

## BYLAWS OF TEHALEH OWNERS ASSOCIATION

### ARTICLE I. NAME, PRINCIPAL OFFICE, AND DEFINITIONS

**1.1 Name; Purpose.** The name of the corporation is Tehaleh Owners Association (the “Association”). As set forth in the Articles of Incorporation, the Association is organized as a corporation under the Washington Nonprofit Corporation Act (RCW ch. 24.03) for operation of an owners association formed for the purpose of managing, maintaining and preserving certain real property within the Cascadia Employment Based Planned Community (“Tehaleh”) located in Pierce County, Washington.

**1.2 Principal Office.** The principal office of the Association shall be located in Pierce County, Washington. The Association may have such other offices, either within or outside of Washington, as the Board may determine or as the affairs of the Association may require.

### ARTICLE II. DEFINITIONS

The terms used in these Bylaws generally shall be given their natural, commonly accepted definitions unless otherwise specified. Unless the context indicates otherwise, capitalized terms shall be defined as set forth below or, if not set forth below, as defined in the Declaration. The following definitions are repeated from the Declaration for convenience:

**2.1 “Class “A” Member”:** All Owners, except the Class “B” Member, if any, as more specifically defined in Section 3.8.

**2.2 “Class “B” Member”:** Declarant during the Development Period.

**2.3 “Control Period” or Class “B” Control Period”:** means the time period during which the Class B Member is entitled to appoint a majority of the members of the Board of the Association, as provided in Section 4.1.3, and shall end at the earlier of the following: (a) when 95% of the total number of Units authorized by the Master Plan have certificates of occupancy (or final inspections if no certificate of occupancy is issued for such structure) issued thereon and have been conveyed to persons other than licensed builders; (b) upon Declarant’s recording of a written notice that it has elected in its sole discretion to terminate the Development Period; or (c) expiration of thirty (30) years from the date of the Declaration.

**2.4 “Declaration”:** means the “Declaration of Covenants, Conditions, Restrictions and Easements for Residential Properties at Cascadia Employment Based Planned Community” dated May 28, 2008, and recorded under Pierce County Recording No. 200805300389, as it may be amended from time to time.

**2.5 “Development Period”:** means that period Declarant requires to develop and market the Residential Property and shall include the Control Period and the twenty-four (24) months following expiration of the Control Period unless Declarant in its sole discretion earlier terminates the Development Period through a recorded instrument.

**2.6 “Master Plan”:** means the Cascadia Employment Based Planned Community Development Agreement between Cascadia Development Corporation and Pierce County dated September 8, 1999, along with any amendments thereto, all 5-year review decisions, and all plats

approvals or other regulatory conditions or any development standards designated by Declarant as part of the Master Plan to govern development of Tehaleh.

**2.7 “Resident”:** means any natural person 18 years of age or older whose principle residence is a Unit within the Residential Properties.

**2.8 “Voting Member”:** means Class “A” Members.

**ARTICLE III.  
ASSOCIATION:  
MEMBERSHIP, MEETINGS, QUORUM, VOTING, PROXIES**

**3.1 Membership.** The Association shall have two classes of membership, Class “A” and Class “B,” as more fully set forth in the Declaration, the terms of which pertaining to membership are incorporated by this reference.

**3.2 Place of Meetings.** Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as the Board may designate, either within the Residential Properties or as convenient as possible and practical.

**3.3 Annual Meetings.** Regular annual meetings shall be set by the Board so as to occur once during the Association’s fiscal year on a date, time, and location set by the Board.

**3.4 Special Meetings.** The President may call special meetings. In addition, consistent with RCW 64.38.035, it shall be the duty of the President to call a special meeting if so directed by resolution of the Board or upon a petition signed by Voting Members at least 10% of the total Class “A” votes of the Association.

**3.5 Notice of Meetings.** Written or printed notice stating the time, place and purpose of any annual or special meeting of the Association shall be delivered, either personally, by mail or by electronic transmission to each Voting Member entitled to vote at such meeting, not less than 14 nor more than 60 days before the date of such meeting (or other time periods mandated by law), by or at the direction of the President or the Secretary or the officers or persons calling the meeting.

In the case of a special meeting or when otherwise required by statute or these Bylaws, the purpose or purposes for which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

If mailed, the notice of a meeting shall be deemed delivered when deposited in the United States mail addressed to the Member at the Member’s address appearing on the Association’s records, with postage prepaid. If sent by facsimile, electronic mail, or other electronic communication device, notice shall be deemed delivered when it: (a) is electronically transmitted to an address, location, or system designated by the recipient for that purpose, and is made pursuant to the consent provided by the recipient in accordance with Article 7.5 of these Bylaws; or (b) has been posted on an electronic network and a separate record of the posting has been delivered to the recipient together with comprehensible instructions regarding how to obtain access to the posting on the electronic network. Failure to receive actual notice of an Association meeting shall not affect the validity of any action taken at such meeting.

