

**BYLAWS OF THE WILANA APARTMENTS, INC.**

**ARTICLE 1. NAME, LOCATION AND PURPOSE  
OF THE CORPORATION**

**Section 1.1 Name.** The name of the Corporation is the Wilana Apartments, Inc.

**Section 1.2 Location.** The principal place of business of the Corporation is 1732 15<sup>th</sup> Avenue, Seattle, Washington 98122.

**Section 1.3 Purpose.** The primary purpose of the Corporation is to provide housing to the Shareholders in the Corporation at the Wilana Apartments on a cooperative basis. In order to carry out this purpose, all of the apartments in the Wilana Apartments will be leased to Shareholders, except Room A, which may be rented by the Corporation, and except as otherwise specified in these Bylaws.

**ARTICLE 2. FISCAL YEAR**

The fiscal year of the Corporation shall begin on the first day of January and shall end on the 31<sup>st</sup> of December of each year.

**ARTICLE 3. DEFINITIONS**

Unless a different meaning is clearly indicated from the context, the following definitions shall apply throughout these Bylaws:

"APARTMENT" means the following designated apartments in the Wilana Apartments:

Apartment 1	Apartment 11	Apartment 24
Apartment 2	Apartment 12	Apartment 25
Apartment 3	Apartment 14	Apartment 26
Apartment 4	Apartment 15	Apartment 27
Apartment 5	Apartment 16	Apartment 28
Apartment 6	Apartment 17	Apartment 29
Apartment 7	Apartment 18	
Apartment 8	Apartment 19	
Apartment 9	Apartment 20	
Apartment 10	Apartment 21	
	Apartment 22	

When used in reference to a particular Shareholder, it means the Apartment associated with the Block of Shares owned by that Shareholder.

"BLOCK OF SHARES" means the number of shares associated with each Apartment as established in Section 8.1 of these Bylaws. When used in reference to a particular Shareholder, it

means the Block of Shares owned by that Shareholder.

"BOARD" means the Board of Directors of the Corporation.

"CORPORATION" means the Wilana Apartments, Inc.

"DEPARTING SHAREHOLDER" means a Shareholder who is proposing to transfer his/her Block of Shares to an Entering Shareholder.

"DISPOSITION OF SHARES" means any sale, transfer, pledge or encumbrance of shares in the Corporation.

"ENTERING SHAREHOLDER" means any person who is acquiring a Block of Shares from a Departing Shareholder.

"MEMBER" means Shareholder.

"PLURALITY" means the choice which receives the largest number of votes. This may be less than a majority.

"QUORUM" means the presence at a meeting, either personally or by proxy, of a specified percentage of the Shareholders. Unless otherwise specified in the Articles of Incorporation, these Bylaws or required by law, a quorum is one-half of the Shareholders.

"ROOM A" means the room in the basement of the Wilana Apartments which the Corporation rents to one or more Shareholders to use as storage.

"RULES AND REGULATIONS" means the rules and regulations, no matter how denominated, adopted from time to time by the Board pertaining to the management and/or operation of the Corporation or the Wilana Apartments or other matters within the authority of the Corporation.

"SHAREHOLDER" means, except as specified in Article 14 of these Bylaws, the individual(s) to whom and in whose name(s) a Block of Shares has been issued.

"SHAREHOLDER'S IMMEDIATE FAMILY MEMBER" means the spouse, registered domestic partner, children, grandchildren, siblings, parents and grandparents of the Shareholder or the Shareholder's spouse or registered domestic partner.

"SHARE LENDER" means a person, bank, or other entity that has made or is making a Share Loan.

"SHARE LOAN" means a loan to a Shareholder, including an Entering Shareholder, by a Share Lender to finance or refinance the purchase by the Shareholder of a Block of Shares in the Corporation in which the Share Lender acquires an assignment, pledge, mortgage, security

interest or rights in that Shareholder's Block of Shares and/or Proprietary Lease.

"SIMPLE MAJORITY" means more than half of the votes cast.

"SUBLEASE" means the ability of Shareholder, consistent with these Bylaws, to lease or rent the Apartment to any person, other than a Shareholder's Immediate Family Member.

"WILANA APARTMENTS" means the building owned by the Corporation on the following described real property:

LOT 6, BLOCK 7, RENTON'S ADDITION TO THE CITY OF SEATTLE, ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 3 OF PLATS, PAGE 118 RECORDS OF KING COUNTY, WASHINGTON.

