

BYLAWS
OF
THE CAPES HOMEOWNERS' ASSOCIATION, INC.

ARTICLE I
DEFINITIONS

In construing these Bylaws,

1.1 "Architectural Review Committee" means the committee appointed pursuant to Article VII of the Declaration.

1.2 "Association" means the Corporation as defined in these Bylaws.

1.3 "Board" means the Board of Directors of this Corporation constituted in accordance with Article V of these Bylaws.

1.4 "Class A Member or Class A Membership" means all Owners with the exception of Declarant (except that beginning on the date on which the Class B Membership is converted to Class A Membership, as set forth in the Declaration, Class A Members shall be all Owners, including Declarant) or such Owners' membership in the Corporation.

1.5 "Class B Member or Class B Membership" means Declarant or Declarant's membership in the Corporation until such membership is converted to Class A Membership in accordance with the Declaration.

1.6 "Common Areas" means those Lots or tracts designated as common or open space on any plat of any of the Property, or in the Declaration or any declaration annexing property to the Property, including any Improvements thereon, and shall also include any Lots converted to Common Areas as provided in the Declaration.

1.7 "Corporation" means The Capes Homeowners' Association, Inc., an Oregon nonprofit corporation.

1.8 "Declarant" means The Capes Development Company and its successors and assigns if such successor or assignee should acquire (i) Declarant's interest in the Property or (ii) all of Declarant's rights under the Declaration pursuant to a recorded instrument executed by Declarant.

1.9 "Declaration" means the Declaration of Covenants, Conditions and Restrictions for The Capes, and all of the easements, covenants, restrictions and charges set forth therein,

together with any rules or regulations promulgated thereunder, as the same may be amended or supplemented from time to time in accordance with the provisions thereof.

1.10 "Director" means a director of the Corporation as described in and elected in accordance with Article V of these Bylaws.

1.11 "Improvement" means every temporary or permanent structure or improvement of any kind, including but not limited to a fence, wall, driveway, landscaping, swimming pool, storage shelter or other product of construction efforts on or in respect to the Property.

1.12 "Lot" means a platted or partitioned lot or tract within the Property, with the exception of any tract or Lot marked on a plat of the Property as being common or open space or so designated in the Declaration or the declaration annexing such property to The Capes.

1.13 "Officer" means an officer of the Corporation as described in and elected in accordance with Article VI of these Bylaws.

1.14 "Owner" means the person or persons, including Declarant, owning any Lot in the Property (including the holder of a vendee's interest under a land sale contract), but does not include a tenant or holder of a leasehold interest or a person holding only a security interest in a Lot (including the holder of a vendor's interest under a land sale contract). The rights, obligations, and other entitlements of being an Owner commence upon acquisition of the ownership of a Lot and terminate upon disposition of such ownership, but termination of ownership shall not discharge an Owner from obligations incurred prior to termination.

1.15 "President" means the President of the Corporation as described in Article VI, Section 5 of these Bylaws.

1.16 "The Property" means The Capes as defined in the Declaration.

1.17 "Secretary" means the Secretary of the Corporation as described in Article VI, Section 6 of these Bylaws.

1.18 "Sold" means that legal title has been conveyed or that a contract of sale has been executed and recorded under which the purchaser has obtained the right to possession.

1.19 "Treasurer" means the Treasurer of the Corporation as described in Article VI, Section 7 of these Bylaws.

1.20 "Turnover Date" means the date on which Lots representing seventy-five percent (75%) of the voting power computed in accordance with Section 8.3(a) of the Declaration have been sold and conveyed to Owners other than Declarant.

1.21 "Turnover Meeting" means the meeting of the Owners, Declarant, and the Board called for the purpose of turning over administrative responsibility for the Property to the Corporation.

ARTICLE II

OFFICES

The principal office of the Corporation in the State of Oregon shall be located in the City of Portland, County of Multnomah. The Corporation may have such other offices, either within or without the State of Oregon, as the Board may determine or as the affairs of the Corporation require from time to time. The Corporation shall have and continuously maintain in the state of Oregon a registered office, and a registered agent whose office is identical with such registered office, as required by the nonprofit corporation laws of the State of Oregon. The registered office may be, but need not be, identical with the principal office in the State of Oregon, and the address of the registered office may be changed from time to time by the Board.