**3.6 Waiver of Notice.** Waiver of notice of a meeting of the Association shall be deemed the equivalent of proper notice. Any Voting Member may, in writing, waive notice of any meeting of the Association, either before or after such meeting. Attendance at a meeting by a Voting Member shall be deemed a waiver of notice unless such Voting Member specifically objects to lack of proper notice at the

time the meeting is called to order. Attendance at a special meeting also shall be deemed waiver of notice of all business transacted at such meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

**3.7 Adjournment of Meetings.** If any meeting of the Association cannot be held because a quorum is not present, a majority of the Voting Members who are present at such meeting may adjourn the meeting to a time not less than five nor more than 30 days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given to Voting Members in the manner prescribed for regular meetings.

The Voting Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Voting Members to leave less than a quorum, provided that any action taken is approved by at least a majority of the votes required to constitute a quorum.

### **3.8 Voting.**

**3.8.1 General.** The Association shall have two classes of membership, Class A and Class B.

**3.8.1.1 Class A.** Class A Members shall be all Owners except the Class B Member, if any. Class A Members shall have one equal vote for each Unit in which they hold the interest required for membership under Section 5.2 of the Declaration, except that there shall be only one vote per Unit and no vote shall be exercised for any property which is exempt from assessment under Section 6.9 of the Declaration. All Class A votes shall be cast as provided in Section 3.8.1.3 below.

**3.8.1.2 Class B.** The sole Class B Member shall be Declarant. The Class B Member shall not vote on a per Unit basis but shall have such rights including the right to approve, or withhold approval of, actions proposed under the Declaration, these Bylaws and the Articles, as are specified in the relevant sections of the Declaration, these Bylaws and the Articles. After termination of the Control Period, and until termination of the Development Period, the Class B Member shall have a right to disapprove actions of the Board and committees as provided in Section 4.7.3. In addition, the Class B Member may appoint a majority of the members of the Board during the Class B Control Period, as specified in Section 4.1.3.

The Development Period shall terminate upon the earlier of: (a) two years after expiration of the Class B Control Period pursuant to Article IV of these Bylaws; or (b) when, in its discretion, Declarant so determines and declares in a recorded instrument. Upon termination of the Development Period, Declarant shall be a Class A Member entitled to Class A votes for each Unit which it owns.

#### **3.8.1.3 Exercise of Voting Rights.**

In any situation where a Member is entitled to exercise the vote for his or her Unit, and there is more than one Owner of such Unit, the vote for such Unit shall be exercised as the co-Owners determine among themselves and advise the Secretary of the Association in writing prior to the vote being taken. Absent such advice, the Unit's vote shall be suspended if more than one Person seeks to exercise it.

**3.8.3 Amendment of Voting Provisions.** In addition to specific amendment rights granted elsewhere in these Bylaws, until conveyance of the first Unit to a person other than a Builder, Declarant may unilaterally amend this Section for any purpose. The provisions of these Bylaws regarding Voting contained in this Section 3.8 shall be amended only in accordance with this Section 3.8.3, rather than in accordance with Section 7.6, to the extent Section 7.6 and this Section are inconsistent.

**3.8.3.1 By Declarant.** After conveyance of the first Unit to a person other than a Builder, Declarant may unilaterally amend this Section if such amendment is necessary (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on the Units; (c) to enable any institutional or governmental lender, purchaser, insurer or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, or another Federal Agency to make, purchase, insure or guarantee mortgage loans on the Units; or (d) to satisfy the requirements of any local, state or federal governmental agency. However, any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent in writing.

In addition, during the Control Period Declarant may unilaterally amend this Section for any other purpose so long as the amendment has no material adverse effect upon any right of any Owner.

**3.8.3.2 By Members.** Except as otherwise specifically provided above, this Section may be amended only by the affirmative vote or written consent, or any combination thereof, of 75% of the total Class A votes in the Association, including 75% of the Class A votes held by Members other than Declarant, and the consent of Declarant, in its sole discretion, during the Control Period. In addition, the approval requirements set forth in Article XV of the Declaration shall be met, if applicable.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

**3.8.3.3 Declarant and Class B Member Rights.** No amendment of this Section may remove, revoke, or modify any right or privilege of Declarant or the Class B Member without the written consent of Declarant or the Class B Member, respectively (or the assignee of such right or privilege).

### **3.9 Proxies and Electronic Voting.** Members may vote in person or by proxy.

Every proxy shall be in writing specifying the Unit for which it is given, signed by the Member or his duly authorized attorney-in-fact, dated, and filed with the Secretary of the Association prior to the meeting for which it is to be effective. Unless otherwise specifically provided in the proxy, a proxy shall be presumed to cover all votes which the Member giving such proxy is entitled to cast, and in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid. Every proxy shall be revocable and shall automatically cease upon conveyance of any Unit for which it was given, upon receipt by the Secretary of written notice of revocation of the proxy or of the death or judicially declared incompetence of a Member who is a natural person, or 11 months from the date of the proxy, unless a shorter period is specified in the proxy.

Members may submit a vote or proxy by electronic transmission. An "electronic transmission" means an electronic communication that may be retained, retrieved, and reviewed by the sender and the recipient thereof, and that may be directly reproduced in a tangible medium by a sender and recipient. Members voting by electronic transmission are present for all purposes of quorum, count of votes, and percentages of total voting power present.

**3.10 Majority.** As used in these Bylaws, the term “majority” shall mean those votes, Owners, or other group as the context may indicate totaling more than 50% of the total eligible number.

