

BY-LAWS
OF
STONE FOREST HOMEOWNER'S ASSOCIATION

ARTICLE I
NAME AND LOCATION.

The name of the corporation is STONE FOREST HOMEOWNER'S ASSOCIATION, hereinafter referred to as the "Association". Meetings of members and directors may be held at such places within the State of Washington, County of Clark, as may be designated by the Board of Directors.

ARTICLE II
DEFINITION

Section 1. "Association" shall mean and refer to STONE FOREST HOMEOWNER'S ASSOCIATION, its successors and assigns.

Section 2. "Properties" shall mean and refer to that certain real property constituting the plat of Stone Forest subdivision recorded on _____ in Plat Book _____, Page __, as subdivision approved by the City of Kalama, under Auditor's recording number _____, records of Cowlitz County, Washington, as shown therein, and described in the Declaration of Covenants, Conditions and Restrictions recorded on _____, under Auditor's Recording No. _____ appearing on page ___ of ___, in the real property recording records of Cowlitz County, Washington, and such additions thereto as may hereafter be included within the jurisdiction of the Association as provided in Article XV in these By-Laws.

Section 3. "Common Area" shall mean any real property or interest in real property within Stone Forest subdivision owned or held by the Association for the common use and enjoyment of the members. "Common Area" shall also include any such property included within the jurisdiction of the Association as provided in Article XV of these By-Laws.

Section 4. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision plat of the Properties with the exception of the Common Areas.

Section 5. "Owner" shall mean and refer to the owner, whether one or more persons or entities, of any Lot in the Properties, including contract purchasers, but does not include a person holding only a security interest in a Lot for the performance of an obligation.

Section 6. "Declarant" shall mean and refer to Columbia Ridge Land Development Company. It shall also refer to any person who acquires 50% or more of the right, title and interest owned by such Declarant at the time of the recording of the DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR

STONE FOREST SUBDIVISION, by a single conveyance for the purpose of the development of dwelling units thereon. It shall also include the successors and assigns of such successors and assigns of the same interest who acquire lots for the purpose of development of dwelling units thereon.

Section 7. "Declaration" shall mean and refer to the DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR STONE FOREST SUBDIVISION applicable to the Properties recorded in the office of the County records, Cowlitz County, Washington, and any amendments or supplements thereto.

ARTICLE III ASSOCIATION MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. Each person, including Declarant, who is a record owner of the fee simple interest of any lot or is the contract purchaser of any lot shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. All members of the Stone Forest Homeowner's Association shall be governed and controlled by the Articles of Incorporation and the By-Laws thereof. Upon the sale, transfer, assignment or other termination of any members interest as owner or contract purchaser in any such lot, such person's membership shall terminate.

Section 2. Voting. Upon all matters that come before the Association, each member shall have one vote, except that no class A members shall have a vote until the Declarant no longer owns a lot in the plat. Thereafter, each member who is the owner of more than one lot shall have a vote for each lot owned or being purchased on contract. In the case of ownership as tenants in common or joint ownership, including tenancy by the entirety, of a lot or lots, the tenants in common or joint owners shall be entitled to one vote only for each lot so owned.

ARTICLE IV MEETING OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the members shall be held in the calendar year following the calendar year in which the Turnover Meeting is held and shall be set by action of the Board of Directors. Thereafter, each subsequent annual meeting of the members shall be held in the months of June or July at such hour and on such date as the President may designate, or if the President shall fail to designate such date by the first day of July, then on the last Sunday in July. The annual meetings shall be for the purpose of electing directors and for the transaction of such other business as may properly come before the meeting.

Section 2. Special Meetings. Special meeting of the members may be called at any time by the President or by the Board of Directors, or upon written request of the members who are entitled to vote one-fourth (1/4) of all of the votes.

Section 3. Notice of Meetings. Written notice of each meeting, including the Turnover

Meeting shall be given by, or at the direction of, the Secretary or person authorized to call the meetings, by mailing a copy of such notice, postage prepaid, at least 15 days before such meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in case of a special meeting, the purpose of the meeting.

Section 4. Quorum. The presence at the meeting of members entitled to vote, or proxies entitled to vote, fifty percent (50%) of the votes shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation or these By-Laws. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or represented.

Section 5. 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 automatically cease upon conveyance by the member of his Lot.

ARTICLE V TRANSITIONAL ADVISORY COMMITTEE

Section 1. Formation. A transitional advisory committee shall be formed. The committee shall consist of James S. Schlatter.

