

BYLAWS

OF

HANSON HARBOR HOMEOWNERS' ASSOCIATION

1. Name. The name of the corporation is Hanson Harbor Homeowners' Association.

2. Membership and Voting.

2.1 Membership. Membership in the corporation is open to a record owner, whether one or more persons or entities, of a Lot within the Properties with respect to which Lot all persons in ownership, or their predecessors, have executed the Supplemental Declaration of Covenants, Conditions and Restrictions. A copy of the Supplemental Declaration of Covenants, Conditions and Restrictions is attached to these Bylaws and incorporated ("Supplemental Declaration"). Capitalized terms used and not separately defined in these Bylaws shall have the meaning assigned to them in the Supplemental Declaration. Memberships shall not be created unless and until the Supplemental Declaration is effective. If a Lot has been sold on real estate contract, the contract purchaser (whether one or more persons or entities) acquiring a beneficial interest through the real estate contract shall, as between such contract vendor and purchaser, be solely entitled to membership. When more than one person or entity holds any such fee or contract purchaser's interest in any such Lot, each person or entity shall be a member of the corporation.

2.2 Voting. Each member shall be entitled to one vote for each Lot owned by that member and subject to the Supplemental Declaration. When more than one person or entity holds an interest in any such Lot, all such persons or entities shall be members of the corporation, but they collectively shall be entitled to only one vote per each such Lot. Such persons must decide among themselves either the manner in which the vote will be cast or the person appointed by them to cast their vote at a membership meeting.

2.3 Suspension of Membership Rights and Privileges. Membership rights and privileges, including the right to vote and to use the corporation's properties and facilities, shall be restricted to those members paying currently all assessments, fee and charges assessed, levied or imposed by the corporation. The Board of Directors shall have the right to suspend the membership rights of any member if and to the extent the member is in default in payment of assessments, fees and charges or otherwise is in breach of its obligations. Suspension shall be in addition

to and not in limitation of such other enforcement action the corporation may take against the member in default. Frank W. Hanson and Ellarene Hanson, for their respective lifetimes, shall be entitled to the rights and privileges of membership with respect to the Lot in Hanson Harbor on which they reside without obligation for assessments, fees and charges.

3. Meetings of Members.

3.1 Annual Meetings. The first annual meeting of the members shall be held within one year of the date of incorporation. The date of such meeting shall be established by the Board of Directors. Each subsequent regular annual meeting of the members shall be held on the same date each subsequent year; provided, however, that the Board of Directors may establish a different date.

3.2 Special Meetings. Special meetings of the members may be called at any time by the President or by the Board of Directors, or upon written request of members holding twenty percent (20%) of the voting power of the corporation.

3.3 Notice of Meetings. Written notice of each meeting of the members shall be given by the Secretary or person authorized to call the meeting, by mailing a copy of such notice at least fifteen but not more than fifty days before such meeting to each member, addressed to the member's address appearing on the books of the corporation or otherwise supplied by such member. The notice shall specify the place, day, and hour of the meeting, and in the case of a special meeting, the purpose of that meeting. Meeting notice requirements may be waived in writing by the members.

3.4 Place of Meetings. Members' meetings may be held at the registered office of the corporation, or at such other place within Lincoln County, Washington as designated in the notice of the meeting.

3.5 Quorum. The presence at the meeting, in person or by proxy, of members entitled to cast twenty percent (20%) of the votes of the membership shall constitute a quorum for the transaction of business. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented.

3.6 Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and

shall automatically cease upon conveyance by the member of his Lot or interest in the Lot.

3.7 Action Taken Without a Membership Meeting. The members may take any action without a meeting that they could take with a meeting, by obtaining unanimous written approval of the action proposed to be taken. Any action so taken shall have the same effect as an action taken at a meeting of the members.

3.8 Annual or Special Meeting Vote by Written Ballot. In the discretion of the Board of Directors, the election of the Board of Directors and any other action which can be taken at an annual or special meeting of the members, may be the subject of a written ballot. Written ballots signed by members and delivered to the corporation by mail or otherwise on or before the membership meeting shall be considered the equivalent of the members being present by proxy for quorum purposes and shall be counted in the balloting.

4. Board of Directors.

4.1 Number. The corporate powers shall be vested in, and the corporate affairs shall be governed by, a Board of Directors consisting of three directors. The number of directors may be changed by an amendment of these Bylaws, but in no case shall the Board consist of fewer than three nor more than nine directors.

4.2 Term of Office. Each director shall serve for a term of one (1) year and until the director's successor is elected and qualified.