**3.11 Quorum.** Except as otherwise provided in these Bylaws or in the Declaration, the presence of Voting Members representing thirty-four percent (34%) of the total Class A votes in the Association, either in person or by proxy, shall constitute a quorum at all meetings of the Association.

**3.12 Conduct of Meetings.** The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meetings and record in a minute book all resolutions adopted and all other transactions occurring at such meetings.

**3.13 Action Without a Meeting.** ANY ACTION REQUIRED BY LAW TO BE TAKEN AT A MEETING OF THE MEMBERS OF THE ASSOCIATION, OR ANY ACTION WHICH MAY BE TAKEN AT A MEETING OF THE MEMBERS, MAY BE TAKEN WITHOUT A MEETING IF A CONSENT IN THE FORM OF A RECORD, SETTING FORTH THE ACTION SO TAKEN, SHALL BE EXECUTED BY ALL OF THE MEMBERS ENTITLED TO VOTE WITH RESPECT TO THE SUBJECT MATTER THEREOF, OR ALL OF THE DIRECTORS, AS THE CASE MAY BE. SUCH CONSENT SHALL HAVE THE SAME FORCE AND EFFECT AS A UNANIMOUS VOTE.

**BOARD OF DIRECTORS:  
NUMBER, POWERS, MEETINGS**

**4.1 Composition and Selection.**

**4.1.1 Governing Body; Composition.** The affairs of the Association shall be governed by a Board of Directors, each of whom shall have one equal vote. Except with respect to directors appointed by the Class B Member, the directors shall be Members. In the case of a Member which is not a natural person, any officer, director, partner, member, or trust officer of such Member shall be eligible to serve as a director unless otherwise specified by written notice to the Association signed by such Member; provided, no Member may have more than one such representative on the Board at a time, except in the case of directors appointed by the Class B Member.

**4.1.2 Number of Directors.** The Board shall consist of three to seven directors, as provided in Sections 4.1.3 and 4.1.5 below. The initial Board shall consist of three directors as identified in the Articles of Incorporation.

**4.1.3 Directors During Class B Control Period.** Subject to the provisions of Section 4.1.5, the directors shall be selected by the Class B Member acting in its sole discretion and shall serve at the pleasure of the Class B Member until the end of the Class B Control Period.

**4.1.4 Nomination and Election Procedures.**

**4.1.4.1 Nominations and Declarations of Candidacy.** Prior to each election of directors, the Board shall prescribe the opening date and the closing date of a reasonable filing period in which each and every eligible person who has a bona-fide interest in serving as a director may file as a candidate for any position to be filled by Class A votes. The Board shall also establish such other rules and regulations as it deems appropriate to conduct the nomination of directors in a fair, efficient and cost-effective manner.

Except with respect to directors selected by the Class B Member, nominations for election to the Board may also be made by a nominating committee (the “Nominating Committee”). The Nominating

Committee, if any, shall consist of a Chairman, who shall be a member of the Board, and three or more Members. The Nominating Committee may make as many nominations for election to the Board as it shall in its discretion determine.

**4.1.4.2 Election Procedures.** There shall be no cumulative voting. That number of candidates equal to the number of positions to be filled receiving the greatest number of votes shall be elected. Directors may be elected to serve any number of consecutive terms.

**4.1.5 Election and Term of Office.** Notwithstanding any other provision of these Bylaws:

**4.1.5.1** Within 60 days after the time that Class A Members other than Builders own 33% of the total authorized Units permitted by the Master Plan, or whenever the Class B Member earlier determines, the President shall call for an election by which the Voting Members shall be entitled to elect one of the three directors, who shall be an at-large director. The remaining two directors shall be appointees of the Class B Member. The director elected by the Voting Members shall not be subject to removal by the Class B Member and shall be elected for a two year term or until the happening of the event described in Subsection 4.1.5.2 below, whichever is shorter. If such director's term expires prior to the happening of the event described in Subsection 4.1.5.2 below, a successor shall be elected for a like term.

**4.1.5.2** Within 60 days after the time that Class A Members other than Builders own 67% of the total authorized Units permitted by the Master Plan, or whenever the Class B Member earlier determines, the Board shall be increased to five directors. The President shall call for an election by which the Voting Members shall be entitled to elect two of the five directors, who shall serve as at-large directors. The remaining three directors shall be appointees of the Class B Member. The directors elected by the Voting Members shall not be subject to removal by the Class B Member and shall be elected for a term of two years or until the happening of the event described in Subsection 4.1.5.3 below, whichever is shorter. If such directors' terms expire prior to the happening of the event described in Subsection 4.1.5.3 below, successors shall be elected for a like term.

**4.1.5.3** Within 90 days after termination of the Control Period, the President shall call for an election by which the Voting Members shall be entitled to elect three of the five directors, who shall serve as at-large directors. The remaining two directors shall be appointees of the Class B Member. The directors elected by the Voting Members shall not be subject to removal by the Class B Member and shall serve until the first annual meeting following the termination of the Class B Control Period. If such annual meeting is scheduled to occur within 90 days after termination of the Class B Control Period, this Subsection shall not apply and directors shall be elected in accordance with Subsection 4.1.5.4 below.