SITUATE IN KING COUNTY, WASHINGTON.

#### **ARTICLE 4. MEETINGS OF THE SHAREHOLDERS**

**Section 4.1 Annual Meeting.** The annual meeting of the Shareholders shall be in January of each year at the Wilana Apartments, or at such other time, date and space determined by the Board and announced in the notice of the meeting.

**Section 4.2 Special Meetings.** A special meeting of the Shareholders may be called, whenever it is deemed advisable, by the President or by the Board. In addition, a special meeting shall be called upon the written request of not less than one-third of the Shareholders.

**Section 4.3 Voting.** Unless otherwise specified in the Articles of Incorporation or these Bylaws or required by applicable law, all matters and decisions coming before the Shareholders for a vote require a simple majority to pass. Unless otherwise specified in the Articles of Incorporation or these Bylaws or required by applicable law, the determination of whether the Shareholders approve or reject any matter coming before them for a vote shall be based upon the number of Shareholders present at the Shareholder's meeting, either by the personal attendance of the Shareholder or by proxy. Each shareholder has one vote on each matter coming to the Shareholders for a vote, regardless of the number of shares in the Corporation or Blocks of Shares owned by that shareholders.

**Section 4.4 Proxies.** All proxies shall be in writing, and shall be filed with the Secretary before the start of the meeting at which the proxy is intended to be used. No proxy shall be valid after eleven months after the date of its execution, except as allowed by law and/or as specified in Article 14 of these Bylaws. The Corporation may, but is not required to, send a proxy form to each Shareholder with the notice of each meeting of Shareholders.

**Section 4.5 Notice.** Written notice of each meeting of the Shareholders must contain the time and location of the meeting and, if it is a special meeting, the purpose or purposes of the

meeting. Except as otherwise required by applicable law, this notice must be transmitted to each Shareholder, in any manner permitted by applicable law, not more than sixty nor fewer than ten (10) days before the date of the meeting. The notice shall be transmitted to the address (including the electronic address if applicable) of each Shareholder as shown in the records of the Corporation. Each Shareholder may, by written instrument, waive the foregoing and other notice requirements. Any such written waiver shall be conclusive proof that all notice requirements have been complied with.

**Section 4.6 Shareholder Contact Information.** Each Shareholder shall provide to the Corporation current contact information for that Shareholder, including phone number(s), email address(s) and, if the Shareholder is not living in the Wilana Apartments, a mailing address.

**Section 4.7 Participation at Meetings by Electronic or Other Means.** Shareholders may participate in any meeting of Shareholders by any means of communication by which all persons participating in the meeting can hear each other during the meeting. A Shareholder participated in a meeting by this means is considered present in person at the meeting for all purposes.

**Section 4.8 Action Without a Meeting.** Any decision or action which may be taken by the Shareholders at a meeting may be taken without a meeting, either by a consent in writing setting forth the decision or action signed by all of the Shareholders or as otherwise permitted by applicable law. Such consent shall have the same effect as a unanimous vote on the decision or action taken.

## **ARTICLE 5. BOARD OF DIRECTORS**

**Section 5.1 Duties.** Except for those powers and responsibilities granted or reserved to the Shareholders by the Articles of Incorporation, these Bylaws or applicable law, all business and affairs of the Corporation shall be conducted by or under the control of the Board. Without in any way limiting the general powers and responsibilities of the Board as described in this Section, the Board may, from time to time, issue Rules and Regulations regarding the management and affairs of the Corporation, the use and occupancy of the Apartments, the use and management of the Wilana Apartments and other property of the Corporation, and any other appropriate topics; provided that these Rules and Regulations may not be inconsistent with the Articles of Incorporation, these Bylaws or the Proprietary Lease of the Corporation.

**Section 5.2 Number and Qualification.** The Board shall consist of 5 members, each of whom must be a Shareholder and a resident of the Wilana Apartments.

**Section 5.3 Election and Term.** The Board shall be elected by a plurality vote at the annual meeting of the Shareholders. Cumulative voting for directors is not permitted. Each director shall be elected for a one-year term and shall serve until his or her successor director is elected and qualified.

