

SERAMONTÉ

HOME OWNERS ASSOCIATION

BYLAWS

Article 1.

NAME PRINCIPAL OFFICE AND DEFINITIONS

1.1 Name. The name of the Association shall be AUBURN SERAMONTE HOMEOWNERS ASSOCIATION (hereinafter the "Association").

1.2 Principal Office. The principal office of the Association shall be in the state of Washington. The Association may have such other offices as the Board may determine, or as the affairs of the Association may require.

1.3 Definitions. Capitalized terms used in these Bylaws shall have the same meanings as set forth in the Seramonte Subdivision Declaration of Covenants, Conditions and Restrictions for SERAMONTE AT AUBURN, recorded under King County Recording No. 20060203002095, as amended by that certain Seramonte Subdivision First Amendment to Declaration of Seramonte, recorded at King County Recording No. 20061003001807 (collectively, the "Declaration"), unless the context shall otherwise require. The Declaration concerns SERAMONTE AT AUBURN, King County, Washington (the "Property").

Article 2.

ASSOCIATION MEMBERSHIP MEETINGS QUORUM VOTING PROXIES

2.1 Membership. The Association shall have property owners designated as members of the HOA.

2.2 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 designated by the Board.

2.3 Annual Meetings. The annual meeting of the Association shall be held on a date fixed by the Board. At such annual meeting there shall be a financial report, the Owners shall elect members to the Board or fill vacancies therein, and conduct such other business as shall properly come before the meeting may be transacted.

2.4 Special Meetings. The President may call special meetings and shall call a special meeting if so directed by resolution of the Board or upon a petition signed by Members representing at least twenty percent (20%) of votes of the Association.

2.5 Notice of Meetings. Written notice stating the place, day and hour of any meeting of the Members shall be delivered, either personally or by mail, to each Member entitled to vote at such meeting, not less than fourteen (14) nor more than sixty (60) days before the date of such meeting, by or at the direction of the director, officer or other person calling the meeting.

In the case of a special meeting or when required by law 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 their address as it appears on the records of the Association, with postage thereon prepaid.

2.6 Waiver of Notice. Waiver of meeting notice of the Members shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any meeting of the Members, either before or after such meeting. Attendance at any meeting by a Member or alternate shall be deemed a waiver by such Member of notice of the time, date and place thereof, unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.7 Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, a majority of the Members present at such meeting, either in person or by alternate, may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the time the original meeting is called. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted. 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 Members in the manner prescribed for regular meetings.

2.8 Voting. The voting rights of the Members are set forth in the Declaration and such voting rights provisions are specifically incorporated herein. Voting for the election of directors by the Members may be by ballots mailed to the Members. Ballots shall be returned to the Secretary by the date specified on the ballot. The Board shall determine the method of voting, the form of all ballots, the wording of questions thereon and the deadline for return of ballots. The Board may include on ballots any questions on which it seeks an advisory vote. Any other matters may be voted on by mail-in ballot to the extent allowed by law.

2.9 Proxies. At all meetings of the Members, Members may vote in person or by proxy. Each proxy shall be in writing, dated, signed and filed with the Secretary prior to the meeting for which it is to be effective. Proxies may be delivered to the Secretary by personal delivery, United States mail or facsimile to any Board member or the property manager. Unless otherwise provided in the proxy, a proxy shall cover all votes which the Member giving such proxy is entitled to cast; and in the event of any conflict between two (2) or more proxies purporting to cover the same voting rights, the later proxy shall prevail, or if dated as of the same date, both shall be deemed invalid. No proxy shall be valid more than eleven (11) months after its execution unless otherwise provided in the proxy. Every proxy shall be revocable and shall automatically cease upon conveyance of the Members Lot.

2.10 Majority Votes. Except as otherwise provided by statute, by the Declaration or by these Bylaws, passage of any matter submitted to vote at a meeting where a quorum is in attendance shall require the affirmative vote of at least fifty-one percent (51%) of the votes present in person or by proxy.

2.11 Quorum. Except as otherwise provided in these Bylaws or in the Declaration, the presence in person or by alternate of Members representing twenty-five percent (25%) of the total votes of the Association shall constitute a quorum at all meetings of the Association. Any provision in the Declaration concerning quorums is specifically incorporated herein. The 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 Members leaving less than a quorum.