**4.1.5.4** Not later than the first annual meeting after the termination of the Class B Control Period, the Board shall be increased to seven directors and an election shall be held. Six directors shall be elected by the Voting Members. Three directors shall serve a term of two years, and three directors shall serve a term of one year, as such directors determine among themselves.

Until termination of the Development Period, the Class B Member shall be entitled to appoint one director. Upon termination of the Development Period, the director appointed by the Class B Member shall resign and the remaining directors shall be entitled to appoint a director to serve until the next annual meeting, at which time the Voting Members shall be entitled to elect a director to fill such position. Such director shall be elected for a term of two years.

Upon the expiration of the term of office of each director elected by the Voting Members, the Voting Members entitled to elect such director shall be entitled to elect a successor to serve a term of two years. The directors elected by the Voting Members shall hold office until their respective successors have been elected.

The following diagram illustrates Board composition. The diagrammatic summary exists for illustrative purposes only. In the event of a conflict between the diagram and the text of any of the Governing Documents, the Governing Documents shall control.

<b>Composition of Board of Directors</b>					
<b>Initial</b>	<b>Within 60 Days of When 33% of Units<sup>2</sup> Sold to Homeowners<sup>3</sup></b>	<b>Within 60 Days of When 67% of Units<sup>2</sup> Sold to Homeowners<sup>3</sup></b>	<b>Within 90 Days of Termination of Class B Control Period</b>	<b>First Annual Meeting After Termination of Class B Control Period</b>	<b>Termination of Development Period<sup>4</sup></b>
Class B	VM <sup>1</sup>	VM	VM	VM	VM
Class B	Class B	VM	VM	VM	VM
Class B	Class B	Class B	VM	VM	VM
		Class B	Class B	VM	VM
		Class B	Class B	VM	VM
				VM	VM
				Class B	VM

<sup>1</sup> VM = Class A Voting Members.  
<sup>2</sup> Percentage based upon total number of Units permitted by Master Plan for property described in Exhibits "A" and "B".  
<sup>3</sup> Sales to builders not counted.  
<sup>4</sup> Two years after the termination of the Control Period.

**4.2 Removal of Directors and Vacancies.** Any director, whether elected by the Voting Members or appointed by the Class B Member, may be removed, with or without cause, by the vote of Voting Members holding a majority of the votes entitled to be cast for the election of directors at a meeting where a quorum is present. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, a successor shall be elected by the Voting Members to fill the vacancy for the remainder of the term of such director, if the removed director was elected by the Voting Members, or shall be selected by the Class B Member, if the removed director was appointed by the Class B Member.

Any director elected by the Voting Members who has three consecutive unexcused absences from Board meetings, or who is more than 30 days delinquent in the payment of any assessment or other charge due the Association, may be removed by a majority of the directors present at a regular or special meeting at which a quorum is present, and the Board may appoint a successor to fill the vacancy for the remainder of the term.

In the event of the death, disability, or resignation of a director, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Voting Members may elect a successor for the remainder of the term.

Unless otherwise specifically provided, this Section shall not apply to directors appointed by the Class B Member. The Class B Member shall be entitled to appoint a successor to fill any vacancy on the Board resulting from the death, disability or resignation of a director appointed by the Class B Member.

### **4.3 Meetings of the Board of Directors.**

**4.3.1 Annual Meeting.** The annual meeting of the board of directors shall be held immediately after the annual membership meeting or any membership meeting at which any members of the board of directors is elected. Said meeting shall be held at the same place as the membership meeting unless some other place shall be specified by resolution of the membership at such meeting.

**4.3.2 Special Meetings.** Special meetings of the board of directors may be held at any place and time, whenever called by the president, secretary, or any two (2) directors.

**4.3.3 Notice of Meetings.** No notice of the annual meeting of the board of directors shall be required. Notice of the time and place of any special meeting of the board of directors shall be given by the secretary, or by the director or directors calling the meeting, by regular or express mail, private carrier, personal delivery, electronic transmission, including email, electronic network posting, and facsimile, or by personal communication over the telephone or otherwise, at least three (3) days prior to the date on which the meeting is to be held. Neither the business to be transacted nor the purpose of any meeting of the board of directors need be specified in the notice or any waiver of notice of such meeting. If sent by facsimile, electronic mail, or other electronic communication device, notice shall be deemed delivered when it: (a) is electronically transmitted to an address, location, or system designated by the recipient for that purpose, and is made pursuant to the consent provided by the recipient in accordance with Article 7.5 of these Bylaws; or (b) has been posted on an electronic network and a separate record of the posting has been delivered to the recipient together with comprehensible instructions regarding how to obtain access to the posting on the electronic network. Failure to receive actual notice of a meeting of the directors shall not affect the validity of any action taken at such meeting. Effect of Attendance at Meeting. Attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where the director attends a meeting for the purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

**4.3.5 Telephonic Participation in Meetings.** Members of the Board or any committee designated by the Board may participate in a meeting of the Board or committee by means of conference telephone or similar communications equipment, by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this Subsection shall constitute presence in person at such meeting.

