed, encumbered or released from liens with the condominium, even though such interest is not expressly mentioned or described in the conveyance or other instrument. The owners of each condominium may use the common elements in accordance with the purpose for which they are intended without hindering or encroaching upon the lawful rights of the other owners.

ARTICLE XIV

Use Restrictions

1. General. The use of a condominium unit by its owner or owners is subject to the restrictions set forth in the Declaration and additionally there shall be no violation of the rules for the use of common elements adopted by the Board of Directors and furnished in writing to the owners.

2. Initial Rules. The following are set forth as initial use

restrictions pertaining to the condominium.

(a) There shall be no trailer, boat, mobile home, motor home or any other similar vehicle or vehicle-like item parked for storage purposes upon any of the common elements.

(b) No unit owner shall construct or cause to be constructed any landscaping feature, such as fences, statuettes, rockeries, or the like, that extend higher than 6 feet above natural grade without the prior consent of the board of directors, and in no event shall any such proposed construction be contrary to the general landscaping of Declarant.

(c) No sign of any kind shall be displayed to public view by or from a unit or the common elements except for one size of not more than 6 square feet advertising a unit for sale or rent and except for any sign placed by Declarant or the Association which identifies the condominium project by its name.

(d) Each unit owner shall be responsible for maintaining said unit owner's respective limited common elements, free of rubbish, trash, garbage or any other similar waste product.

(e) No animals, livestock, or poultry of any kind whatsoever shall be raised, bred, or kept by a unit owner except for dogs, cats and other normal household pets, provided such household pets are not kept, bred, or maintained for commercial purposes. Such household pets shall be reasonably controlled by a given unit owner so as not to be a nuisance to other unit owners within the condominium project or a nuisance at large anywhere in the neighborhood of the condominium.

(f) No commercial, professional, home occupation, trade or any other similar activity shall be carried on upon or within any given unit except for activities permitted by Newport City Zoning Ordinances, the nature of which are not visible from the outside of any unit, nor that in any way impact the surrounding units or the condominium project in terms of increased traffic, activity, or the like. No commercial vehicle otherwise used in any trade or business and so identified by signage thereon shall be parked overnight or continuously for any period of time upon the common elements.

(g) Wood storage by a unit owner other than within the unit shall be confined to said unit owner's limited common element yard and shall not exceed a height of six

feet from the natural grade. It shall be stored and maintained in such a manner so as to not promote insect infestation of the common element or units.

(h) Each unit owner shall pay annually for a sweep of the chimney servicing the fireplace in the owner's unit with the chimney sweep to be approved and retained by the Board of Directors.'

(i) No antenna of any nature whatsoever shall be installed or maintained by a unit owner upon or within the common elements or units so as to be visible without the prior written consent of the Board of Directors.

(j) All vehicular parking shall be limited to the following area:

(1) Within garages designated for that purpose.

(2) Designated areas within the general common elements.

(3) A unit owner may park immediately in front of the garage of the unit, but only in such a manner so as to not interfere with the traffic flow within the project.

ARTICLE XV

Indemnification of Members of Board of Directors

Each member of the Board of Directors shall be indemnified by the owners against all expenses and liabilities, including attorneys' fees reasonably incurred in connection with any proceedings to which he may be a party or in which he may become involved by reason of his being or having been a member of the Board of Directors, or any settlement thereof whether or not he is a member of the Board of Directors, at the time such expenses are incurred, except in such cases wherein the member of the Board of Directors is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties, provided that in the event of a settlement, the indemnification shall apply only when the Board of Directors approves such settlement and reimbursement as being in the best interests of the Association.

ARTICLE XVI

Failure of Board of Directors to Insist on Strict Performance

The failure of the Board of Directors to insist, in any one or more instances, upon strict performance of any of the terms,

covenants, conditions or restrictions of the Declaration and By-laws, or failure to exercise any right or option herein contained or to serve any notice or to institute any action shall not be construed as a waiver or relinquishment for the future. The receipt by the Board of Directors of any money or its equivalent from any owner with knowledge of the breach of any covenant hereof shall not be deemed a waiver of such breach. No waiver by the Board of Directors of any provisions of the Declaration or by-laws shall be deemed to have been made unless expressly stated in writing and signed by the Board of Directors.

ARTICLE XVII

Legal and Accounting Services

The Board of Directors, from time to time, may contract for the services of lawyers and certified public accountants as the needs of the Association may demand. At any time, any owner may, at his own expense, cause an audit or inspection of the books and records to be made.

ARTICLE XVIII

Interpretation

The provisions of these By-laws shall be liberally construed to effectuate their purpose of creating a uniform plan for the development and operation of a condominium project.

ARTICLE XIX

Miscellaneous

1. Checks and Other Instruments. The Board of Directors shall designate the National Security Bank as the designated bank for deposit of Association funds. The number of required signatures for transaction of business therein shall be established by the Board of Directors from time to time. All other notes, bonds, acceptances, deeds, leases, contracts or other instruments shall be signed only after appropriate resolution by the Board of Directors and in the manner contained therein.

2. Definitions. The terms used herein shall have the meanings defined in the Oregon Condominium Act and the recorded Declaration of the North Shore Terrace Condominium.

3. Persons Affected. All condominium unit owners, their tenants, employees and guests, and any other persons who may in any manner use the property subject hereto shall be subject to these By-laws and all rules and regulations promulgated pursuant thereto as the same may, from time to time be amended.

ARTICLE XX

Amendments

These by-laws may be amended by a majority of the unit owners, except that amendments relating to age restrictions, pet restrictions, limitations on the number of persons who may occupy units and limitations on the rental or leasing of units shall required a two-thirds majority of unit owners. An amendment to the by-laws shall not be effective unless approved by the number of unit owners required above, and until a copy of the by-laws as amended, or the amendment thereto, certified by the Chairman and Secretary of the Association of Unit Owners as being adopted in accordance with the By-laws and the provisions of ORS 100.410 is recorded after prior approval of the Real Estate Commissioner if required by law.

THESE BY-LAWS ARE ADOPTED this 2nd day of March 1992 on behalf of the Association of Unit Owners of NORTH SHORE TERRACE CONDOMINIUM.

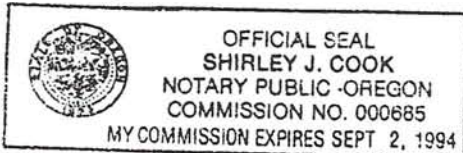
A & D DEVELOPMENT
GENERAL PARTNERSHIP

Dennis Moore
Dennis Moore President
DVM, Inc., Managing Partner

STATE OF OREGON)
County of Lincoln) ss.

On the 2nd day of March, 1991 personally appeared Dennis Moore who being duly sworn did say that he is the President of DVM, Inc. an Oregon corporation, managing partner of A & D Development General Partnership. and that the foregoing By-laws were signed and sealed in behalf of said corporation by authority of its board of directors, and he acknowledged the same to be its voluntary act and deed.

BEFORE ME:



Shirley J. Cook
Notary Public for Oregon
My Commission expires: 9-2-94

3-2-92