



BYLAWS OF THE EAGLE BEND YACHT HARBOR
BOATSLIP OWNERS ASSOCIATION

ARTICLE I
ESTABLISHMENT OF ASSOCIATION OF CO-OWNERS

Section 1.1. Eagle Bend Yacht Harbor Project (“Yacht Harbor Project” herein) shall be administered by an association of Co-owners which shall be a non-profit corporation, (“Association”), organized under the applicable laws of the State of Montana. The Association shall be responsible for the management, maintenance, operation and administration of the Yacht Harbor Project in accordance with the Declaration and Acceptance of Covenants, Conditions, Restrictions, Easements and Uses of Eagle Bend Yacht Harbor (“Declaration and Acceptance” herein), these Bylaws, and the Articles of Incorporation of the Association (all of which documents are called “Yacht Harbor Project Documents” herein) and the laws of the State of Montana. All Co-owners of Boat Slips in the Yacht Harbor Project, and all persons using or entering upon or acquiring any interest in any Boat Slip therein, shall be subject to the provisions and terms set forth in the above described Yacht Harbor Project Documents. The acceptance of a conveyance, the entering into of a lease or any act of occupancy of a Boat Slip in the Yacht Harbor Project shall constitute an acceptance of the provisions of the Yacht Harbor Documents and an agreement and commitment to comply therewith. By this specific reference, all of the terms and conditions of the Yacht Harbor Project Documents are incorporated into and made a part of these Bylaws.

Section 1.2. Membership and Voting. Membership in the Association and voting by members of the Association shall be in accordance with the following provisions:

1.2. (a) Membership. Each Co-owner of a Boat Slip shall be a member of the Association and no other person or entity shall be entitled to membership.

1.2. (b) Nondivisibility. The share of a Co-owner in the funds and assets of the Association cannot be assigned, pledged or transferred in any manner except as an appurtenance to such Co-owner's Boat Slip in the Yacht Harbor Project.

1.2. (c) Number of Votes. Except as limited in these Bylaws, each Co-owner shall be entitled to one vote for each Boat Slip owned by him.

1.2. (d) Voting Rights. No Co-owner shall be entitled to vote at any meeting of the Association until he has presented written evidence of ownership of a Boat Slip in the Yacht Harbor Project nor shall he be entitled to vote prior to the first annual meeting of members as

provided in these Bylaws. The vote of each Co-owner may only be cast in person or by the individual representative designated by such Co-owner in the notice required in subparagraph 1.2.(e) below or by a proxy given by such individual representative to the Association secretary prior to the meeting. Cumulative voting shall not be permitted.

1.2. (e) Proxies. Each Co-owner shall file a written notice with the Association designating the individual representative who shall vote at meetings of the Association and receive all notices and other communications from the Association on behalf of such Co-owner. Such notice shall state the name and address of the individual representative designated, the number or numbers of the Boat Slip or Boat Slips owned by the Co-owner, and the name and address of each, dated by the Co-owner. The individual representative designated may be changed by the Co-owner at any time by filing a new notice in the manner herein provided.

1.2. (f) Quorum. The presence in person or by proxy of 25% in number and of the Co-owners qualified to vote shall constitute a quorum for holding a meeting of the members of the Association, except for voting on questions specifically required herein or in the Declaration and Acceptance to require a greater quorum. The written vote of any person furnished at or prior to any duly called meeting at which meeting said person is not otherwise present in person or by proxy shall be counted in determining the presence of a quorum with respect to the questions upon which the vote is cast. All decisions of the Association shall be by a majority of the quorum, except as herein specifically provided.

1.2. (g) Majority. A majority, except where otherwise provided herein, shall consist of more than fifty (50%) percent of the Co-owners, in number, of those qualified to vote and present in person or by proxy (or written vote if applicable) at a given meeting of the members of the Association. Whenever provided specifically herein, a majority may be required to exceed the simple majority hereinabove set forth.

Section 1.3. Books and Records. The Association shall keep current copies of the Declaration and Acceptance, amendments thereto, all other Yacht Harbor Project documents, records, contracts, and detailed books of account showing all expenditures and receipts of administration which shall specify the operation, maintenance, repair, replacement and decoration expenses of the Yacht Harbor Project properties and any other expenses incurred by or on behalf of the Association and the Co-owners. Such accounts shall be open for inspection by the Co-owners and their mortgagees during reasonable working hours and shall be audited annually by independent qualified auditors. The audits need not be certified. The cost of such audit shall be an expense of administration. Any holder of a first lien on, or security interest in, any Boat Slip or a Co-owner's interest therein shall be entitled to receive a copy of such annual audited financial statement within ninety (90) days following the end of the Association's fiscal year upon written request therefor.

Section 1.4. Board of Directors. The affairs of the corporation shall be governed by a Board of Directors all of whom must be members of the corporation or officers, partners, trustees, employees or agents of members of the corporation except for the first Board of Directors designated in the Articles of Incorporation of the Association. Directors shall serve without compensation.