**Section 5.4 Meetings.** The Board shall meet as often as needed, but at least once during each calendar quarter. Unless otherwise decided by the Board consistent with applicable law, Shareholders and/or the duly authorized representatives of Shareholders may attend all Board Meetings.

**Section 5.5 Call and Notice of Meetings.** Meetings of the Board shall be called by the President or by a majority of the Board. Notice of each meeting shall be given to each director either in writing or orally (including by telephone) or by electronic transmission at least three (3) days before the meeting.

**Section 5.6 Action Without a Meeting.** Any decision or action which may be taken by the Board at a meeting may be taken without a meeting either by consent in writing setting forth the decision or action taken signed by all of the directors or as otherwise permitted by applicable law. Such consent shall have the same effect as a unanimous vote on the decision or action taken.

**Section 5.7 Voting.** Each director is entitled to one vote on each matter coming before the Board. Unless otherwise specified in the Articles of Incorporation or these Bylaws or required by applicable law, all votes of the Board shall require a simple majority to pass. Unless otherwise specified in the Articles of Incorporation or these Bylaws or required by applicable law, the determination of whether the Board approves or rejects any matter coming before the Board for a vote shall be based upon the number of directors present at the Board meeting.

**Section 5.8 Quorum.** A majority of directors constitutes a quorum at any Board meeting. Except as allowed by law or as otherwise specified in these Bylaws, a quorum is necessary for any Board action.

**Section 5.9 Participation at Meetings by Electronic or Other Means.** Directors may participate in any meeting of the Board through the use of any means of communication by which all directors participating can hear each other during the meeting. A director participating in a meeting by this means is considered present in person at the meeting for all purposes.

**Section 5.10 Removal.** Any director may be removed from office, with or without cause, by a simple majority vote of the Shareholders at a special meeting called for that purpose. At that same special meeting, a replacement director may be elected by plurality vote of the Shareholders for the remainder of the unexpired term.

**Section 5.11 Vacancies.** Except for vacancies under Section 5.10 of these Bylaws, if a vacancy occurs on the Board, the remaining directors shall, at their discretion, either fill the vacancy or call a special meeting of the Shareholders to fill the vacancy. The replacement director, whether elected by the Board or Shareholders, will serve for the remainder of the unexpired term.

## **ARTICLE 6. OFFICERS**

**Section 6.1 General.** The officers of the Corporation, all of whom must be directors, shall be a President, Vice President, Secretary and Treasurer. All officers shall be appointed by the Board. No person may hold more than one officer position at the same time except that, in the case of the resignation or removal of an officer during his or her term, the Board may appoint another sitting officer, other than the President, to serve the remainder of the unexpired term of the officer who resigned or was removed.

**Section 6.2 Term of Office.** The term for each officer shall be one year and each officer shall serve until his or her successor is elected and qualified. However, the officers serve at the pleasure of the Board and may be removed by the Board, with or without cause, at any time.

**Section 6.3 Vacancies.** Vacancies among the officers shall be filled from and by the Board for the remainder of the unexpired term.

**Section 6.4 Duties of the President.** The President shall:

**6.4.1** Serve as chief executive officer of the Corporation and of the Board.

**6.4.2** Sign all Certificates of Shares and execute all contracts, agreements, notes and obligations of the Corporation authorized or required by the Board or the Shareholders.

**6.4.3** Preside at all Board and shareholder meetings.

**6.4.4** Perform such other duties as are directed by the Board.

**Section 6.5 Duties of the Vice President.** The Vice President shall:

**6.5.1** Assist the President and perform the duties of the President in the absence or unavailability of the President.

**6.5.2** Perform such other duties as are directed by the Board.

**Section 6.6 Duties of the Secretary.** The Secretary shall:

**6.6.1** Record and make available upon request in a timely manner to all Shareholders and others entitled thereto the minutes of all meetings of Shareholders and of the Board.

**6.6.2** Facilitate approval of Board meetings minutes.

**6.6.3** Countersign all Certificates of Shares.

**6.6.4** Provide the required notice for all Shareholder and Board meetings.

**6.6.5** Authenticate the records of the Corporation.

**6.6.6** Be responsible for such records, papers and other things as the Board may authorize or direct, including, but not limited to, the book of minutes for the Corporation, share certificates and transfer books.