2.12 Order of Business. The order of business at meetings of the Association shall be as follows unless dispensed with on motion:

2.12.1 Roll call;

2.12.2 Proof of notice of meeting or waiver of notice and establishment of a quorum;

2.12.3 Minutes of preceding meeting;

2.12.4 Reports of officers;

2.12.5 Reports of committees;

2.12.6 Election of inspectors of election;

2.12.7 Election of directors (annual meeting or special meeting called for such purpose);

- 2.12.8 Unfinished business;
- 2.12.9 New business; and
- 2.12.10 Adjournment.

2.13 Parliamentary Authority. In the event of dispute, the parliamentary authority for the meetings shall be the most current available edition of Robert's Rules of Order

Article 3.

BOARD OF DIRECTORS: NUMBER POWERS MEETINGS

3.1 Composition and Selection.

3.1.1 Governing Body, Composition. The affairs of the Association shall be governed by a Board of Directors, which shall initially be comprised of three directors. The number of directors in the Association shall be increased to five (5) directors upon the termination of the Class "B" Control Period, or at such earlier time as the Class "B" Members determine to do so. The directors shall be Members or spouses of such Members; provided, however, no person and his or her spouse may serve on the Board at the same time. In the case of a Member which is not a natural person, the person designated in writing to the Secretary of the Association as the representative of such Member shall be eligible to serve as a director.

3.1.2 Term. The normal term of each office for directors will be one (1) year or until their successors are elected and take office prior to the termination of the Class "B" Control Period.

3.1.3 Nomination of Directors. After the termination of the Class "B" Control Period, nominations for election to the Board may be made by a Nominating Committee. The Nominating Committee, if established, shall consist of a chairman, who shall be a member of the Board, and three (3) or more Members of the Association. The Nominating Committee shall be appointed by the Board not less than thirty (30) days after the election of directors by the Members to serve a term of one (1) year or until their successors are appointed, and such appointment shall be announced at each such annual meeting. The Nominating Committee shall make as many nominations for election to the Board as it shall in its discretion determine, but in no event less than the number of positions to be filled. Nominations shall also be permitted from the floor if elections are held at a meeting. All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes.

3.1.4 Election and Term of Office.

(a) At least three (3) of the directors shall be elected for a term of two (2) years (President, Secretary and Treasurer) and the remaining directors shall be elected for a term of one (1) year, as such directors determine among themselves. At the expiration of the term of office of each member of the Board, a successor to the director whose term is expiring shall be elected to serve for a term of two (2) years.

(b) Each Member shall be entitled to cast one (1) vote for each Lot owned. In any situation where there is more than one Owner of a particular Lot, the vote for such Lot shall be exercised as such co-Owners determine among themselves and inform the Secretary of the Association in writing prior to any meeting.

(c) Absent such written consent, the Owner of the Lot that is present at the Meeting will be entitled to vote for the Lot. There shall be no cumulative voting. The candidate(s) receiving the most votes shall be elected. The directors elected by the Members shall hold office until their respective successors have been elected by the Association and take office or their sooner death, resignation or removal from office. Directors may be elected to serve any number of consecutive terms.

(d) If more than one Owner from a Lot attempts to vote at a meeting, and the votes are different, the Board will not count the vote for that Lot at that meeting. The Owners will further be required to mediate or arbitrate in King County, Washington, regarding who shall vote for the Lot at meetings or certain meetings under the procedures of Washington Arbitration & Mediation Services (WAMS) in effect on the date hereof. There shall be one arbitrator selected by the parties within seven days of the arbitration demand or, if the parties fail to designate the arbitrator within such time period, then an arbitrator shall be appointed in accordance with the procedures set forth in the applicable WAMS rules; provided, however, that such arbitrator shall be an attorney with at least five years condominium law experience. Any issue about whether a claim must be arbitrated pursuant to this provision shall be determined by the arbitrator. There shall be no substantive motions or discovery, except the arbitrator shall authorize such discovery as may be necessary to ensure a fair hearing, which shall be held within 120 days of the demand and concluded within two days. These time limits are not jurisdictional.