**4.3.6 Quorum of Board of Directors.** At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board, unless otherwise specifically provided in these Bylaws or the Declaration. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any meeting of the Board cannot be held because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not less than five nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

**4.3.7 Compensation.** Directors shall not receive any compensation from the Association for acting as such unless approved by a majority of the Voting Members. Any director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other

directors. Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director's interest was made known to the Board prior to entering into such contract and such contract was approved by a majority of the Board, excluding the interested director.

**4.4 Conduct of Meetings.** The President shall preside over all meetings of the Board, and the Secretary shall keep a minute book of Board meetings, recording all Board resolutions and all transactions and proceedings occurring at such meetings.

**4.5 Open Meetings.** Subject to the provisions of Section 4.6, all meetings of the Board shall be open to all Voting Members, but attendees other than directors may not participate in any discussion or deliberation unless permission to speak is requested on their behalf by a director. In such case, the President may limit the time any such individual may speak. Notwithstanding the above, upon the affirmative vote of a majority of the directors to assemble in an executive session, the President may adjourn any meeting of the Board and reconvene in executive session, and may exclude persons other than directors, to consider personnel matters; consult with legal counsel or consider communications with legal counsel; and discuss likely or pending litigation or mediation, matters involving possible violations of the Governing Documents of the Association, or matters involving possible liability of an Owner to the Association. The motion to adjourn must state specifically the purpose for the executive session. No motion, or other action adopted, passed, or agreed to in closed session may become effective unless the Board, following the closed session, reconvenes in open meeting and votes in the open meeting on such motion, or other action which is reasonably identified. The meeting minutes shall contain a reference to the stated purpose for the executive session. The provisions of this Section shall not require the disclosure of information in violation of law.

**4.6 Action Without a Formal Meeting.** Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote.

#### **4.7 Powers and Duties.**

**4.7.1 Powers.** The Board shall have all of the powers and duties necessary for the administration of the Association's affairs and for performing all responsibilities and exercising all rights of the Association as set forth in the Declaration, these Bylaws, the Articles, and as provided by law. The Board may do or cause to be done all acts and things which the Declaration, Articles, these Bylaws, or Washington laws do not direct to be done and exercised exclusively by the Voting Members or the membership generally.

**4.7.2 Duties.** The duties of the Board shall include, without limitation:

**4.7.2.1** preparing and adopting, in accordance with the Declaration, an annual budget and establishing each Owner's share of the Common Expenses and any Neighborhood Expenses;

**4.7.2.2** levying and collecting such assessments from the Owners;

**4.7.2.3** providing for the operation, care, upkeep, and maintenance of the Common Areas;

**4.7.2.4** designating, hiring, and dismissing the personnel necessary to carry out the rights and responsibilities of the Association and where appropriate, providing for the compensation

of such personnel and for the purchase or leasing of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

**4.7.2.5** depositing all funds received on behalf of the Association in a bank depository which it shall approve, and using such funds to operate the Association; provided, any reserve funds may be deposited, in the directors' best business judgment, in depositories other than banks;

**4.7.2.6** making and amending use restrictions and rules in accordance with the Declaration;

**4.7.2.7** opening of bank accounts on behalf of the Association and designating the signatories required;

**4.7.2.8** making or contracting for the making of repairs, replacements, additions, and improvements to or alterations of the Common Areas in accordance with the Declaration and these Bylaws;

**4.7.2.9** enforcing by legal means the provisions of the Declaration, these Bylaws, and the rules adopted by it and bringing any proceedings which may be instituted on behalf of or against any Owners concerning the Association; provided, the Association shall not be obligated to take action to enforce any covenant, restriction or rule which the Board in the exercise of its business judgment determines is, or is likely to be construed as, inconsistent with applicable law, or in any case in which the Board reasonably determines that the Association's position is not strong enough to justify taking enforcement action or other considerations make taking such action inadvisable;

**4.7.2.10** obtaining and carrying property and liability insurance and fidelity insurance, as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;

**4.7.2.11** paying the cost of all services rendered to the Association and all taxes or assessments on all personal property the Association owns and all residential Common Area;

**4.7.2.12** keeping books with detailed accounts of the receipts and expenditures of the Association;

**4.7.2.13** making available to any prospective purchaser of a Unit, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Unit, current copies of the Declaration, the Articles of Incorporation, the Bylaws, Use Rules and the books and records of the Association as provided in Section 7.4;

**4.7.2.14** permitting utility suppliers to use portions of the Common Areas reasonably necessary to the ongoing development or operation of the Residential Properties;

**4.7.2.15** indemnifying a director, officer or committee member, or former director, officer or committee member of the Association to the extent such indemnity is required by Washington law, the Articles of Incorporation or the Declaration;

**4.7.2.16** assisting in the resolution of disputes between Owners and others without litigation, as set forth in the Declaration; and

**4.7.2.17** establishing, adopting, and making available to Owners a schedule of fines for violations of the Governing Documents.

**4.7.3 Right of Class B Member to Disapprove Actions.** During the Development Period, the Class B Member shall have a right to disapprove any action, policy or program of the Association, the Board or any committee which, in the sole judgment of the Class B Member, would tend to impair rights of Declarant or Builders under the Declaration or these Bylaws, or interfere with development or construction of any portion of the Residential Properties, or diminish the level of services being provided by the Association.