Section 2. Turnover Meeting. No later than the occupancy of one hundred percent (100%) of the dwelling units on the residential lots, Declarant shall call a meeting for the purpose of turning over administrative responsibility for the Properties to the Homeowner's Association. Notice shall be provided to each owner as provided in Article IV, Section 3. At the meeting, Declarant shall deliver to the Association all pertinent information and documents. The members shall elect a Board of Directors in accordance with Article VI of these By-Laws.

ARTICLE VI BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

Section 1. Number. The first Board of Directors shall consist of one director. Until the earlier of the resignation of the second single director, or the first Tuesday in the year 2008, the affairs of this Association shall be managed by a Board of one director. Thereafter the Association shall be managed by a Board of not less than three (3) directors, who need not be members of the Association. Notwithstanding the foregoing, the three-member Board shall arise no later than the turnover meeting.

Section 2. Term of Office. At the Turnover Meeting, but no later than the first meeting on or following the first Tuesday in the year 2008, the members shall elect one director to serve until the first annual meeting, one director to serve until the second annual meeting, and one director to

serve until the third annual meeting. At each annual meeting thereafter, the members shall elect one director for a term of three years.

Section 3. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the members of the Association. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting, which 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 Directors.

ARTICLE VII NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Directors to be held at the Turnover Meeting. Thereafter, the Nominating Committee shall consist of a Chairperson, who shall be a member of the Board of Directors, and two or more members of the Association. 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. 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 vacancies that are to be filled. Such nominations may be made from among members or non-members.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. At such election the members or their proxies may vote, in respect to each vacancy, as many votes as they are entitled to exercise. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VIII MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held as needed with notice, at such place and hour as may be fixed from time to time by resolution of the Board; notice shall be posted at a place or places on the property at least three (3) days prior to the meeting or notice shall be provided by a method otherwise reasonable calculated to inform lot owners of such meeting. Should said meeting fall upon a legal holiday, then that meeting shall be

held at the same time on the next day which is not a legal holiday. All meetings of the Board of Directors of the Association shall be open to the owners.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two directors, after not less than three (3) days notice to each director.

Section 3. Emergency Meetings. 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 of Directors may be conducted by telephone communications.

Section 4. Quorum. A majority of the number of directors shall constitute quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE IX POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have power to:

(a) Adopt and publish rules and regulations governing the use of the Common Area and facilities, and the personal conduct of the members and their guest thereon, and to establish penalties for the infraction thereof.

(b) Suspend the voting rights and rights to use of the recreational facilities of a member during any period in which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations.

(c) Exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws, the Articles of Incorporation, or the Declarations.

(d) Declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and

(e) Employ a manager, an independent contractor or such other employees as it deems necessary, and to prescribe their duties, including without limiting the foregoing, the employment of personnel necessary for the maintenance, upkeep, and repair of the Common Area.

(f) The issuance of any check, draft or withdrawal of funds in excess of \$500 shall require the signature of two directors.

Section 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 corporate affairs 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 (1/4) of the members who are entitled to vote.

(b) Adopt an annual budget for the Properties. A summary of the budget shall be provided to the owners within thirty (30) days after preparation. If the Board of Directors is petitioned by owners representing twenty percent (20%) of the votes for the Properties, the Board shall call a meeting of the owners to consider rejection of the budget. The date of the meeting shall be not less than fourteen (14) or more than thirty (30) days after the summary is provided to the owners. At the meeting, whether or not a quorum is present, the budget shall be adopted unless a majority of the votes of the Properties or any larger vote specified in these By-Laws rejects the budget. If the proposed annual budget is rejected, the last annual budget shall continue in effect until the owners approve a subsequent budget.

(c) Supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(d) As more fully provided in these By-Laws, to:

- (1) Fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period; and
- (2) Send written notice of each assessment to every owner subject thereto at least thirty (30) days in advance of each annual assessment period.

ARTICLE X **OFFICERS**

Section 1. Designation of Officers. The principal officers of the Association shall be a President, a Vice-President, a Secretary and a Treasurer. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 2. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he/she shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 3. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at anytime giving written notice to the Board, 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.

Section 4. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 5. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 1 of this article.

Section 6. Duties. The duties of the officers are as follows:

PRESIDENT

(a) The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds, and other written instruments, and shall co-sign all checks and promissory notes.