3.1.5 Removal of Directors and Vacancies. After the termination of the Declarant Control Period, any director may be removed, with or without cause, by the vote of the Lot Owners holding at least sixty-seven percent (67%) of the votes entitled to be cast for the election of such director. 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 then and there be elected by the Members to fill the vacancy for the remainder of the term of such director. Any director who has three (3) consecutive unexcused absences from Board meetings or who is delinquent in the payment of any Assessment or other charge due the Association for more than thirty (30) days may be removed by a majority of the directors present at a regular or special meeting at which a quorum is

present, and a successor may be appointed by the Board (by majority vote) to fill the vacancy for the remainder of the term. In the event of the death, disability or resignation of an elected director, a vacancy may be declared by the Board, and the Board (by majority vote) may appoint a successor to the director who vacated the position who shall serve for the remainder of the term of such director. After the Declarant Control Period has expired, Members shall have the sole right and authority to appoint, remove, and replace, with or without cause, any or all directors upon majority vote.

3.2 Meetings.

3.2.1 Annual Meetings. The Board shall hold its first meeting of each year within ten (10) days after each annual election of directors.

3.2.2 Regular Meetings. Regular Board meetings may be held at such time and place as determined from time to time by Board resolution, but at least one (1) such meeting shall be held each quarter. Notice of the time and place of the meeting shall be communicated to directors not less than four (4) days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding the meeting. Notice of the regular schedule shall constitute notice of such meetings.

3.2.3 Special Meetings. Special meetings of the Board shall be held when called by written notice signed by the President of the Association or by a majority of the directors. The notice shall specify the time and place of the meeting and the nature of any business to be considered. Notice shall be given to each director by one of the following methods: (a) personal delivery, including commercial courier service; (b) first class mail, postage prepaid; or (c) telephone communication, including facsimile, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director. All such notices shall be given at the directors telephone number or sent to the director's address as shown on the records of the Association. Notices sent by first-class mail shall be deposited into a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery or telephone shall be delivered or telephoned at least seventy-two (72) hours before the time set for the meeting.

3.2.4 Right to Disapprove Actions. The Members shall have a right to disapprove actions of the Board and any committee, as is more fully provided in this Section. The right to disapprove shall be as follows: No action, policy or program authorized by the Board or any committee shall become effective, nor shall any action, policy or program be implemented until and unless:

(a) The Members shall have been given written notice of all meetings and proposed actions or approved actions at meetings of the Association, the Board or any committee thereof by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary of the Association, as it may change from time to time, which notice complies with the requirements for Board meetings set forth in Sections 3.3.1, 3.3.2 and 3.303 and which notice shall, except in the case of the regular meetings held under the Bylaws, set forth in reasonable particularity the agenda to be followed at said meeting; and

(b) Disapproval of any proposed or approved actions must be by 2/3 majority of all Members at any time within ten (10) days following the receipt of the notice. This right to disapprove may be used to block proposed actions but shall not extend to the requiring of any action or counteraction on behalf of any committee, the Board or the Association. No Member shall use its right to disapprove to reduce the level of services which the Association is obligated to provide nor to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

3.2.5 Waiver of Notice. The transactions of any Board meeting, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (a) a quorum is present, and (b) either before or after the meeting each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting prior to its commencement about the lack of adequate notice.

3.2.6 Quorum of Board of Directors. At all Board meetings, a majority of the directors shall constitute a quorum for the transaction of business, and the vote of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board. 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 Board meeting cannot be held because a quorum is not present, a majority of the directors who are present at such meeting may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the date the original meeting was called. 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.

3.2.7 Compensation. No director shall receive any compensation from the Association for acting as such, provided this Section shall not prevent any director from being reimbursed for expenses authorized by the Board to be incurred on behalf of the Association. Nothing herein shall prohibit the Association from compensating a director, or any entity affiliated with a director, for services or supplies furnished to the Association in a capacity other than as a director under 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.

3.2.8 Conduct of Meetings. The President shall preside over all Board meetings (or the Vice President, in the President's absence), and the Secretary (or the Treasurer in the Secretary's absence) shall keep a minute book of Board meetings, recording therein all Board resolutions and all transactions and proceedings occurring at such meetings.