ARTICLE III

MEMBERSHIP, VOTING RIGHTS, AND POWERS AND OBLIGATIONS

Section 1. Membership. Every Owner of one or more Lots within the Property shall, immediately upon creation of the Corporation and thereafter during the entire period of such Owner's ownership of one or more Lots within the Property, be a member of the Corporation. Such membership shall commence, exist, and continue simply by virtue of such ownership, and need not be confirmed or evidenced by any certificate or acceptance of membership.

Section 2. Voting Rights. Voting rights within the Corporation shall be allocated as follows:

(a) Lots. Lots shall be allocated one vote per Lot, regardless of the number of Owners who own that Lot.

(b) Classes of Voting Membership. The Corporation shall have two classes of voting membership:

Class A. Class A members shall be all Owners with the exception of Declarant (except that beginning on the date on which the Class B membership is converted to Class A membership,

and thereafter, Class A members shall be all Owners, including Declarant). Class A members shall be entitled to voting rights for each Lot owned, computed in accordance with Article III, Section 2(a). When more than one person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more votes be cast with respect to any Lot than as set forth in Article III, Section 2(a).

Class B. The Class B member shall be Declarant and shall be entitled to three times the voting rights computed under Article III, Section 2(a) for each Lot owned by Declarant. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

- (i) The date of the Turnover Meeting; or
- (ii) At such earlier time as Declarant may elect in writing to terminate Class B membership.

Section 3. Powers and Obligations. The Corporation shall have, exercise and perform all of the following powers, duties, and obligations:

(a) Declaration. The powers, duties and obligations granted to the Corporation by its Articles of Incorporation, the Declaration, and these Bylaws.

(b) Statutory Powers. The powers, duties, and obligations of a nonprofit corporation pursuant to the general nonprofit corporation laws of the State of Oregon and of a homeowners association of a planned community pursuant to the Oregon Planned Community Act, as either or both may be amended from time to time.

(c) General. Any additional or different powers, duties and obligations necessary or desirable for the purpose of carrying out the functions of the Corporation pursuant to the Declaration or otherwise promoting the general benefit of the Owners within the Property.

The powers and obligations of the Corporation may from time to time be amended, repealed, enlarged or restricted by changes in the Declaration made in accordance with the provisions therein, accompanied by changes in the Articles of Incorporation of the Corporation or these Bylaws made in accordance with such instruments and with the nonprofit corporation laws of the State of Oregon.

ARTICLE IV

MEETINGS OF OWNERS

Section 1. Annual Meetings Prior to Turnover Date. Prior to the Turnover Date, a meeting of Owners shall be held annually. Such meeting shall be called in accordance with Section 3 below.

Section 2. Meetings to Elect Directors; Annual Meetings Following Turnover Meeting. The first meeting of the Owners held for the purpose of electing Directors pursuant to this Article IV shall be the Turnover Meeting, which shall be the initial meeting of the Corporation for purposes of ORS 94.635(1). The first annual meeting of the Corporation shall be held in the first April following the Turnover Meeting. Subsequent annual meetings of the Corporation shall be held in each following April. Each such meeting shall be called in accordance with Section 3 below.

Section 3. Notice of Meeting. Any meeting held pursuant to this Article IV shall be held on such date, at such time, and at such place within Multnomah County, Oregon, as may be designated by the Secretary. Written notice of each meeting of the Owners under this Article IV shall be given by, or at the direction of, the Secretary or other person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least 15 days before such meeting, but not more than 50 days before such meeting, to each Owner entitled to vote, addressed to the Owner's address last appearing on the books of the Corporation, or supplied by such Owner to the Corporation for the purpose of notice, and to any mortgagee having requested notice thereof. Mortgagees (as such term is defined in the Declaration) may designate a representative to attend a meeting called under this Section 3. Such notice shall specify the place, day, and hour of the meeting, and the items on the agenda, including the general nature of any proposed amendment to the Declaration or these Bylaws, any budget changes, or any proposal to remove a Director or Officer. Notice of any such meeting may be waived by any Owner at any time. No Owner who is present at a meeting may object to the adequacy or timeliness of the notice given.