1.4. (a) The Board of Directors shall be composed of seven persons. At the first election of the Board of Directors, the four directors receiving the highest number of votes shall

be elected for a term of two years and the remaining three directors shall be elected for a term of one year. Thereafter, the directors shall be elected for a term of two years, and shall hold office until their successors are elected and qualify.

1.4. (a) (1) Vacancies in the Board of Directors (including the first Board of Directors named in the Articles of Incorporation) caused by any reason other than the removal of a director by a vote of the members of the Association shall be filled by vote of the majority of the remaining directors, even though they may constitute less than a quorum. Each person so elected shall be a director until a successor is elected at the next Annual Meeting of the Association.

1.4. (a) (2) At any regular or special meeting of the Association duly called, any one or more of the directors may be removed with or without cause by a majority of the Co-owners, and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the Co-owners shall be given an opportunity to be heard at the meeting.

1.4. (a) (3) The first meeting of a newly elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the directors at the meeting in which such directors were elected, and no notice shall be necessary to the newly elected directors in order legally to constitute such meeting, providing a majority of the whole Board shall be present.

1.4. (a) (4) Regular meetings of the Board of Directors may be held at such times and places as shall be determined from time to time by a majority of the directors, but at least two such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each director, personally, by mail, telephone, e-mail, fax or telegraph, at least ten (10) days prior to the date named for such meeting.

1.4. (a) (5) Special meetings of the Board of Directors may be called by the President on three (3) days' notice to each director, given personally, by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting. special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of one director.

1.4. (a) (6) Before or at any meeting of the Board of Directors, any director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meetings of the Board shall be deemed a waiver of notice by him of the time and place thereof. If all the directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

1.4. (a) (7) At all meetings of the Board of Directors, a majority of the directors shall constitute a quorum for the transaction of business, and the acts of the majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there is less than a quorum present, the meeting shall be adjourned until a later date. The joinder of a director in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such Director for purposes of determining a quorum.

1.4. (a) (8) The Board of Directors may require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be expenses of administration.

1.4. (b) Powers and Duties of Board. The Board of Directors shall have all powers and duties necessary for the administration of the affairs of the Association and may do all acts and things as are not prohibited by the Yacht Harbor Project Documents or required thereby to be exercised and done by the Co-owners. In addition to the foregoing general duties imposed by these Bylaws, or any further duties which may be imposed by resolution of the members of the Association or which may be set forth in the Association Bylaws, the Board of Directors shall be responsible specifically for the following:

1.4. (b) (1) Management and administration of the affairs and operations of the Yacht Harbor Project and the maintenance, repair, replacement and decoration of the properties comprising the Yacht Harbor Project. Decoration of the properties of the Yacht Harbor Project shall, at all times, be compatible with the setting and amenities of the Eagle Bend Golf Course to which the Yacht Harbor is adjacent.

1.4. (b) (2) To collect assessments from the members of the Association and to use the proceeds thereof or the purposes of the Association.

1.4. (b) (3) To carry insurance and collect and allocate the proceeds thereof.

1.4. (b) (4) To repair and rebuild improvements and properties of the Yacht Harbor Project after casualty.

1.4. (b) (5) To contract for and employ persons, firms, corporations or other agents to assist in the management, operation, maintenance and administration of the Yacht Harbor Project.

1.4. (b) (6) To acquire, maintain and improve, and to buy, operate, manage, sell, convey, assign, mortgage or lease any real or personal property including easements, rights-of-way and licenses) on behalf of the Association in furtherance of any of the purposes of the Association.

1.4. (b) (7) To borrow money and issue evidences of indebtedness in furtherance of any and all of the purposes of the business of the Association, and to secure the same by mortgage, pledge, or other lien on property owned by the Association; provided, however, that any such action shall also be approved by affirmative vote of more than sixty (60) percent of all of the members of the Association in number.

1.4. (b) (8) To make rules and regulations in accordance with these Bylaws.

1.4. (b) (9) To establish such committees as it deems necessary, convenient or desirable and to appoint persons thereto for the purpose of implementing the administration of the Yacht Harbor Project and to delegate to such committees any functions or responsibilities which are not by law or the Yacht Harbor Project Documents required to be performed by the Board.

1.4. (b) (10) To enforce the provisions of the Yacht Harbor Project Documents.

1.4. (c) Employment of Management Agent. The Board of Directors may employ for the Association a management agent at reasonable compensation established by the

Board to perform such duties and services as the Board shall authorize, and the Board may delegate to such management agent any other duties or powers which are not by law or by the Yacht Harbor Project Documents required to be performed by or have the approval of the Board of Directors or the members of the Association.

1.4. (d) Actions of First Board of Directors. All of the actions (including, without limitation, the adoption of these Bylaws and any Rules and Regulations for the Association, and any undertakings or contracts entered into with others on behalf of the Association) of the first Board of Directors of the Association named in its Articles of Incorporation or any successors thereto elected by the Developer before the First Annual Meeting of Members shall be binding upon the Association in the same manner as though such actions had been authorized by a Board of Directors duly elected by the members of the Association at the first or any subsequent annual meeting of members so long as such actions are within the scope of the powers and duties which may be exercised by any Board of Directors as provided in the Yacht Harbor Project documents.