VICE-PRESIDENT

(b) The Vice-President shall act in the place and stead of the President in the event of his/her absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him/her by the Board.

SECRETARY

(c) The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board.

TREASURER

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

ARTICLE XI BOOKS AND RECORDS

The Books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any member. The financial records shall be sufficiently detailed for proper accounting purposes. Within ninety (90) days after the end of the fiscal year, the Board of Directors shall distribute to each member, and upon request of any mortgagee of a lot, a copy of the annual financial statement consisting of a balance sheet and income and expense statement for the preceding fiscal year. Actual expenditures shall be listed and reported in detail

including payee, amount and date of payment.

The Declaration, the Articles of Incorporation and the By-Laws of the Association, any amendments or supplements thereto, the most recent annual financial statement, and the current operating budget of the Association, shall be available for inspection by any member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XII COMMON AREAS

Section 1. The Association shall be responsible for the exclusive management, maintenance and control of the Common Areas and improvements thereon. For the purposes of these By-Laws, the term "Common Area" shall include Common Maintenance Areas. The Association shall be vested with legal authority to enforce the terms, provisions, conditions and restrictions of these By-Laws to the end that said Areas be kept in good, clean, attractive, safe and sanitary condition, order and repair.

Section 2. Subject to the rights, easements and privileges of the members, the Association shall hold title or easement to all Common Areas and all recreational and other facilities located therein or thereon, whether consisting of real or personal property. The Association shall also, subject to any limitations set forth in the Articles of Incorporation or these By-Laws, have power to acquire by gift, purchase or otherwise, and to own, hold, improve, landscape, plant trees, build upon, operate, maintain, sell, convey, dedicate for public use, or otherwise dispose of Common Areas.

Section 3. Every member and those residing with the member, a member's tenants and his family, shall have in common with all other owners, a non-exclusive right and easement of enjoyment in and to any Common Area and such easement shall be appurtenant to and shall pass with the title to every lot, subject only to duly enacted regulations and provisions of the Association.

Section 4. In the event a Common Area or facility located thereon is damaged or destroyed by an owner of any lot or any of his guests, or members of his family, such owner does hereby authorize the Association to repair said damaged area. The Association shall repair said damaged area in a good and workmanlike manner. The amount necessary for such repairs shall become a special assessment upon the lot of said owner.

ARTICLE XIII COVENANTS FOR ASSESSMENTS

Section n1. Assessments. The Declarant hereby covenants, and each owner (including contract purchasers) of any lot by acceptance of a deed, contract of purchase thereof, whether or not it shall be so expressed in such deed or contract, is deemed to covenant and agree to pay the Association annual general assessments or charges for maintenance, repair and upkeep of Common Areas and for capital improvements located thereon, such assessments to be established and

collected as hereinafter provided. All such assessments, together with interest thereon and costs of collection thereof, as hereinafter provided, shall be a charge on the land and shall be a continuing lien upon the interest of each such person owning a lot. Each such assessment, together with the interest thereon and costs of collection thereof, shall also be the personal obligation of the person who was the owner of such property at the time when the assessment was due.

Section 2. Property Assessed. The entirety of each lot shall be subject to the assessments.

Section 3. Uniformity. The annual charge or assessments shall be fixed at a uniform rate for all lots and may be collected on an annual basis or as determined from time to time by the Board of Directors of the Association. No lot owned by Declarant shall be subject to assessment.

Section 4. Basis of Annual Assessments. Subject to Article XV of these By-Laws, the first annual assessment shall be _____ (\$____.00) per lot. After the first annual assessment, the maximum annual assessment per lot may be increased each year by the Board of Directors of the Association by no more than fifteen percent (15%) above the maximum assessment of the preceding year without a vote thereon by the membership of the Association authorizing an increase greater than said fifteen percent (15%).

(a) Written notice of the annual assessment shall be sent to each member subject thereto. The annual assessment for any lot, which becomes subject to assessment for the first time shall be prorated according to the number of months remaining in the fiscal year for which assessed.

Section 5. Use of Fees. The right to fees collected and enforcement of the collection of such charges or assessments and the expenditure of the same shall be vested in the Board of Directors.