Section 4. Proxies; Quorum; Voting. Each Owner and Declarant shall have the number of votes provided for in Article III, Section 2(b). Any Owner may give a proxy to any person, so long as such proxy is in writing, signed by such Owner, and filed with the Secretary. A proxy shall expire on the earlier of (a) 11 months after the date of the proxy or (b) the date of the sale of the Owner's Lot by its Owner. The presence, in person or by proxy, of Owners together entitled to cast at least 20 percent of the total votes entitled to be cast at any meeting shall constitute a quorum. The affirmative vote of a majority of the votes represented and voting shall constitute the act of the Owners. Voting of the Owners may be by mail with respect to any matter before the Owners. In any case in which

voting by mail is necessary or desirable, the Secretary shall give written notice to all Owners, which notice shall (a) include a written resolution setting forth the proposed action, (b) state that the Owners are entitled to vote by mail for or against such resolution, and (c) specify a date not less than 25 days after the date of such notice by which all votes must be received at the principal office of the Corporation. Votes received after the date specified shall be of no effect.

Section 5. Annual Meetings. At any annual meeting of Owners, the President, and any other Officer the Board or the President may designate, shall report on the activities and financial condition of the Corporation.

Section 6. Special Meetings. Special meetings of the Owners may be called at any time by the President or a majority of the Board, or upon written request of Owners who are entitled to vote at least 25 percent of all of the votes of the Class A Members.

ARTICLE V

BOARD OF DIRECTORS

Section 1. General. The affairs of the Corporation shall be managed by the Board, which shall be comprised of the number of Directors determined as provided in Section 2 of this Article V. The Board shall have all requisite power, duty and authority to perform its obligations under the Declaration, including, without limitation, the power, duty, and authority to enforce the provisions of the Declaration and to acquire and pay for, out of the funds provided by assessments pursuant to the Declaration, all goods and services necessary or appropriate for the proper functioning of the Corporation in accordance with the Declaration.

Section 2. Number; Appointment by Declarant Prior to Turnover Meeting. The Directors shall not be required to be Owners. The Board shall be comprised of three Directors. Until the Turnover Meeting, Declarant shall appoint all Directors, except that Declarant may revocably or irrevocably delegate the power to appoint Directors hereunder by written instrument delivered to the Association naming the party to whom the power to appoint Directors has been delegated. On the date of the Turnover Meeting, the Directors appointed by Declarant shall submit their resignations, effective upon the election of their successors as provided in Article V, Section 3. At and after the Turnover Meeting, the Directors shall be elected in the manner provided in Article V, Section 3. Voting for Directors shall not be cumulative.

Section 3. Election of Directors. At and after the Turnover Meeting, all Directors shall be elected by a majority

vote of the Owners taken at the annual meeting or at a special meeting called therefor, with each Owner entitled to the votes specified in Article III above.

Section 4. Terms of Directors.

4.1 The Directors elected at the Turnover Meeting shall serve until the first annual meeting of the Corporation.

4.2 At the first annual meeting of the Corporation, the Owners shall elect one Director for a term of one year, one for a term of two years and one for a term of three years.

4.3 Except as provided in Article V, Sections 4.1 and 4.2, all Directors shall serve three-year terms. Any Director may serve more than one term.

Section 5. Resignation. Any Director may resign at any time by sending a written notice of such resignation to the Secretary. Unless otherwise specified in such notice, a resignation shall take effect upon receipt of the notice by the Secretary.

Section 6. Vacancies. Vacancies on the Board caused by the death or resignation of a Director shall be filled by vote of the majority of the remaining Directors, even if they constitute less than a quorum. Any Director so elected shall serve the remainder of the replaced Director's term.

Section 7. Meetings of the Board.

7.1 The initial meeting of the Board shall occur within 90 days after the date the Articles of Incorporation for the Corporation are filed.

7.2 All meetings of the Board shall be open to all Owners. For other than emergency meetings, notice of Board meetings shall be mailed to all Owners, at the last address for each Owner in the records of the Corporation, not less than 10 days before the meeting; posted at a place or places on the Property at least three days prior to the meeting; or provided by a method otherwise reasonably calculated to inform Owners of the meeting. Emergency meetings may be held without notice, if the reason for the emergency is stated in the minutes of the meeting. Only emergency meetings of the Board may be conducted by telephonic communication.

7.3 The Board shall meet at least annually, within 30 days after each annual meeting of the Owners. At each annual meeting, in addition to the actions required by Article X of the Declaration, the Treasurer shall present to the Board a report on the financial condition of the Corporation, including a

report of receipts and disbursements for the preceding calendar year, the allocation thereof to each Lot, and the estimated receipts and expenses for the coming year.