4.3 Vacancies and Removal. Any director may be removed from the Board, with or without cause, by vote of the members of the corporation. Vacancies in the Board of Directors may be filled by the remaining directors: provided that, such procedure shall not be exclusive and the members shall be permitted to fill the vacancy.

4.4 Compensation. No director shall receive compensation for any service he may render to the corporation. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

5. Nomination and Election of Directors.

5.1 Nomination. Nominations for the Board of Directors shall be made by a Nominating Committee. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the corporation. The Nominating Committee shall be appointed by the Board

of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of directors to be elected at the meeting in question. Such nominations may be made from among members or non-members. Nominations may also be made from the floor at the meeting for the election of the Board of Directors. In any meeting in which written balloting is authorized, ballots submitted to the members shall contain the names of these persons nominated by the Nominating Committee. In addition, the member casting a written ballot may write in the name of one or more candidates for the Board of Directors. The insertion of a director's name shall be considered both the nomination of that person as a candidate and a vote for that person for election to the Board of Directors.

5.2 Election of Board of Directors. At each election the members or their proxies may cast as many votes as they are entitled to exercise under the provisions of the Articles of Incorporation and Bylaws of the corporation. The persons receiving the largest number of votes for director shall be elected. Cumulative voting is not permitted.

6. Board of Directors Meetings.

6.1 Regular Meetings. The newly elected Board of Directors may establish a schedule of regular meetings at the date, hours and places as it may fix by resolution. Notice of such regular meetings shall not be required.

6.2 Special Meetings. Special meetings of the Board of Directors shall be held when called by the President, the Secretary, or by any one director, after not less than three days notice to each director. Special meetings shall be held at the day and hour and at the place established by the person calling the meeting unless the Board of Directors establishes or consents to a different day and hour, or place, either by unanimous consent, or by attendance at a day and hour or at a place different than that established by the person calling the meeting. No special meeting of the Board of Directors may be set for a place outside the State of Washington without the unanimous approval of the directors. Notice of special meetings shall be given by the Secretary or the person calling the meeting, may be by mail, or by any means of personal communication (including telephone) and must be given at least three (3) days prior to the meeting. Should notice be given by mail, it shall be deemed complete when deposited with the United States Postal Service, postage prepaid, addressed to the last known address of each such director; provided that, there be added to the notice requirement above stated

an additional three (3) days for the purpose of transmission through the mails. The Board of Directors may at any time waive meeting notice requirements, either in writing or by attendance at the meeting without objection.

6.3 Quorum. The presence at a duly held meeting of a majority of the number of directors shall constitute a quorum.

6.4 Action Taken Without a Meeting. The Board of Directors shall have the right to take any action in the absence of a meeting that they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the Board of Directors.

6.5 Telephonic Meetings. Action may be taken by the Board of Directors, or any committee, by means of a conference, or a poll conducted by telephone, similar means of communication, or electronic means of written communication, or any combination of the foregoing. Action taken in the manner authorized by this paragraph shall have the same effect as though taken at a meeting of the Board of Directors.

7. Powers and Duties of the Board of Directors.

7.1 Powers. The Board of Directors shall have the power to:

a. Adopt and publish rules and regulations governing use of the Common Properties;

b. Establish assessments, fees and charges as authorized in the Supplemental Declaration subject to a vote of the members whenever the Supplemental Declaration requires such vote;

c. Borrow money to provide for the acquisition or improvement of the Common Properties, and, in aid thereof, to mortgage such property;

d. Deny the right to use the Common Properties to any owner of a Lot refusing to execute the Supplemental Declaration or deny or suspend the right of any member to enjoy the Common Properties if and to the extent that such member is in default in the payment of any assessment, fee or charge or is otherwise in breach of his obligations;

e. Declare vacant the office of a member of the Board of Directors if such member is absent from or fails to participate in three consecutive regular meetings of the Board of Directors;

f. Employ a manager, independent contractor, or such other employees as it deems necessary, and to prescribe their duties;

g. Establish a plan of distribution of the assets of the corporation that remain after dissolution of the corporation;

h. Exercise on behalf of the corporation all other powers vested in or delegated to the corporation that are not reserved to the membership by the Articles of Incorporation, these Bylaws, or the Supplemental Declaration.