Section 1.5. Director's Indemnity. Every director and every officer of the corporation shall be indemnified by the corporation against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party or in which he may become involved, by reason of his being or of having been a director or officer of the corporation, whether or not he is a director or officer at the time such expenses are incurred, except in such cases wherein the director or officer is adjudged guilty of willful or wanton misconduct or gross negligence in the performance of his duties; provided that, in the event of any claim for reimbursement or indemnification hereunder based upon a settlement by the director or officer seeking such reimbursement or indemnification, the indemnification herein shall apply only if the Board of Directors (with the Director seeking reimbursement abstaining) approves such settlement, and reimbursement as being in the best interest of the corporation. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such director or officer may be entitled. At least ten (10) days prior to payment of any indemnification which it has approved, the Board of Directors shall notify all Co-owners thereof.

Section 1.6. Officers. The principal officers of the Association shall be a President, who shall be a member of the Board of Directors, a Vice-President, Secretary and a Treasurer. The directors may appoint an Assistant Treasurer, and an Assistant Secretary, and such other officers as in their judgment may be necessary. Any two offices except that of President and Vice President may be held by one person.

1.6. (a) The officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board and shall hold office at the pleasure of the Board.

1.6. (b) Upon affirmative vote of a majority of the members of the Board of Directors, any officer may be removed either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board called for such purpose.

1.6. (c) The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of the President of an association, including, but not limited to, the power to appoint committees from among the

members of the Association from time to time as he may in his discretion deem appropriate to assist in the conduct of the affairs of the Association.

1.6. (d) The Vice-President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice-President is able to act, the Board of Directors shall appoint some other member of the Board to so do on an interim basis. The Vice-President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors.

1.6. (e) The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the members of the Association; he shall have charge of the corporate seal and of such books and papers as the Board of Directors may direct; and he shall, in general, perform all duties incident to the office of the Secretary.

1.6. (f) The Treasurer shall have the responsibility for the Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association, and in such depositaries as may, from time to time, be designated by the Board of Directors.

1.6. (g) The officers shall have such other duties powers and responsibilities as shall, from time to time, be authorized by the Board of Directors.

Section 1.7. Meetings of Members of Association. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Co-owners as may be designated by the Board of Directors.

1.7. (c) (iv) The date, time and place of the First Annual Meeting shall be set by the Board of Directors, and at least ten (10) days' written notice thereof shall be given to each Co-owner. Thereafter, the annual meetings of members of the Association shall be held on the third Saturday of June each succeeding year at such time and place as shall be determined by the Board of Directors. At such meetings there shall be elected by ballot of the Co-owners a Board of Directors in accordance with the requirements of paragraph 1.4 of these Bylaws. The Co-owners may also transact at annual meetings such other business of the Corporation as may be properly come before them.

1.7. (c)(ii) It shall be the duty of the President to call a special meeting of the Co-owners as directed by resolution of the Board of Directors or upon a petition signed by one-third (1/3rd) of the Co-owners presented to the Secretary of the Association. Notice of any special meeting shall state the time and place of such meeting and the purposes thereof. No business shall be transacted at a special meeting except as stated in the notice.

1.7. (c) (.iii) It shall be the duty of the Secretary (or other Association officer in the Secretary's absence) to serve a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, upon each Co-owner of record, at least ten (10) days but not more than thirty (30) days prior to such meeting. The mailing, postage prepaid, of a notice to the representative of each Co-owner at the address shown in the notice required to be filed with the Association by paragraph 1.2(e) of these Bylaws shall be deemed notice served. Any member may, by written waiver of notice signed by such member, waive such notice, and such waiver, when filed in the records of the Association shall be deemed due notice.

1.7. (c) (iv) If any meeting of owners cannot be held because a quorum is not in attendance, the owners who are present may adjourn the meeting to a time not less than twenty-four (24) hours from the time the original meeting was called.

ARTICLE II ASSESSMENTS

Section 2.1. Administrative Expenses. All costs incurred by the Association in satisfaction of any liability arising within, caused by or in connection with the Yacht Harbor Project, for which the Association has operation, maintenance or repair responsibilities or in the administration of the Yacht Harbor Project shall be expenses of administration.