**4.7.3.1** The Class B Member shall be given prior written notice of all meetings and proposed actions approved at meetings (or by written consent in lieu of a meeting) of the Association, the Board or any committee. Such notice shall be given by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary of the Association, which notice complies as to the Board meetings with Sections 4.3.2, 4.3.3, 4.3.4, and 4.3.5 and which notice shall, except in the case of the regular meetings held pursuant to the Bylaws, set forth with reasonable particularity the agenda to be followed at such meeting; and

**4.7.3.2** The Class B Member shall be given the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein.

No action, policy or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the requirements of Sections 4.7.3.1 and 4.7.3.2 above have been met.

The Class B Member, its representatives or agents shall make its concerns, thoughts, and suggestions known to the Board or the members of the subject committee. The Class B Member, acting through any officer or director, agent or authorized representative, may exercise its right to disapprove at any time within 10 days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within 10 days following receipt of written notice of the proposed action. This right to disapprove may be used to block proposed actions but shall not include a right to require any action or counteraction on behalf of any committee, or the Board or the Association. The Class B Member shall not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

**4.7.4 Management.** The Board may employ for the Association a professional management agent or agents, at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board may delegate such powers as are necessary to perform the manager's assigned duties, but shall not delegate policymaking authority or those duties set forth in Sections 4.7.2.1 (with respect to adopting an annual budget), 4.7.2.2, 4.7.2.6, 4.7.2.7 and 4.7.2.8. Declarant or an affiliate of Declarant may be employed as managing agent or manager.

The Board may delegate to one of its members authority to act on behalf of the Board on all matters relating to the duties of the managing agent or manager, if any, which might arise between meetings of the Board.

The Association shall not be bound, either directly or indirectly, by any management contract executed during the Class B Control Period unless such contract contains a right of termination exercisable by the Association, with or without cause and without penalty, at any time after termination of the Class B Control Period upon not more than 90 days' written notice.

**4.7.5 Accounts and Reports.** The following management standards of performance shall be followed unless the Board by resolution specifically determines otherwise:

**4.7.5.1** accrual accounting, as defined by generally accepted accounting principles, shall be employed;

**4.7.5.2** accounting and controls shall conform to generally accepted accounting principles;

**4.7.5.3** cash accounts of the Association shall not be commingled with any other accounts;

**4.7.5.4** no remuneration shall be accepted by the managing agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; anything of value received shall benefit the Association;

**4.7.5.5** any financial or other interest which the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board;

**4.7.5.6** commencing at the end of the quarter in which the first Unit is sold and closed, financial reports shall be prepared for the Association at least quarterly containing:

**4.7.5.6.1** an income statement reflecting all income and expense activity for the preceding period on an accrual basis;

**4.7.5.6.2** a statement reflecting all cash receipts and disbursements for the preceding period;

**4.7.5.6.3** a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;

**4.7.5.6.4** a balance sheet as of the last day of the preceding period; and

**4.7.5.6.5** a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent (any assessment or installment thereof shall be considered to be delinquent on the 10th day following the due date unless otherwise specified by Board resolution); and

**4.7.5.7** an annual report consisting of at least the following shall be made available to all Members within 120 days after the close of the fiscal year: (i) a balance sheet; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited basis by an independent public accountant; provided, upon written request of any holder, guarantor or insurer of any first Mortgage on a Unit, the Association shall provide an audited financial statement. During the Control Period, the annual report shall include certified financial statements.

**4.7.6 Borrowing.** The Association shall have the power to borrow money for any legal purpose; provided, the Board shall obtain Voting Member approval in the same manner provided in the Declaration for Special Assessments if the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed 10% of the budgeted gross

expenses of the Association for that fiscal year. During the Class B Control Period, no Mortgage lien shall be placed on any portion of the Residential Common Area without the affirmative vote or written consent, or any combination thereof, of at least 51 % of the total Class A votes in the Association and the Class B Member's consent.

**4.7.7 Right to Contract.** The Association shall have the right to contract with any person or entity for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or Neighborhood and other owners or residents associations, within and outside the Residential Properties; provided, any common management agreement shall require the consent of a majority of the total number of directors of the Association.

**4.7.8 Enforcement.** In addition to such other rights as are specifically granted under the Declaration, the Board shall have the power to impose reasonable monetary fines, which shall constitute a lien upon the Unit of the violator, and to suspend an Owner's right to vote for violation of any duty imposed under the Governing Documents. As defined in the Declaration, "Governing Documents" means the Declaration, Supplemental Declarations, Bylaws, Use Rules, the Design Guidelines, and any other recorded covenants or Master Plan conditions affecting the Residential Properties. In addition, the Board may suspend any services provided by the Association to an Owner or the Owner's Unit if the Owner is more than 90 days delinquent in paying any assessment or other charges owed to the Association. In the event that any occupant, tenant, employee, guest or invitee of a Unit violates the Governing Documents and a fine is imposed, the fine shall be assessed against the Owner and/or the Unit (whether or not the Owner is the occupant). The failure of the Board to enforce any provision of the Governing Documents shall not be deemed a waiver of the right of the Board to do so thereafter.