7.4 Special meetings of the Board may be called at any time by the President or two Directors. Such meetings shall be scheduled by the Secretary within 30 days after the Secretary's receipt of written requests signed by two or more Directors; provided that if the purpose of a special meeting is to elect a successor Secretary pursuant to Section 2 of Article VI or to consider removal of the Secretary pursuant to Section 3 of Article VI, such meeting may be scheduled by the President or, if the meeting is also for the purpose of electing a successor President or removing the President, any other Director.

7.5 Meetings of the Board shall be held at such place within Multnomah County, Oregon, as may be designated from time to time by the Board.

7.6 The Secretary shall give written notice to each Director of each Board meeting at least 10, but not more than 30, days prior to the date set for such meeting, stating the purpose, time, and place of the meeting. Notice shall be sent to the address of each Director as listed on the books of the Corporation, or to such other address as any Director may designate by written notice to the Secretary given at least 10 days prior to the giving of notice of the meeting. Notice of any meeting may be waived by any Director at any time. No Director who is present at a meeting may object to the adequacy or timeliness of the notice given. When a meeting is adjourned for fewer than 30 days, whether or not a quorum is present at the adjourned meeting, no notice of the resumption or reconvening of such adjourned meeting need be given other than by announcement at the meeting at which such adjournment takes place.

Section 8. Voting by the Board. Each Director shall have one vote. So long as a quorum is constituted, the vote of Directors together holding more than 50 percent of the total votes shall be a binding vote of the Board for all purposes, unless a greater percentage is required by law or the Declaration.

Section 9. Quorum. The presence in person of a majority of the Directors shall constitute a quorum for voting at a Board meeting. The Board shall have the power to adjourn a meeting even if less than a quorum is present.

Section 10. Removal. Any Director, other than a Director appointed by Declarant, may be removed, with or without cause, by the affirmative vote of Owners present and entitled to vote at any meeting of the Owners at which a quorum is present. No removal of a Director is effective unless the matter of removal

was included in the notice of the meeting. At such meeting, the Owners shall elect a replacement Director to serve the remainder of the replaced Director's term.

ARTICLE VI

OFFICERS

Section 1. Officers. The Officers shall be the President, the Vice-President, the Treasurer, and the Secretary, each of whom shall be elected by the Board. The same person may concurrently hold more than one office. The Board may designate such additional Officers as it deems appropriate.

Section 2. Election and Term of Office. The Officers of the Corporation shall be elected annually by the Board and shall hold office at the pleasure of the Board and until their successors are elected and qualified. If any office becomes vacant, the Board shall elect a successor to fulfill the unexpired term at a special meeting of the Board called for such purpose.

Section 3. Removal. The Board may remove any Officer, at any time, with or without cause, and a successor may be elected at a special meeting of the Board called for such purpose.

Section 4. Compensation. Other than reimbursement of out-of-pocket expenses incurred on behalf of the Corporation, neither the President, the Vice President, the Treasurer, nor the Secretary shall receive any compensation from the Corporation for acting as an Officer, unless such compensation is authorized by the Board.

Section 5. President. The President shall be a Director and shall be the chief executive officer of the Corporation. The President shall not be required to be an Owner. The President shall preside at all meetings of the Board, and, except to the extent otherwise provided in the Declaration, shall have all of the general powers and duties normally incident to the office of the chief executive officer of a corporation.

Section 6. Secretary. The Secretary shall not be required to be a Director or an Owner. The Secretary shall keep the minutes of all proceedings of the Board and all other Corporation records and shall attend to the giving of all notices to the Board and other notices pursuant to these Bylaws or the Declaration or required by law. The Secretary shall perform all other duties incident to the office of secretary of a corporation or as may be directed by the Board. The Secretary shall perform all of such duties at the expense of the Corporation.

Section 7. Treasurer. The Treasurer shall not be required to be a Director or an Owner. The Treasurer shall be responsible

for Corporation funds and shall keep full and accurate financial records and books of account sufficient for proper accounting purposes showing all receipts and disbursements necessary for the preparation of all financial data and tax returns. The Treasurer shall be responsible for the deposit of all Corporation funds in such depositories as may from time to time be designated by the Board, and shall disburse Corporation funds for such purposes as may be permitted under these Bylaws or the Declaration. The Treasurer shall perform all other duties incident to the office of the Treasurer of a corporation or as may be directed by the Board. The Treasurer shall perform all such duties at the expense of the Corporation.