Section 2.2. Determination of Assessments. Assessments shall be determined in accordance with the following provisions:

2.2. (a) Budget. The Board of Directors of the Association shall establish an annual budget in advance for each fiscal year and such budget shall project all expenses for the forthcoming year which may be required for the proper operation and management of the Yacht Harbor Project, and the maintenance, repair, replacement or redecoration of the properties of the Yacht Harbor Project including a reasonable allowance for contingencies and reserves. An adequate reserve fund for maintenance, repairs and replacement of those properties and amenities that comprise the Yacht Harbor Project that must be replaced on a periodic basis shall be established in the budget and shall be funded by semi-annual payments set forth in Section 4 below rather than by special assessments. Upon adoption of an annual budget by the Board of Directors, copies of said budget shall be delivered to each Co-owner and the assessment for said year shall be established based upon said budget, although the delivery of a copy of the budget to each Co-owner shall not affect the liability of any Co-owner for any existing or future assessments. Should the Directors, at any time determine, in the sole discretion of the Board of Directors; (1) that the assessments levied are or may prove to be insufficient to pay the costs of operation and management of the Yacht Harbor Project, (2) to provide replacements of existing properties and amenities that comprise the Yacht Harbor Project, (3) to provide additions to the Yacht Harbor Project not exceeding \$50.00 per Boat Slip annually, or (4) in the event of emergencies, the Board of Directors shall have the authority to increase the general assessment or to levy such additional assessment or assessments as it shall deem to be necessary.

2.2. (b) Special Assessments. Special assessments, in addition to those required in paragraph 2.3.(a) above may be made by the Board of Directors from time to time and approved by the Co-owners as hereinafter provided to meet other needs or requirements of the Association, including, but not limited to (1) assessments for capital improvements for additions costing in excess of \$50.00 per Boat Slip per year, (2) assessments to purchase a Boat Slip upon foreclosure of the lien for assessments described in this Article or (3) assessments for any other appropriate purpose not elsewhere herein described. Special assessments referred to in this paragraph 2.3.(b) (but not including those assessments referred to in paragraph 2.3. (a) above which shall be levied in the sole discretion of the Board of Directors) shall not be levied without the prior approval of more than seventy-five (75%) percent of all Co-owners in number.

Section 2.3. Yacht Harbor Project Expenses. In the case of expenses of administration attributable to the Yacht Harbor Project, each Co-owner's contribution and liability shall be based upon the percentages set forth in Article V of the Declaration and Acceptance. Except as provided in these Bylaws, no Co-owner may exempt himself from liability for his contribution

toward the expenses of administration by waiver of the use or enjoyment of any of the properties comprising the Yacht Harbor Project or by the abandonment of his Boat Slip.

Annual assessments shall be payable by Co-owners in two (2) equal installments. The payment of an assessment shall be in default if such assessment or any part thereof is not paid to the Association in full on or before January 1st and July 1st. Assessments in default shall bear interest at the rate of ten (10%) percent per annum until paid in full. The Board of Directors may also adopt uniform late charges pursuant to these Bylaws. Each Co-owner (whether one or more persons) shall be personally liable for the payment of all assessments levied against the Boat Slip. A Co-owner selling a Boat Slip shall not be entitled to any refund whatsoever from the Association with respect to any reserve account or other asset of the Association. Sums assessed to a Co-owner which are unpaid constitute a first lien upon the Boat Slip or Boat Slips in the Yacht Harbor Project owned by the Co-owner at the time of the assessment. The lien upon each Yacht Harbor Project Boat Slip owned by the Co-owner shall be in the amount assessed against the Yacht Harbor Project Boat Slip. The lien may be foreclosed by an action or by advertisement by the Association in the name of the Association on behalf of the other Co-owners.

Section 2.4. Enforcement of Assessment. The Association may enforce collection of delinquent assessments by a suit at law for a money judgment or by foreclosure of the statutory lien that secures payment of assessments. Each Co-owner, and every other person who, from time to time has any interest in the Yacht Harbor Project, shall be deemed to have granted to the Association the unqualified right to elect to foreclose such lien either by judicial action or by advertisement (if permitted by law). The provisions of Montana law pertaining to foreclosure of mortgages by judicial action and by advertisement, as the same may be amended from time to time, are incorporated herein by reference for the purposes of establishing the alternative procedures to be followed in lien foreclosure actions and the rights and obligations of the parties to such actions. Notwithstanding the foregoing, neither a judicial foreclosure action nor a suit at law for a money judgment shall be commenced, nor shall any notice of foreclosure by advertisement be published, until the expiration of ten (10) days after mailing, by ordinary mail addressed to the representative designated in the written notice required by paragraph 1.2. (e) hereof to be filed with the Association, of a written notice that one or more installments of the annual assessment levied against the pertinent Boat Slip is or are delinquent and that the Association may invoke any of its remedies hereunder if the default is not cured within ten (10) days after the date of mailing. Such written notice shall be accompanied by a written affidavit of an authorized representative of the Association that sets forth (i) the affiant's capacity to make the affidavit, (ii) the statutory and other authority for the lien, (iii) the amount outstanding, and (iv) the description of the subject Boat Slip. If the delinquency is not cured within the ten (10) day period, the Association may take such remedial action as it elects. In the event the Association elects to foreclose the lien by advertisement, the Association shall so notify the representative designated above and shall inform such representative that he may request a judicial hearing by bringing suit against the Association. The expenses incurred in collecting unpaid assessments, including interest, costs, actual attorneys' fees (not limited to statutory fees) and advances for taxes or other liens paid by the Association to protect its lien, shall be chargeable to the Co-owner in default and shall be secured by the lien on his Boat-Slip. In the event of a default by any Co-owner in the payment of any installment of the annual assessment levied against his Boat Slip, the Association shall have the right to declare all unpaid installments of the annual assessment for the pertinent fiscal year immediately due and payable. The Association also may discontinue the furnishing of any utilities or other services to a Co-owner in default upon seven (7) days' written notice to such Co-owner of its intention to do so. A Co-owner in default shall not be entitled to utilize any of the properties of the Yacht Harbor Project and shall not be entitled to vote at any meeting of the Association so long as such default continues. In a judicial foreclosure action, a