**4.7.8.1 Notice.** Prior to imposition of any sanction hereunder or under the Governing Documents, the Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction(s) to be imposed (which may include fines and suspension of voting rights, services, and/or privileges), (iii) a period of 10 days within which the alleged violator may present a written request for a hearing to the Board or the Covenants Committee, if one has been appointed pursuant to Article VI of these Bylaws, and (iv) a statement that the proposed sanction(s) shall be imposed as contained in the notice unless a challenge is begun within 10 days of the notice. If a timely request for a hearing is not made after notice of a proposed sanction(s) is given, the sanction(s) stated in the notice shall be imposed automatically and without any further notice or action required. However, the Board or the Covenants Committee may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the 10-day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person. If the violation is not corrected and/or the fine not paid, or if corrected but the same violation occurs within a 12-month period, then the Board or its delegate may send a second notice of violation, for which no hearing is required and which may incur additional fines (including fines accumulating per day) and the suspension of voting and other rights, as specified in the Use Rules).

In the event that, in an emergency situation, the Board enforces any provision of the Governing Documents by self-help, in accordance with Section 4.7.8.4, the Board shall provide notice of the self-help action to the alleged violator within five days of taking such action. Such notice shall describe (i) the nature of the alleged violation, (ii) the self-help action taken, and (iii) any Specific Assessment to be levied for the expenses associated with taking such action.

**4.7.8.2 Hearing.** If a hearing is requested within the allotted 10-day period, the hearing shall be held before the Covenants Committee, or if none has been appointed, then before the Board in executive session. The alleged violator shall be afforded a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minutes

of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

**4.7.8.3 Appeal.** Following a hearing before the Covenants Committee, the violator shall have the right to appeal the decision to the Board. To exercise this right, a written notice of appeal must be received by the manager, President, or Secretary of the Association within 10 days after the hearing date.

**4.7.8.4 Additional Enforcement Rights.** Notwithstanding anything to the contrary in this Article, the Board may elect to enforce any provision of the Governing Documents by self-help in an emergency situation (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules) or, following compliance with the dispute resolution procedures set forth in the Declaration, if any, by suit at law or in equity to enjoin any violation or to recover monetary damages or both, without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorney's fees actually incurred. Any entry onto a Unit for purposes of exercising this power of self-help shall not be deemed as trespass.

## **ARTICLE V. OFFICERS**

**5.1 Officers.** The officers of the Association shall be a President, Vice President, Secretary, and Treasurer. The President and Secretary shall be elected from among the members of the Board; other officers may, but need not be members of the Board. The Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have such authority and perform such duties as the Board prescribes. Any two or more offices may be held by the same person, except the offices of President and Secretary.

**5.2 Election and Term of Office.** The Board shall elect the officers of the Association at the first meeting of the Board following each annual meeting of the Voting Members, to serve until their successors are elected.

**5.3 Removal and Vacancies.** The Board may remove any officer whenever in its judgment the best interests of the Association will be served, and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise, for the unexpired portion of the term.

**5.4 Powers and Duties.** The officers of the Association each shall have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may be specifically conferred or imposed by the Board. The President shall be the chief executive officer of the Association. The Treasurer shall have primary responsibility for the preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both. The President or the Secretary may prepare, execute, certify, and record amendments to the Governing Documents on behalf of the Association after required approvals are obtained.

**5.5 Resignation.** Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of the 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.

**5.6 Agreements, Contracts, Deeds, Leases, Checks, Etc.** All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two officers or by such other person or persons as may be designated by Board resolution.

**5.7 Compensation.** Compensation of officers shall be subject to the same limitations as compensation of directors under Section 4.3.7.

## **ARTICLE VI. COMMITTEES**

**6.1 General.** The Board may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each committee shall operate in accordance with the terms of such resolution. Any committee that exercises the authority of the Board shall consist of two or more directors and such other persons as the Board may appoint.

No committee shall have the authority of the Board to amend, alter or repeal these Bylaws; elect, appoint, or remove any member of any such committee or any director or officer of the Association; amend the Articles of Incorporation; adopt a plan of merger or adopt a plan of consolidation with another corporation; authorize the voluntary dissolution of the Association or revoke proceedings therefor; adopt a plan for the distribution of the assets of the Association not in the ordinary course of business; or amend, alter, or repeal any resolution of the Board which by its terms provides that it shall not be amended, altered or repealed by such committee. The designation and appointment of any such committee and the delegation of authority to it shall not operate to relieve the Board or any individual director of any responsibility imposed upon it, him, or her by law.

**6.2 Covenants Committee.** IN ADDITION TO ANY OTHER COMMITTEES WHICH THE BOARD MAY ESTABLISH PURSUANT TO SECTION 6.1, THE BOARD MAY APPOINT A COVENANTS COMMITTEE CONSISTING OF AT LEAST THREE AND NO MORE THAN SEVEN MEMBERS. ACTING IN ACCORDANCE WITH THE PROVISIONS OF THE DECLARATION, THESE BYLAWS, AND RESOLUTIONS THE BOARD MAY ADOPT, THE COVENANTS COMMITTEE, IF ESTABLISHED, SHALL BE THE HEARING TRIBUNAL OF THE ASSOCIATION AND SHALL CONDUCT ALL HEARINGS HELD PURSUANT TO SECTION 4.7.8 OF THESE BYLAWS.