Section 6. Fiscal Assessment Period. Each annual charge or assessment shall be fixed in advance on or about the 1st day of January of each year commencing upon Declarant's assignment of all Common Area to the Home Owner's Association covering the ensuing twelve (12) months and ending the 31st day of December of the following year. Each such charge or assessment shall be due and payable on the 15th day of January in the year which it is fixed, and if it is not then paid, it shall thereafter be delinquent and bear interest at the rate of twelve percent (12%) per annum. The Board may elect to file a lien on said lot with the lot owner liable for the expenses, costs and disbursements, including reasonable attorneys fees of the Association of processing. Notwithstanding the foregoing, assessments shall not commence as to any lot earlier than as is provided in the DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR STONE FOREST SUBDIVISION

Section 7. Subordination of Lien. The lien for assessments shall be subordinate to the lien of any first mortgage or deed of trust, except that sale according to a decree of foreclosure shall not relieve the lot from liability for any unpaid assessment which becomes a lien prior to such sale or transfer unless sold to Declarant.

ARTICLE XIV
AMENDMENTS TO BY-LAWS

Section 1. How Proposed. Amendments to these By-Laws shall be proposed by either a majority of the Board of Directors or by members entitled to cast thirty percent (30%) of the votes. The proposed amendment must be reduced to writing and shall be included in the notice of any meeting at which action is to be taken thereon or attached to any request for consent to the amendment.

Section 2. Adoption. A resolution adopting a proposed amendment may be proposed by either the Board of Directors or by the members and may be approved by the members at a meeting called for this purpose. Members not present at the meeting considering such amendment may express their approval in writing or by proxy. Any resolution must be approved by members holding seventy percent (70%) of the votes. Declarant's consent shall also be required so long as Declarant owns any lot within the Properties. Any amendment that would limit or diminish any special Declarant rights established in these By-Laws shall require the written consent of Declarant. The Federal Housing Administration and the Federal Veterans Administration shall have the right to veto any amendment.

Section 3. Execution and Recording. Amendment shall not be effective until certified by the President and Secretary of the Association as being adopted in accordance with these By-Laws and recorded in the Records of Cowlitz County, Washington.

ARTICLE XVI
MISCELLANEOUS

Section 1. Waiver. Non restriction, condition, obligation, or provision contained in these By-Laws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

Section 2. Action Without a Meeting. Any action which these By-Laws require or permit the owners 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 entitled to vote on the matter. The consent shall have the same effect as a unanimous vote of the owners and shall be filed in the records of minutes of the Association.

Section 3. Invalidity; Number; Captions. The invalidity of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these By-Laws. As used herein, the singular shall include the plural, and the plural the singular. The masculine and neuter shall each include the masculine, feminine and neuter, as the context requires. All captions used herein are intended solely for convenience of reference and shall in no way limit any of the provisions of these By-Laws.

Section 4. Fiscal Year. The fiscal year of the Association shall begin on the 1st day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

Section 5. Conflicts. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control; and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control, with respect to any affected unit.

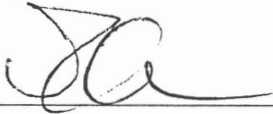
Section 6. Enforcement. Judicial enforcement may be by proceeding at law or in equity against any person or persons violating or attempting to violate any of these By-Laws, either to restrain violation or to recover damages.

Section 7. Severability. Invalidation of any of the conditions, covenants or restrictions contained in these By-Laws by a court of competent jurisdiction shall in no way affect any of the remaining covenants, conditions or restrictions.

IN WITNESS WHEREOF, we, being the initial director of the STONE FOREST HOMEOWNER'S ASSOCIATION, have hereunto set our hands this SECOND day of DEC EMBER, 2006.

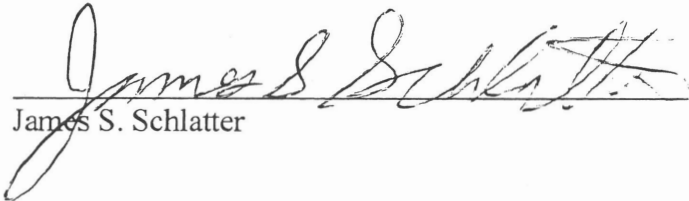
DECLARANT:

By: _____



DIRECTOR:

James S. Schlatter



STATE OF WASHINGTON)
 :SS
County of Clark)

I certify that I know or have satisfactory evidence that James S. Schlatter is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he is authorized to execute the instrument and acknowledge it as the President of Columbia Ridge Land Development Company., a Washington Corporation, and that he was authorized to execute the instrument and acknowledged it to the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

Dated: _____

(signature of notary)

(Notary's Printed Name)

Notary Public in and for the State of Washington
residing at _____.

My commission expires: _____.