3.2.9 Open Meetings. All meetings of the Board shall be open to all Members, but Members other than directors may not participate in any discussion unless permission for the Member to speak is requested by a director. At all Board Meetings, Members will be provided an opportunity to speak regarding matters affecting the common interest community, when this item on the agenda has been raised by the Board. In any such case, the President may limit the time any Member may speak. And, notwithstanding the above, the President may adjourn any Board meeting and reconvene in executive session to: (a) discuss existing, pending or threatened litigation, arbitration, mediation, or administrative proceedings; (b) consult with the Association's attorney regarding legal matters; (c) discuss contracts, leases, or commercial transactions. Meetings are open to Members for executive sessions, but the Board may expel or prohibit attendance by any Member or person who, after warning by the chair of the meeting, disrupts the meeting.

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

3.2.11 Telephonic Participation. One or more directors may participate in and vote during any regular or special meeting of the Board by telephone conference call, video conference call or similar communication equipment by means of which all Persons participating in the meeting can hear each other at the same time, and those directors participating shall be present at such meeting. Any such meeting at which a quorum participates shall constitute a meeting of the Board.

3.3 Powers and Duties.

3.3.1 Powers. The Board shall be responsible for the affairs of the Association and shall have all of the powers and duties necessary for the administration of the Association's affairs and, as provided by law, may do or cause to be done all acts and

things as are not by the Declaration, Articles or these Bylaws directed to be done and exercised exclusively by the Members generally.

In addition to the duties otherwise imposed, the Board shall have the power to establish policies relating to, and shall be responsible for performing or causing to be performed, the following, in way of explanation, but not limitation:

(a) preparation and adoption, in accordance with applicable provisions of the Declaration, of budgets in which the contribution of each Owner to the expenses of the Association shall be established;

(b) making Assessments to defray the expenses of the Association, establishing the means and methods of collecting such Assessments, and establishing the period of any installment payments of the Assessments;

(c) providing for the operation, care, upkeep and maintenance of the Property as provided in the Declaration, including the Areas of Common Responsibility described in the Declaration;

(d) designating, hiring and dismissing the personnel necessary for the operations of the Association, providing for the compensation of such personnel and for the purchase of equipment, supplies and materials to be used by such personnel in performing their duties;

(e) collecting the Assessments, depositing the proceeds thereof in a bank depository which it shall approve, and using the proceeds to operate the Association; provided, any reserve fund may be deposited, in the directors' best business judgment, in depositories other than banks;

(f) making and amending rules and regulations;

(g) opening of bank accounts on behalf of the Association and designating the signatories required;

(h) making or contracting for the making of repairs, additions, improvements or alternations as provided in the Declaration and these Bylaws after damage or destruction by fire or other casualty;

(i) enforcing by legal means the provisions of the Declaration, these Bylaws, and the rules of the Association, and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association;

(j) obtaining and carrying insurance against casualties and liabilities for the common areas or common maintenance areas, as provided in the Declaration, and paying the premium cost thereof;

(k) paying the cost of all services rendered to the Association or its Members and not chargeable directly to specific Owners;

(l) keeping books with detailed accounts of the receipts and expenditures affecting the Association and its administration, specifying the maintenance, repair and other expenses incurred;

(m) making available to any prospective purchaser of a Lot, any Owner, any first Mortgagee, and the holders, insurers and guarantors of a first Mortgage on any Lot, current copies of the Declaration, the Articles, the Bylaws, rules governing the Lot and all other books, records and financial statements of the Association; and

(n) permitting utility suppliers to use portions of the Common Areas reasonably necessary to the ongoing development or operation of the Property.

3.3.2 Management. The Board may employ for the Association a professional management agent or agents at a compensation established by the Board to perform such duties and services as the Board shall authorize, but any such management agreement or services contract shall not exceed one (1) year, renewable by the parties for successive periods of up to two (2) years. Any such agreement or contract shall be terminable by the Association with or without cause with no more than ninety (90) days' written notice.