Section 8. Vice President. The Vice President shall not be required to be a Director or an Owner. The Vice President shall perform tasks as directed by the President. The Treasurer shall perform all duties at the expense of the Corporation.

ARTICLE VII

SHARES OF STOCK AND DIVIDENDS PROHIBITED

The Corporation shall not have or issue shares of stock. No dividends shall be paid and no part of the income of the Corporation shall be distributed to its Directors or Officers, or to the Owners. The Corporation may pay compensation in a reasonable amount to its Officers for services rendered as provided by the Articles of Incorporation, the Declaration, other provisions of these Bylaws, or resolution of the Board of Directors.

ARTICLE VIII

LOANS TO DIRECTORS AND OFFICERS PROHIBITED

Section 1. No Loans to Directors or Officers. No loan shall be made by the Corporation to its Directors or Officers. The Directors of the Corporation who vote for or assent to the making of a loan to a Director or Officer of the Corporation, and any Officer or Officers participating in the making of such loan, shall be jointly and severally liable to the Corporation for the amount of such loan until the repayment thereof.

Section 2. Contribution; Subrogation. Any Director against whom a claim shall be asserted under or pursuant to this Article VIII shall be entitled to contribution from the other Directors who voted for the action upon which the claim is asserted. To the extent that any Director is required to pay such claim, he shall be subrogated to the rights of the Corporation against the debtor on the loan.

ARTICLE IX

CONTRACTS, CHECKS, DEPOSITS AND FUNDS

Section 1. Contracts. The Board may authorize any Officer or Officers or agent or agents of the Corporation, in addition to the Officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances. Among other things, such contracts may provide for the employment of personnel necessary for the maintenance, upkeep, and repair of the Common Areas. Notwithstanding the foregoing, no management agreement, service contract or employment contract made by or on behalf of the Corporation prior to the Turnover Meeting shall be for a term in excess of three years, and any such agreement shall terminate without penalty to Declarant, the Corporation or the Board upon not less than 30 days' written notice to the other party thereto given by the Board not later than 60 days after the Turnover Meeting.

Section 2. Checks, Drafts, Etc. All checks, vouchers, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation (including checks or vouchers for the payment of the expenses incurred in maintaining the Common Areas), shall be signed by such Officer or Officers or agent or agents of the Corporation and in such manner as shall from time to time be determined by the Board.

Section 3. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories as the Board may select.

Section 4. Gifts. The Board may accept on behalf of the Corporation any contribution, gift, bequest, or devise for the general purposes or for any special purpose of the Corporation.

ARTICLE X

ARCHITECTURAL AND DESIGN CONTROL

Section 1. Establishment of the Architectural Review Committee. The Architectural Review Committee shall consist of as many persons, but not less than three, as Declarant may from time to time appoint. Declarant may remove any member of the Architectural Review Committee from office at any time and appoint new or additional members at any time. The Corporation shall keep on file at its principal office a list of the names and addresses of the members of the Architectural Review Committee. Declarant may at any time delegate, but shall, in any event, delegate at or prior to the Turnover Meeting, to the Board

the right to appoint or remove members of the Architectural Review Committee. At such time as Declarant delegates to the Board the right to appoint or remove members of the Architectural Review Committee, or if Declarant fails to appoint an Architectural Review Committee by the date of the Turnover Meeting, the Board shall assume responsibility for appointment and removal of the members of the Architectural Review Committee. If the Board has assumed the responsibility for appointment of the members of the Architectural Review Committee and fails to make such appointments, the Board shall serve as the Architectural Review Committee.

Section 2. Duties and Powers. The Architectural Review Committee shall perform and shall be empowered to perform all acts as provided in Article VII of the Declaration.

ARTICLE XI

FINANCIAL MATTERS AND RECORDS

Section 1. General. The Corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of the Board and committees having any of the authority of the Board and shall keep at its registered or principal office a record giving the names and addresses of the Directors. All books and records of the Corporation may be inspected by any Director, or his agent or attorney, for any proper purpose at any reasonable time.