7.2 Duties. It shall be the duty of the Board of Directors to:

a. Cause to be kept a complete record of all its acts and all affairs of the corporation and to present a statement thereof to the members at the annual meeting of the members, or at any special meeting when such statement is requested in writing by one-fourth of the members entitled to vote.

b. Supervise all officers, agents, and employees of the corporation and see that their duties are properly performed.

c. As more fully provided in the Declaration, to:

(1) Fix the amount of the annual or special assessments against each Lot in accordance with the Supplemental Declaration; and

(2) Send written notice of each assessment to every member subject thereto.

d. Issue, or cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made for the issuance of such certificates. If a certificate shows that an assessment has been paid, such certificate shall be conclusive evidence of such payment.

e. Procure and maintain adequate liability and hazard insurance on property owned by the corporation.

f. Cause all officers or employees having fiscal responsibilities to be bonded, as the Board may deem appropriate.

g. Cause the Common Properties to be maintained.

h. Enforce any and all assessments, fees and charges assessed or imposed by the corporation.

7.3 Special Membership Vote. In these instances where the Articles of Incorporation or the Supplemental Declaration require a vote of the membership, the Board of Directors' exercise of its powers and duties shall be subject to approval or satisfaction of the membership to the extent and as specified in the Articles of Incorporation or the Supplemental Declaration, whichever is applicable.

8. Officers.

8.1 Enumerated Offices. The officers of the corporation shall be a President, one or more Vice Presidents, a Secretary, and a Treasurer. The President shall at all times be a member of the Board of Directors.

8.2 Election of Officers. The officers shall be elected each year by the Board of Directors at the first regular or special meeting of the Board of Directors following the meeting of the members at which the Board of Directors are elected.

8.3 Term. Each officer shall hold office for one year and until his or her successor shall be elected and qualified, unless he or she earlier resign, be removed, or be disqualified.

8.4 Special Officers. The Board of Directors may from time to time elect such other officers as it deems appropriate. Each such officer shall hold office for such period, have such authority, and perform such duties as the Board of Directors may determine.

8.5 Resignation and Removal. Any officer may be removed from office by the Board of Directors, with or without cause. Any officer may resign by giving written notice to the Board of Directors, the President, or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

8.6 Vacancies. A vacancy in any office may be filled by the Board of Director. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

8.7 Multiple Offices. The offices of Vice President, Secretary and Treasurer, or any combination, may be held by the same person.

8.8 Duties. The duties of the officers are as follows:

a. President. The President shall preside at all meetings of the corporation and of the Board of Directors; see that orders and resolutions of the Board of Directors are carried out; and sign all leases, mortgages, deeds and other written instruments.

b. Vice President. The Vice President shall act in the place of the President in the event of the President's absence, or his inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board of Directors.

c. Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board of Directors and of the members; keep the seal of the corporation and affix it on the papers requiring that seal; serve notice of meetings of the Board of Directors and of the members; keep appropriate current records showing the names and addresses of the members of the corporation; and shall perform such other duties as required by the Board of Directors.

d. Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all monies of the corporation and disburse such funds as directed by resolution of the Board of Directors; sign all checks and promissory notes of the corporation; keep proper books of account; and prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular meeting, and deliver a copy of each to the members.

9. Committees.

The Board of Directors shall appoint a Nominating Committee to perform the functions described in paragraph 5.1 of these Bylaws. In addition, the Board of Directors may establish other committees with such membership, functions and qualifications as the Board deems appropriate. The Committees shall be elected in the same fashion as officers.

10. Delegation of Rights.

Provided that this corporation is first notified and subject to such rules and regulations as the Board of Directors may adopt, a member may delegate his right of enjoyment of the corporation's properties to the members of his family and to the member's tenants.

11. Books and Records.

The books, records, and papers of the corporation shall, during reasonable business hours, be subject to inspection by any member. The Supplemental Declaration, the Articles of Incorporation, and the Bylaws of the corporation shall be available for inspection by any member at the principal office of the corporation, where copies may be purchased at reasonable cost.

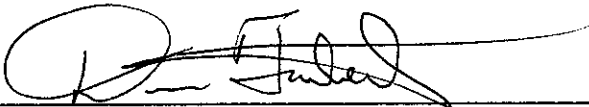
12. Amendments.

These Bylaws may be terminated, amended, modified or replaced by a majority of the members present and voting, in person or by proxy; provided that, no such amendment, modification or replacement to the extent of any conflict between it and the Supplemental Declaration shall be deemed adopted until and unless the Supplemental Declaration have been amended, modified or replaced to be consistent therewith.

13. Conflict.

In the case of any conflict between the Articles of Incorporation and these Bylaws, the former shall control; and in the case of any conflict between the Supplemental Declaration and these Bylaws, the former shall control.

Bylaws Adopted by the initial Board of Directors on the 5th day of March, 1988.



Dan R. Tarbert, Secretary