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

(a) accrual accounting, as defined by generally accepted accounting principles, shall be employed;

(b) accounting and controls should conform to generally accepted accounting principles;

(c) cash accounts of the Association shall not be commingled with any other accounts;

(d) 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;

(e) 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; and

(f) annual financial statements, prepared in accordance with generally accepted accounting principles, shall, not less than one hundred twenty (120) days after the close of each fiscal year and prior to the annual meeting, be distributed to all Members. The Board may, but is not required to, have the financial statement of the Association audited by an independent certified public accountant; provided, however, the Members, by majority vote, may require that the audit is as a Common Expense of the Association.

3.3.4 Adopting a Budget. Within thirty (30) days after adoption by the board of directors of any proposed regular or special budget of the association, the board shall set a date for a meeting of the owners to consider ratification of the budget not less than fourteen nor more than sixty days after mailing of the summary. Unless at that meeting the owners of a majority of the votes in the association are allocated or any larger percentage specified in the governing documents reject the budget, in person or by proxy, the budget is ratified, whether or not a quorum is present.

3.3.5 Borrowing. The Association, acting through the Board, shall have the power to borrow money for the purpose of maintenance, repair or restoration of the Areas of Common Responsibility without the approval of the Members. The Board shall also have the power to borrow money for other purposes; provided, the Board shall obtain Member approval in the same manner provided in the Declaration for Special Assessments in the event that the proposed borrowing is for the purpose of modifying, improving or adding amenities, or the total amount of borrowing exceeds or would exceed ten percent (10%) of the budgeted gross expenses of the Association for that fiscal year.

3.3.6 Rights of the Association. In accordance with the Articles and the Declaration, the Association shall have the right to contract with any person for the performance of various duties and functions. Without limiting the foregoing, this right shall entitle the Association to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives or other owners or residents associations, both within and without the Property.

Article 4.
OFFICERS

4.1 Officers. The officers of the Association shall be a President, Secretary and Treasurer, to be elected from among the members of the Board. The Board may appoint such other officers, including one (1) or more Vice Presidents, Assistant Secretaries or Assistant Treasurers, as it shall deem desirable. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

4.2 Election Term of Office and Vacancies. The officers of the Association shall be elected annually by the Board at the first Board meeting following each annual meeting of the Members. A vacancy in any office arising because of death, resignation, removal or otherwise may be filled by the Board (by majority vote) for the unexpired portion of the term.

4.3 Removal. Any officer may be removed by the Board (by majority vote) with or without

cause.

4.4 Powers and Duties. The officers of the Association shall each have such powers and duties as generally pertain to their respective offices under applicable law, as well as such powers and duties as may from time to time specifically be conferred or imposed by the Board.

4.5 President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Association and of the Board.

4.6 Vice President. The Vice President, if any, shall act in the President's absence and shall have all powers, duties and responsibilities provided for the President when so acting.

4.7 Secretary. The Secretary shall keep the minutes of all meetings of the Association and of the Board and shall have charge of such books and papers as the Board may direct, and shall, in general, perform all duties incident to the office of the secretary of a corporation organized in accordance with Washington law.

4.8 Treasurer. The Treasurer shall have the responsibility for the Association's funds and securities, and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, for preparing all required financial statements and tax returns, and for the deposit of all monies and other valuable effects in the name of the Association or the managing agent in such depositories as may from time to time be designated by the Board.

4.9 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.

4.10 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 (2) officers or by such other person or persons as may be designated by resolution of the Board.

Article 5.

COMMITTEES

5.1 General. Committees are hereby authorized to perform such tasks as may be delegated to a committee under Washington law and to serve for such periods as may be designated by a Board resolution. Each committee shall operate under the terms of the Board resolution designating the committee and the rules adopted by the board governing such committee.

5.2 Covenants Committee. In addition to any other committees which may be established by the Board, the Board may appoint a Covenants Committee consisting of at least three (3) and no more than seven (7) 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 under Section 3.4.6(b).

5.3 Management Committee. The Board may establish a committee consisting of one (1) or more of its members with the 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 Board meetings.

Article 6.

HANDLING OF FUNDS

6.1 Accounts. The Association shall establish the necessary funds or accounts to provide properly for the operation and maintenance of Association. Overall superintendence of these funds shall be the responsibility of the Treasurer of the Association. There shall be at least three (3) separate funds as described in Sections 6.33 and 6.4 herein.