Section 2. Financial Statements. The Board may appoint a certified public accountant or certified public accounting firm as auditor, who shall not be an Officer or own any interest in any Lot, to audit the books and financial records of the Corporation. Within 90 days after the end of each fiscal year, the Board shall distribute to each Owner and, upon request, any mortgagee of a Lot a copy of the annual financial statement of the Corporation, consisting of a balance sheet and income and expense statement for the preceding fiscal year. The Corporation shall make available to Owners and to holders, insurers or guarantors of any mortgage (as such term is defined in the Declaration) on a Lot, for their inspection and copying, upon request, during normal business hours or under other reasonable circumstances, current copies of (a) the Declaration, Articles of Incorporation, Bylaws, and rules concerning the Property, (b) the Corporation's most recent financial statement, (c) the current operating budget of the Corporation, and (d) all other records of the Corporation, including all information delivered to the Corporation by Declarant pursuant to ORS 94.616. Upon written request of a prospective purchaser of a Lot (who has signed a conditional purchase agreement or earnest money agreement), the Corporation shall make available for examination and duplication during reasonable hours the documents and items described in items (a) through (c) in the preceding sentence. The Corporation

may charge a reasonable fee for furnishing copies of any documents, information, or records described in this Section 2.

Section 3. Tax Returns. The Board shall cause to be filed the necessary income tax returns for the Corporation.

Section 4. Fiscal Year. The Corporation's fiscal year shall commence January 1 and shall end on December 31.

ARTICLE XII

INSURANCE

Section 1. Casualty and Liability Insurance. The Board shall at all times cause any insurable Improvements located on the Common Areas, and each Owner shall at all times cause all insurable Improvements located on his or her Lot, to be insured against loss or damage by fire or other hazards, including extended coverage, vandalism, and malicious mischief, for the full replacement value thereof. Owners may obtain any other insurance they deem prudent. The insurance coverage obtained and maintained by the Board may not be brought into contribution with insurance bought by Owners or their mortgagees. The Board shall also at all times maintain public liability insurance covering all Common Areas and all damage or injury caused by the negligence of the Corporation in an amount of at least \$1,000,000 for bodily injury and property damage for any single occurrence, which policy shall provide that it cannot be canceled or substantially modified without at least 10 days' written notice to the Corporation. Any insurance policy obtained by the Corporation pursuant to this Section 1 shall show the Corporation as the named insured and shall, if possible, be written by an insurer with a "B" general policyholder's rating and a "III" financial size category in Best's "Key Rating Guide." The policies obtained by the Corporation pursuant to this Section 1 may contain a reasonable deductible not to exceed the lesser of \$10,000 or one percent of the face value of the policy, and the amount thereof shall be added to the face amount of the policy in determining whether the insurance equals at least the required full replacement cost.

Section 2. Director and Officer Insurance. At the discretion of the Board, the Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, Officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of the Articles of Incorporation of the Corporation.

Section 3. General Provisions. Premiums for insurance obtained by the Board pursuant to this Article XII shall be a common expense of the Corporation. At least every two years, the Board shall review the insurance coverage of the Corporation. If reasonably available, the Board shall obtain insurance policies with the provisions specified in ORS 94.680 and with an "inflation guard" endorsement.

ARTICLE XIII

TRANSFER OF CONTROL

Section 1. Transitional Committee. Within 60 days after the conveyance to Owners other than Declarant of a total of 50 percent of the votes (that is, 50% of the Lots) of all phases of the Property computed in accordance with Article III, Section 2(a), Declarant shall call a special meeting of the Owners to select a transitional committee. Declarant shall give notice in accordance with Article IV, Section 3 to each Owner of the special meeting. At such meeting, the Owners in attendance, other than Declarant, by vote of a majority of those present, shall select two members of a transitional committee composed of three members. The third member shall be selected by Declarant. The members of the transitional committee shall serve until the Turnover Meeting. The function of the transitional committee shall be to facilitate the transition from control of the administration of the Corporation by Declarant to control by the Owners. If the meeting required pursuant to this Section 1 is not called by Declarant within the time specified, the meeting may be called and notice given by any Owner. Notwithstanding the foregoing, if the Owners do not select members of the transitional committee as provided above, Declarant shall have no further obligation to form the transitional committee. There shall be no requirement that a transitional committee be formed and no transitional committee shall be appointed, once the Turnover Meeting has been held.