receiver may be appointed to collect a reasonable rental for the Boat Slip from the Co-owner thereof or any persons claiming under him.

Section 2.5. Mortgagee's Rights. Notwithstanding any other provisions of the Yacht Harbor Project Documents, the holder of any first mortgage, lien or security interest covering any Boat Slip in the project which comes into possession of the Boat Slip pursuant to the remedies provided in the mortgage or by deed (or assignment) in lieu of foreclosure, or any purchaser at a foreclosure sale, shall take the property free to any claims for unpaid assessments or charges against the mortgaged Boat Slip which accrued prior to the time such holder comes in possession of the Boat Slip (except for claims for a pro rata share of such assessments or charges resulting from a pro rata reallocation of such assessments or charges to all Boat Slips including the mortgaged Boat Slip).

ARTICLE III ARBITRATION

Section 3.1. Disputes, claims, or grievances arising out of or relating to the interpretation or the application of the Declaration and Acceptance, these Bylaws, or the management agreement, if any, or any disputes, claims or grievances arising among or between Co-owners and the Association shall, upon the election and written consent of the parties to any such disputes, claims or grievances and written notice to the Association, be submitted to arbitration and the parties thereto shall accept the arbitrator's decision as final and binding. The Commercial Arbitration Rules of the American Arbitration Association as amended and in effect from time to time hereafter shall be applicable to any such arbitration.

Section 3.2. No Co-owner or the Association shall be precluded from petitioning the courts to resolve any such disputes, claims or grievances.

Section 3.3. Election by Co-owners and the Association to submit any such dispute, claim or grievance to arbitration shall preclude such parties from litigating such dispute, claim or grievance in the courts.

ARTICLE IV INSURANCE

Section 4.1. The Association shall carry fire, and extended coverage, vandalism and malicious mischief and public liability insurance, and worker's compensation insurance, if applicable, pertinent to the operation and maintenance of the properties of the Yacht Harbor Project, and such insurance shall be carried in accordance with the following provisions:

4.1. (a) All such insurance shall be purchased by the Association for the benefit of the Association, and the Co-owners and their mortgagees as their interest may appear, and provision shall be made for the issuance of certificates of mortgagee endorsements to the mortgagees. It shall be each Co-owner's responsibility to obtain insurance coverage for his personal property located within his Boat Slip or elsewhere on the Yacht Harbor Project Premises and for his personal liability for occurrences within his Boat Slip-or elsewhere in the Yacht Harbor Project, and the Association shall have absolutely no responsibility for obtaining such coverages. The Association and all Co-owners shall use their best efforts to see that all property and liability insurance carried by the Association or any Co-owner shall contain appropriate

provisions whereby the insurer waives its right of subrogation as to any claims against any Co-owner or the Association. If any Co-owner is unable to obtain such waiver of subrogation provision in its insurance policy, then such Co-owner shall indemnify, defend and hold the Association harmless from any claim made by an insurer of such Co-owner against the Association. Such insurance policies shall list the Association as an insured party. The Association may, in its discretion, require that each Co-owner obtain insurance covering liability damage to persons or property of others located within such Co-owner's Boat Slip, or in the Yacht Harbor Project resulting from the negligence of the insured Co-owner in such amounts as shall from time to time be determined by the Association, and showing the Association as an insured party.

4.1. (b) All properties of the Yacht Harbor Project, shall be insured against normal perils covered by a standard extended coverage endorsement, in an amount equal to the maximum insurance replacement value, excluding land, foundation and excavation costs, as determined annually by the Board of Directors of the Association.

4.1. (c) All premiums for insurance coverages purchased by the Association pursuant to these Bylaws shall be expenses of administration.

4.1. (d) Proceeds of all insurance policies owned by the Association which afford coverage's for loss, damage or destruction of the properties of the Yacht Harbor Project shall be payable to Association. Such proceeds shall be deposited and held in a separate account in the name of Association. Whenever repair, replacement or reconstruction of properties of the Yacht Harbor Project shall be required as provided in these Bylaws, the proceeds of any insurance received by the Association as a result of any loss requiring repair or reconstruction shall be applied to such repair or reconstruction, and in no event shall hazard insurance proceeds be used for any purpose other than for repair, replacement or reconstruction of properties of the Yacht Harbor Project. Any insurance proceeds received from such coverages in excess of dollar amounts necessary to repair, replace, restore or reconstruct damaged or destroyed properties of the Yacht Harbor Project shall be the property of Association.