6.2 Working Capital Fund. There shall be established a checking account in a commercial bank to be known as the "Working Capital Fund." This fund will be used for the normal operation of the Association and will receive all monthly assessments to the fund and other monies received by the Association. Checks shall be issued from this account for all management and operation expenditures necessary for the Association and maintenance expenses of a routine or minor nature that do not require resort to the Reserve Fund for Insurance Premiums and the Reserve Fund for Common Areas and Facilities. Funds for the Reserve Fund for Insurance Premiums or the Reserve Fund for Common Areas and Facilities will normally be deposited in the Working Capital Fund and checks immediately issued to the other fund so an overall count of the funds received and disbursed by the Association is centralized in the check register of the Working Capital Fund account.

6.3 Reserve Fund for Insurance Premiums. The Treasurer shall cause to be established an

interest-bearing savings account in a savings bank or savings and loan association, which shall be known as the "Reserve Fund for Insurance Premiums." Each month the Treasurer shall cause to be deposited into this fund an amount equal to at least one-twelfth (1/12) of the total cost of all premiums for the policy or policies and bonds the Association is required by the Declaration to purchase. Such premiums shall be paid out of this fund.

6.4 Reserve Fund for Common Areas and Facilities. The Association shall maintain an interest-bearing savings account in a savings bank or savings and loan association, or other account authorized by the Board, which account shall be known as the "Reserve Fund for Common Areas and Facilities." The purpose of the reserve account will be to provide for the periodic maintenance, repair and replacement of the Common Areas and facilities.

Article 7.

MISCELLANEOUS

7.1 Fiscal Year. The fiscal year of the Association shall be the calendar year unless otherwise established by Board 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, the Declaration or these Bylaws.

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

7.4 Books and Records.

7.4.1 Inspection by Members and Mortgagees. The Declaration, Bylaws and Articles, any amendments to the foregoing, the rules of the Association, the membership register, books of account, and the minutes of meetings of the Members, the Board and committees shall be made available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a Lot, Member of the Association, or by 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 the Lot at the office of the Association or at such other place within the Property as the Board shall prescribe.

7.4.2 Rules for Inspection. The Board shall establish reasonable rules

with respect to:

- (a) notice to be given to the custodian of the records;
- (b) hours and days of the week when such an inspection may be made; and
- (c) payment of the cost of reproducing copies of 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 extracts and a copy of relevant documents at the expense of the Association in furtherance of such director's duties as a director.

7.5 Notices. Unless otherwise provided in these Bylaws, all notices, demands, bills, statements or other communications under these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States Mail, first class postage prepaid:

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

7.6 Amendment.

7.6.1 The Board may amend these Bylaws by a simple majority vote of its Board, and without a vote of the Members, if such amendment is (a) necessary to bring any provision hereof into compliance with RCW 49.60.224 or to remove covenants, conditions, or restrictions that directly or indirectly limit the use or occupancy of a Lot based being a member of a protected class; (b) necessary to enable any reputable title insurance company to issue title insurance coverage on the Lots; (c) required by the FHA, VA, Fannie Mae or Federal Home Loan Mortgage Corporation ("Freddie Mac"), to enable such lender or purchaser to make or purchase mortgage loans on the Lots; (d) necessary to enable any government agency or private insurance company to guarantee or insure mortgage loans on the Lots; (e) to correct a typographical, factual or other error or omission in these Bylaws; provided, however, any such amendment shall not adversely affect the title to any Lot without the written consent of the Owner. So long as the Declarant still owns any portion of the Property, it may unilaterally amend these Bylaws for any purpose,

provided the amendment has no material adverse effect upon any substantive right of any Owner and does not adversely affect the title to any Lot without the consent of its Owners.

7.6.2 These Bylaws may also be amended upon a resolution duly adopted by the Board and approved by the affirmative vote of Members representing a majority of the Lot Owners. 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 Notwithstanding Sections 7.6.1, 7.6.2 or any other provision of the Bylaws, after the Declarant Control Period ends, any amendment to these Bylaws shall require the prior written consent of the Members (by majority vote), excepting only amendments made under Section 7.6.1(c).