## **ARTICLE VII. MISCELLANEOUS**

**7.1 Fiscal Year.** The fiscal year of the Association shall be the calendar year unless the Board establishes a different fiscal year by resolution.

**7.2 Parliamentary Rules.** Except as may be modified by Board resolution, Robert's Rules of Order (current edition) shall govern the conduct of Association proceedings when not in conflict with Washington law, the Articles of Incorporation, the Declaration, or these Bylaws.

**7.3 Conflicts.** If there are conflicts between the provisions of Washington law, the Articles of Incorporation, the Declaration, and these Bylaws, the provisions of Washington law, the Declaration, the Articles of Incorporation, and the Bylaws (in that order) shall prevail.

**7.4 Books and Records.**

**7.4.1 Inspection by Members and Mortgagees.** The Board shall make available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a Unit, any Member, or

the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Unit: the Declaration, Bylaws, and Articles of Incorporation, including any amendments, the rules of the Association, the membership register, books of account, and the minutes of meetings of the Members, the Board, and committees. The Board shall provide for such inspection to take place at the office of the Association or at such other place within the Residential Properties as the Board shall designate.

**7.4.2 Rules for Inspection.** The Board shall establish rules with respect to:

**7.4.2.1** notice to be given to the custodian of the records;

**7.4.2.2** hours and days of the week when such an inspection may be made; and

**7.4.2.3** payment of the cost of reproducing documents requested.

**7.4.3 Inspection by Directors.** Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make a copy of relevant documents at the expense of the Association.

**7.5 Notices.** Except as otherwise provided in the Declaration or these Bylaws, all notices, demands, bills, statements, or other communications under the Declaration or these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or by private carrier; if sent by United States mail; or, if the intended recipient has given its prior written consent to use such method of delivery, by electronic transmission, including facsimile or electronic mail. A Member or Director who provides consent to receipt of notices by electronic transmission shall designate the message format accessible to the recipient, and the address, location, or system to which these notices may be electronically transmitted. A Member or Director who has consented to receipt of notices by electronic transmission may revoke the consent by delivering a written revocation to the Association. The consent of any Member or Director is revoked if the Association is unable to electronically transmit two consecutive notices given by the Association in accordance with the consent, and this inability becomes known to the Secretary of the Association or other person responsible for giving the notice. The inadvertent failure by the Association to treat this inability as a revocation does not invalidate any meeting or other action. A notice to Members or Directors who have consented to receipt of notices by electronic transmission may be provided by posting the notice on an electronic network and delivering to the Member or Director a separate record of the posting, together with comprehensible instructions regarding how to obtain access to this posting on the electronic network.

**7.5.1** Notices shall be delivered or sent to the intended recipient as follows:

(a) if to a Member, at the address which the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Unit of such Member;

(b) if to the Association, the Board, or the managing agent, at the principal office of the Association or the managing agent or at such other address as shall be designated by notice in writing to the Members pursuant to this Section; or

(c) if to any committee, at the principal address of the Association or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

**7.5.2** Notice sent in accordance with Section 7.5.1 shall be deemed to have been duly given and effective:

(i) if sent by United States Mail, when deposited with the U.S. Postal Service, correctly addressed, with first class postage prepaid;

(ii) if delivered personally or by private carrier, when actually delivered to the address of the intended recipient, as evidenced by written proof of such delivery provided by the private carrier; or

(iii) if sent by electronic transmission, when it: (a) is electronically transmitted to an address, location, or system designated by the recipient for that purpose, and is made pursuant to the consent provided by the recipient; or (b) has been posted on an electronic network and a separate record of the posting has been delivered to the recipient together with comprehensible instructions regarding how to obtain access to the posting on the electronic network.

## **7.6 Amendment.**

**7.6.1 By Class B Member.** Prior to the conveyance of the first Unit by Declarant to a person other than a Builder, the Class B Member may unilaterally amend these Bylaws. After such conveyance, the Class B Member may unilaterally amend these Bylaws at any time and from time to time if such amendment is necessary (i) to bring any provision into compliance with any applicable governmental statute, rule or regulation, or judicial determination; (ii) to enable any reputable title insurance company to issue title insurance coverage on the Units; (iii) to enable any institutional or governmental lender, purchaser, insurer or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or another Federal Agency, to make, purchase, insure or guarantee mortgage loans on the Units; or (iv) to satisfy the requirements of any local, state or federal governmental agency; provided, however, any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent thereto in writing. During the Development Period, the Class B Member may unilaterally amend these Bylaws for any other purpose, provided the amendment has no material adverse effect upon any right of any Member.

**7.6.2 By Members Generally.** Except as provided above, these Bylaws may be amended only by the affirmative vote or written consent, or any combination thereof, of 51% of the total Class A votes in the Association, and consent of the Class B Member, if such exists. In addition, the approval requirements set forth in Article XV of the Declaration shall be met, if applicable. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than, the prescribed percentage of affirmative votes required for action to be taken under that clause.

**7.6.3 Validity of Amendments.** Any procedural challenge to an amendment must be made within six months of its recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these Bylaws.

No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class B Member without the written consent of Declarant, the Class B Member, or the assignee of such right or privilege.