4.1. (e) Each Co-owner, by ownership of a Boat Slip in the Yacht Harbor Project, shall be deemed to appoint the Association as his true and lawful attorney- in- fact to act in connection with all matters concerning the maintenance of fire and extended coverage, vandalism and malicious mischief, liability insurance, and worker's compensation insurance, if applicable, pertinent to the Yacht Harbor Project or his Boat Slip with such insurer as may, from time to time, provide such insurance for the Yacht Harbor Project. Without limitation on the generality of the foregoing, the Association as said attorney shall have full power and authority to purchase and maintain such insurance, to collect and remit premiums therefor, to collect proceeds and to distribute the same to the Association, to Co-owners and respective mortgagees, as their interest may appear (subject always to the Declaration and Acceptance and these Bylaws) , to execute releases of liability and to do all things on behalf of such Co-owner and the Yacht Harbor Project as shall be necessary or convenient to the accomplishment of the foregoing.

ARTICLE V RECONSTRUCTION OR REPAIR

Section 5.1. If any part of the properties of the Yacht Harbor Project shall be damaged, the determination of whether or not it shall be reconstructed or repaired shall be made in the following manner:

5. 1. (a) The property shall be rebuilt or repaired if any Boat Slip in the Yacht Harbor Project is tenantable, unless it is determined by a unanimous vote of the Co-owners of all Boat Slips that the Yacht Harbor Project shall be terminated and each institutional holder of a first mortgage lien on any of such Boat Slips in the Yacht Harbor Project has given its prior written approval of such termination.

Insurance proceeds received by Association from damage or destruction of the properties of the Yacht Harbor Project which are not expended to rebuild, replace, repair or restore such properties shall be the property of Association.

5.1. (b) If the Yacht Harbor Project is so damaged that none of the Boat Slips are tenantable, and if each institutional holder of a first mortgage lien on any such Boat Slips in the Yacht Harbor Project has given its prior written approval of the termination of the Yacht Harbor Project, the damaged property shall not be rebuilt and the Yacht Harbor Project shall be terminated unless sixty-six (66%) percent or more of the Co-owners of all Boat Slips agree to reconstruction by vote or in writing within ninety (90) days after the destruction.

Insurance proceeds received by Association from damage or destruction of the properties of the Yacht Harbor Project which are not expended to rebuild, replace, repair or restore such properties shall be the property of Association.

Section 5.2. Any such reconstruction or repair shall restore or replace the same to a condition as comparable as possible to the condition existing prior to damage unless the Co-owners shall unanimously decide otherwise.

Section 5.3. If the damage, is to a marine vessel or to any other property located within the Boat Slip, which is the responsibility of a Co-owner to insure, maintain and repair, it shall be the responsibility of the Co-owner to repair such damage. In all other cases, the responsibility for reconstruction and repair shall be that of the Association.

Section 5.4. The Association shall be responsible for the reconstruction, repair and maintenance of the properties of the Yacht Harbor Project, and any incidental damage caused by the reconstruction, repair or maintenance thereof. Immediately after a casualty causing damage to property for which the Association has the responsibility of maintenance, repair and reconstruction, the Association shall obtain reliable and detailed estimates of the costs to replace the damaged property in a condition as good as that existing before the damage. If the proceeds of insurance are not sufficient to defray the estimated costs of reconstruction or repair required to be performed by the Association, or if at any time during such reconstruction or repair, the funds for the payment of the costs thereof are insufficient, assessments shall be made against all Co-owners for the cost of reconstruction or repair of the damaged property in sufficient amounts to provide funds to pay the estimated or actual cost of repair.

ARTICLE VI RESTRICTIONS UPON USE

Section 6.1. Recreational Use. All Yacht Harbor Project Boat Slips shall be used exclusively for recreational boating purposes.

Section 6.2. Alterations and Additions. No Co-owner shall install any canopy or cover to his Boat Slip or make any alterations, additions or improvements thereto without the prior written approval of the Association.

Section 6.3. Restriction for Boats. No Co-owner shall use or maintain a boat so that the bow, bow pulpit, or any attachment to the boat extends over any walkway and not more than two feet into the fairways. The term "fairway" as used herein is that water passageway for boats between the ends of the finger walks of the respective docks.

Section 6.4. Leases. A Co-owner may rent, lease or allow use of his Boat Slip for such purposes as may be permitted pursuant to paragraph 6.1.; subject, however, to the remaining provisions of this Article.

SPECIFIC PROHIBITIONS

Section 6.5. No immoral, improper, unlawful or offensive activity shall be carried on in any Boat Slip or marine vessel located therein, nor shall anything be done which may be or become an annoyance or a nuisance to any Co-owner of the Yacht Harbor Project, or reduce the value of a Boat Slip. No Co-owner shall do or permit anything to be done or keep or permit to be kept in his Boat Slip or elsewhere in the Yacht Harbor Project anything that will increase the rate of premiums on insurance coverages on and with respect to the Yacht Harbor Project.