Section 2. Turnover Meeting. On a date that is not later than 120 days after the Turnover Date, Declarant shall call the Turnover Meeting. Declarant shall give notice of such meeting as provided in Article IV, Section 3 to each Owner. The notice shall state the purpose of the meeting, which shall be the relinquishment by Declarant of control of the administration of the Corporation, and the time and place at which the meeting is to be held. If Declarant does not call the Turnover Meeting required by this Section 2 within the required period, the transitional committee described in Section 1 or any Owner may call such a meeting and give notice as required by this Section 2. At the Turnover Meeting: (a) Declarant shall relinquish control of the administration of the Corporation and the Owners shall assume the control thereof, (b) the Directors of the Corporation then serving shall resign and the Owners shall elect a board of Directors in accordance with these Bylaws, and

(c) Declarant shall deliver to the Corporation all of the items set forth in ORS 94.616(3). After the Turnover Meeting, Declarant or its representative shall be available to meet with the Board as provided under ORS 94.616(4).

ARTICLE XIV

RULES AND REGULATIONS

The Board shall have power to adopt and publish rules and regulations governing the use of the Common Areas and facilities, and the personal conduct of the Owners and their guests and tenants thereon, and to establish penalties for the infraction thereof. Such rules and regulations may be adopted upon a majority vote of the members of the Board present at a meeting at which there is a quorum of Board members and as to which notice has been given as provided in these Bylaws. Such notice shall include a verbatim copy of all proposed rules and regulations. No rule or regulation shall be adopted without a copy thereof first having been delivered or mailed to each Owner at the last address for such Owner in the records of the Association. Upon adopting any such rules and regulations, the Board shall cause copies thereof to be delivered to each Owner. Any rule or regulation which conflicts with these Bylaws or the Declaration shall be null and void.

ARTICLE XV

MAINTENANCE, UTILITIES AND SERVICE

Section 1. Maintenance and Lighting of Common Areas. The Corporation shall perform all maintenance upon, and where the Corporation deems appropriate provide exterior lighting for, the Common Areas and other areas not yet annexed to The Capes but which in the Corporation's or Declarant's reasonable judgment benefit Owners of property in The Capes, including but not limited to grass, trees, walks, parking areas, walkways and trails, unless the maintenance thereof is assumed by a public body. Such areas shall be maintained in a safe condition to at least applicable Tillamook County standards, and in a good and workmanlike manner such that the areas may be used for the purpose for which they are intended.

Section 2. Maintenance of Utilities. The Corporation shall perform or contract to perform maintenance of all private utilities within Common Areas, such as sanitary sewer service lines, domestic water service lines, storm water detention facilities, and storm drainage lines, except to the extent such maintenance is performed by the utilities furnishing such services. Each Owner shall be responsible for maintaining utility lines within his Lot, except for those lines for which a public authority or utility company is responsible.

ARTICLE XVI

ASSESSMENTS

Section 1. Governed by Declaration. All Lots shall be subject to assessment in accordance with the provisions of the Declaration.

Section 2. Assessment Formula. Subject to the provisions of Section 10.5 of the Declaration, all Lots shall be assessed one assessment unit per Lot. The amount of an assessment per assessment unit shall be determined by dividing the amount of the annual budget or other aggregate assessment by the total number of assessment units. The common profits of the Corporation shall be allocated on the basis applied to assessments in this Section 2. Notwithstanding the other provisions of this Section 2, the Corporation may assess a Lot for the full amount of any common expense, the incurring of which is unquestionably and solely attributable to the negligence or willful misconduct of the Owner of such Lot or his family members or invitees.

Section 3. Default in Payment of Assessments; Enforcement of Lien. If an assessment or other charge levied under these Bylaws or the Declaration is not paid within 30 days of its due date, such assessment or charge shall become delinquent and shall bear interest from the due date until paid at the rate set forth below and, in addition, the Corporation may exercise any or all of the following remedies:

(a) Suspension of Rights; Acceleration. The Corporation may suspend such Owner's voting rights and right to use the Common Areas until such amounts, plus other charges under the Declaration, are paid in full and may declare all remaining periodic installments of any annual assessment or any other amounts owed by such Owner to the Corporation immediately due and payable. In no event, however, shall the Corporation deprive any Owner of access to and from such Owner's Lot.

(b) Lien. The Corporation shall have a lien against each Lot for any assessment levied against the Lot and any fines or other charges imposed under the Declaration or these Bylaws against the Owner of the Lot from the date on which the assessment, fine or charge is due. The provisions regarding the attachment, notice, recordation and duration of liens established on real property under ORS 87.352 to 87.382 shall apply to the Corporation's lien. The lien shall be foreclosed in accordance with the provisions regarding the foreclosure of liens under ORS Chapter 88. The Corporation, through its duly authorized agents, may bid on the Lot at such foreclosure sale, and may acquire and hold, lease, mortgage and convey the Lot. If any assessment is payable in installments, the full amount of the assessment is a lien from the date the first installment of the assessment becomes due.