Section 6.6. No signs or other advertising devices shall be displayed which are visible from any Boat Slip, the properties of the Yacht Harbor Project, including "For Sale" signs, without written permission from the Association, or its Managing Agent.

Section 6.7. No awnings, radio or television aerials or other projections shall be placed on any Boat Slip without the written permission of the Association to do so.

Section 6.8. No Co-owner shall display, hang or store any clothing, sheets, blankets, laundry or other articles outside his marine vessel, or which may be visible from the outside of his marine vessel (other than draperies, curtains or blinds of a customary nature and appearance).

Section 6.9. No animal, other than one dog or one cat, shall be kept in any Marine Vessel in any Boat Slip without the prior written consent of the Association. Pets permitted by this paragraph shall be kept only in compliance with the rules and regulations promulgated by the Board of Directors from time to time, and must at all times be kept under such care and restraint as not to be obnoxious on account of noise, odor or unsanitary conditions. No animal shall be permitted to run loose upon the properties of the Yacht Harbor Project, and any person who causes or permits any animal to be brought or kept on the Yacht Harbor Project shall indemnify and hold harmless the Association for any loss, damage or liability which the Association may sustain as a result of the presence of such animal on the Yacht Harbor Project.

Section 6.10. No recreational vehicles, boats (except for winter storage as set forth in Section 6.12) or trailers shall be parked or stored on designated parking areas on the Yacht Harbor Project for more than 48 hours without the prior written approval of the Association, and no more than one (1) automobile or other vehicle customarily used for transportation purposes shall remain for over 48 hours on such designated parking areas without prior written approval of the Association. No commercial vehicles or trucks shall be parked in or about the Yacht Harbor

Project at any time except for the making of deliveries or pickups or supporting/transporting workers in the normal course of business.

Section 6.11. The properties of the Yacht Harbor Project shall not be used for the storage of supplies, personal property, trash or refuse of any kind except as provided in duly adopted rules and regulations of the Association. No fish innards shall be dumped and in general, no activity shall be carried on or any condition maintained by any Co-owner either within his Boat Slip or upon the waters of the Yacht Harbor Lagoon or elsewhere on the Yacht Harbor Project properties which despoil the appearance of the Yacht Harbor Project or cause unseemly odors thereon.

Section 6.12. Winter storage of marine vessels shall be permitted on the parking areas of the Yacht Harbor Project subject to rules and regulations to be established by the Association.

Section 6.13. Regulations. Reasonable regulations consistent with the Declaration and Acceptance and these Bylaws, concerning the use of the Yacht Harbor Project properties may be made and amended from time to time by any Board of Directors of the Association. Copies of all such regulations and amendments thereto shall be furnished to all Co-owners and shall become effective thirty (30) days after mailing or delivery thereof to the designated voting representative of each Co-owner. Any such regulation or amendment may be revoked at any time by the affirmative vote of more than sixty-six and two-thirds (66-2/3%) percent of all Co-owners.

Section 6.14. Liens. Each Co-owner shall promptly discharge any lien which may hereafter be filed against his Boat Slip and shall otherwise abide by the provisions of the Act.

Section 6.15. Access. The Association or its agent shall have access to each Boat Slip from time to time during reasonable working hours, upon notice to Co-owner, as may be necessary for the maintenance, repair or replacement of any of the properties of the Yacht Harbor Project. The Association or its agent shall also have access to each Boat Slip at all times, without notice, as may be necessary to make emergency repairs to prevent damage to the property of the Yacht Harbor Project.

Section 6.16. Leases. The terms and conditions of all leases and subleases of Boat Slips shall be approved by the Association, it being the intention of this provision to require the use of one standard lease or sublease.

Section 6.17. Actions of Tenants. Tenants or non-Co-owner occupants shall comply with all of the conditions of the Yacht Harbor Project Documents.

6.17. (a) If the Association determines that the tenant or non-Co-owner occupant fails to comply with the conditions of the Yacht Harbor Project documents, the Association shall take the following action:

6.17. (a) (1) The Association shall notify the Co-owner by certified mail advising of the alleged violation by tenant.

6.17. (a) (2) The Co-owner shall have 15 days after receipt of the notice to investigate and correct the alleged breach by the tenant or advise the Association that a violation has not occurred.

6.17. (a) (3) If after 15 days the Association believes that the alleged breach is not cured or may be repeated, it may institute on its behalf or derivatively by the Co-owners on behalf of the Association, an action for eviction against the Co-owner and tenant or non-Co-owner occupant for breach of the conditions of the Yacht Harbor Project documents. The Association may hold both the tenant and the Co-owner liable for any damages caused by the Co-owner or tenant in connection with the Yacht Harbor Project Boat Slip.