(c) Suit or Action. The Corporation may bring an action to recover a money judgment for unpaid assessments, fines and charges under the Declaration or these Bylaws without foreclosing or waiving the lien described in paragraph (b) above. Recovery on any such action, however, shall operate to satisfy the lien, or the portion thereof, for which recovery is made.

(d) Other Remedies. The Corporation shall have any other remedy available to it by law or in equity.

Section 4. Interest, Expenses, and Attorneys' Fees. Any amount not paid to the Corporation when due in accordance with these Bylaws or the Declaration shall bear interest from the due date until paid at a rate three percentage points per annum above the rate offered by Key Bank of Oregon as of the due date therefor, or such other rate as may be established by the Board, but not to exceed the lawful rate of interest under the laws of the State of Oregon. A late charge may be charged for each delinquent assessment in an amount established from time to time by resolution of the Board not to exceed 30% of such assessment. In the event the Corporation shall file a notice of lien, the lien amount shall also include the recording fees associated with filing the notice, and a fee for preparing the notice of lien established from time to time by resolution of the Board. In the event the Corporation shall bring any suit or action to enforce the Declaration or these Bylaws, or to collect any money due hereunder or thereunder or to foreclose a lien, the Owner-defendant shall pay to the Corporation all costs and expenses incurred by it in connection with such suit or action, including a foreclosure title report, and the prevailing party in such suit or action shall recover such amount as the court may determine to be reasonable as attorneys' fees at trial and upon any appeal or petition for review thereof.

Section 5. Nonexclusiveness and Accumulation of Remedies. An election by the Corporation to pursue any remedy provided for herein shall not prevent concurrent or subsequent exercise of another remedy permitted hereunder. The remedies provided herein are not exclusive but shall be in addition to all other remedies, including actions for damages and suits for injunctions and specific performance, available under applicable law to the Corporation.

ARTICLE XVII

AMENDMENTS TO BYLAWS

Except as expressly provided in the Declaration, these Bylaws may be amended or repealed and new bylaws may be adopted by a majority of the Directors present at any regular meeting or at any special meeting, if at least two days' written notice is given of intention to amend or repeal and adopt new bylaws at such meeting accompanied by a copy or summary of the amendment;

provided, however, that the Board shall have no authority to amend or repeal any provision of these Bylaws relating to the election, qualifications, powers, duties or terms of Directors without the approval of the Owners given at a special meeting called for such purpose. No special declarant right (as defined in ORS 94.550(12)) contained in these Bylaws may be amended without the consent of Declarant and Declarant may unilaterally make the amendments to the Bylaws permitted by Section 13.2 of the Declaration and ORS 94.585.

ARTICLE XVIII

WAIVER OF NOTICE

Whenever any notice is required to be given under the provisions of the nonprofit corporation laws of the State of Oregon, as it exists or may be amended in the future, or under the provisions of the Articles of Incorporation or these Bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XIX

HEADINGS

The headings contained in these Bylaws are for convenience and shall not in any way affect the meaning or interpretation of these Bylaws.

ARTICLE XX

ACTION WITHOUT A MEETING

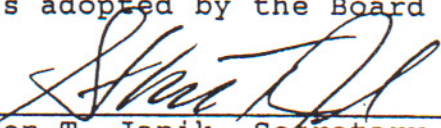
Any action which applicable law, the Declaration or these Bylaws require or permit the Owners or the Board to take at a meeting may be taken without a meeting if a consent in writing setting forth the action so taken is signed by all of the Owners or Directors entitled to vote on the matter. The consent, which shall have the same effect as a unanimous vote of the Owners or the Board, as the case may be, shall be filed in the records of minutes of the Corporation.

ARTICLE XXI

CONFLICTS

These Bylaws are intended to comply with applicable law and the Declaration. In case of any irreconcilable conflict, applicable law and the Declaration shall control over these Bylaws, any amendments hereto and any rules or regulations adopted hereunder.

I, Stephen T. Janik, as Secretary of The Capes Homeowners' Association, Inc. do hereby certify the foregoing to be the Bylaws of the Corporation, as adopted by the Board on the 10 day of August, 1992.



Stephen T. Janik, Secretary

W02/02/0055-1/01