6.17(b) When a-Co-owner is in arrears to the Association for assessments, the Association may give written notice of the arrearage to a tenant occupying a Co-owner's Yacht Harbor Project Boat Slip under a lease or rental agreement, and the tenant, after receiving the notice, shall deduct from rental payments due the Co-owner the arrearage and future assessment as they fall due and pay them to the association of Co-owners. The deductions shall not be a breach of the rental agreement or lease by the tenant.

Section 6.18. Damage Due to Misuse of Properties of Yacht Harbor Project. Each Co-owner shall use due care to avoid damaging any of the properties that comprise the Yacht Harbor Project including, but not limited to the telephone, water, gas, plumbing, electrical or other utility conduits and systems at or near any Boat Slip which are appurtenant to or which may affect any other Boat Slips. Each Co-owner shall be responsible for damages or costs to the Association resulting from damage to or misuse of any of the properties which comprise the Yacht Harbor Project by him, or his family, guests, agents or invitees, unless such damages or costs are covered by insurance carried by the Association in which case there shall be no such responsibility (unless reimbursement to the Association is excluded by virtue of a deductible provision, in which case the responsible Co-owner shall bear the expense to the extent of the deductible amount). Any costs or damages to the Association may be assessed to and collected from the responsible Co-owner in the manner provided in Article II.

ARTICLE VII MORTGAGES

Section 7.1. Any Co-owner who mortgages or encumbers his Boat Slip, or his interest therein, shall notify the Association through the management agent, if any, of the name and address of the mortgagee or encumbrancer, and the Association shall maintain such information in a book entitled "Mortgages of Boat Slips". The Association may, at the written request of a mortgagee of any such Boat Slip, report any unpaid assessments due from the Co-owner of such Boat Slip. The Association shall give to the holder of any first mortgage or lien covering any Boat Slip in the Yacht Harbor Project (or a Co-owner's interest therein) written notification of any default in the performance of the obligations of the Co-owner that is not cured within 60 days.

Section 7.2. The Association shall notify each mortgagee or encumbrancer appearing in said book of the name of each company insuring the Yacht Harbor Project against fire, perils covered by extended coverage, and vandalism, and malicious mischief and the amounts of such coverage.

Section 7.3. Upon request submitted to the Association, any institutional holder of a first mortgage lien on any Boat Slip in the Yacht Harbor Project shall be entitled to receive written notification of every meeting of the members of the Association and to designate a representative to attend such meeting.

ARTICLE VIII COMPLIANCE

Section 8. 1. The Association and all present or future Co-owners, tenants, future tenants, or any other persons using the properties and facilities of the Yacht Harbor Project in any manner are subject to and shall comply with the Declaration and Acceptance and the Bylaws and the Articles of Incorporation, rules and regulations of the Association and the mere acquisition, occupancy or rental of Boat Slips in the Yacht Harbor Project shall signify that the Declaration and Acceptance, these Bylaws, and the Articles of Incorporation, and the rules and regulations of the Association are accepted and ratified. In the event the Declaration and Acceptance, Bylaws, Articles of Incorporation or rules or regulations of the Association conflict with the provisions of any statute, the statute shall govern.

ARTICLE IX AMENDMENTS

Section 9.1. Amendments to these Bylaws may be proposed by the Board of Directors of the Association acting upon the vote of the majority of the Directors or by one-third or more in number of the members or by instrument in writing signed by them.

Section 9.2. Upon any such amendment being proposed, a meeting for consideration of the same shall be duly called in accordance with the provisions of the Bylaws.

Section 9.3. These Bylaws may be amended by the Association at any regular annual meeting or a special meeting called for such purpose, by an affirmative vote of more than sixty-six and two-thirds (66-2/3%) percent of all Co-owners in number; provided, however, that the prior written approval of more than sixty-six and two-thirds (66-2/3%) percent of the holders of first mortgage liens on any Boat Slip in the Yacht Harbor Project shall be required for any amendment to these Bylaws that materially affects the rights of any member of the Association.

Section 9.4. A copy of each amendment to the Bylaws shall be furnished to every member of the Association after adoption; provided, however, that any amendment to these Bylaws that is adopted in accordance with this Article shall be binding upon all persons who have an interest in the Yacht Harbor Project irrespective of whether such persons actually receive a copy of the amendment.

ARTICLE X SEVERABILITY

In the event that any of the terms, provisions or covenants of these Bylaws are held to be partially or wholly invalid or unenforceable for any reason whatsoever, such holding shall not affect, alter, modify or impair in any manner whatsoever any of the other terms, provisions or covenants hereof or the remaining portions of any terms, provisions or covenants held to be partially invalid or unenforceable.

ARTICLE XI
GENDER

Whenever any reference herein is made to any gender, the same shall include a reference to any and all genders where the same would be appropriate. Similarly, whenever a reference is made herein to the singular, a reference shall also be included to the plural where the same would be appropriate.

DATED ____ day of _____ 2007.

EAGLE BEND YACHT HARBOR BOATSLIP
OWNERS' ASSOCIATION

By: /s/ Brent Hall, President

By: /s/ Bob Smith, Vice-President

By: /s/ Roy Hollandworth, Secretary/Treasurer