**6.6.7** Perform such other duties as are directed by the Board.

**Section 6.7 Duties of the Treasurer.** The Treasurer Shall:

**6.7.1** Have custody of all moneys and securities of the Corporation.

**6.7.2** Receive and disburse the funds of the Corporation, in a timely manner, as required in the regular course of business or as authorized by the Board or the Shareholder.

**6.7.3** Endorse for collection, on behalf of the Corporation, all checks, notes and other instruments.

**6.7.4** Keep full and accurate accounts of receipts and disbursements in books and records belonging to the Corporation.

**6.7.5** Track the current budget of the Corporation

**6.7.6** Maintain all documents related to the financial strategies and position of the Corporation

**6.7.7** Perform such other duties as are directed by the Board.

**Section 6.8 Assessment Discount for Treasurer.** The regular monthly assessment (but not any other amount) charged to and payable by the Treasurer shall be reduced by 40% in each month that the treasurer serves in that position.

**Section 6.9 Board Assistance.** The Board may retain the services of a bookkeeper, property manager or other person or service to assist in financial management, record keeping, property management and other matters.

**ARTICLE 7. RIGHTS AND RESPONSIBILITIES OF SHAREHOLDERS**

Each Shareholder shall have the following rights and responsibilities, consistent with and as limited by the Articles of Incorporation, these Bylaws, the Proprietary Lease between the

Shareholder and the Corporation, the Rules and Regulations and applicable law:

**Section 7.1 Proprietary Lease.** Each Shareholder shall have the right to a Proprietary Lease for the Apartment.

**Section 7.2 Management of Corporation.** Each Shareholder shall have the right and responsibility to assist in the management of the Corporation and the running of the Wilana Apartments on a cooperative basis. Shareholders shall make themselves reasonably available to assist in running and managing the affairs of the Corporation and the Wilana Apartments. In addition the Board may establish specific requirements for participation by Shareholder in running and managing the affair of the Corporation and the Wilana Apartments. The Shareholders shall comply with these requirements.

**Section 7.3 Sale or Encumbrance of Property.** Notwithstanding any other provision of these Bylaws, the real property owned by the Corporation may not be sold, transferred, mortgaged or encumbered without the consenting vote of two-thirds of all Blocks of Shares at a special meeting called for that purpose.

## **ARTICLE 8. SHARES AND BLOCK OF SHARES**

**Section 8.1 Blocks of Shares Established.** The chart below establishes the number of shares associated with each Apartment:

<b>Apartment</b>	<b>Number of Shares</b>	<b>Apartment</b>	<b>Number of Shares</b>
Apartment 1	3950	Apartment 19	3950
Apartment 2	3950	Apartment 20	3950
Apartment 3	2950	Apartment 21	4500
Apartment 4	4500	Apartment 22	4500
Apartment 5	4500	Apartment 24	2950
Apartment 6	2950	Apartment 25	2950
Apartment 7	2950	Apartment 26	2950
Apartment 8	2950	Apartment 27	2950
Apartment 9	2950	Apartment 28	3950
Apartment 10	3950	Apartment 29	3950
Apartment 11	3950		
Apartment 12	4500		
Apartment 14	4500		
Apartment 15	2950		
Apartment 16	2950		
Apartment 17	2950		
Apartment 18	2950		



**Section 8.2 Share Certificates.** The Corporation shall issue share certificates in a form and containing language established by the Board and consistent with applicable law. The share certificate shall show the number of shares of capital stock in the Corporation owned by the Shareholder. Each share certificate issued after the date of adoption of these Bylaws shall include essentially the following legend:

"The shares represented by this certificate may not be sold, transferred, pledged or encumbered without the express written approval of the Corporation consistent with the Articles of Incorporation and the Bylaws of the Corporation. The Corporation has a lien on the shares represented by this Certificate to secure performance by the Shareholder of the Shareholder's obligations to the Corporation."

Each share certificate shall be numbered consecutively and the issuance of each certificate shall be noted in the permanent records of the Corporation.

**Section 8.3 Blocks of Shares Not To Be Split.** Under no circumstances may a Shareholder sell, transfer, pledge or encumber part, but not all, of a Block of Shares or otherwise split a Block of Shares.

## **ARTICLE 9. DISPOSITION OF SHARES**

**Section 9.1 General.** A proposed disposition of shares will only be considered for approval by the Corporation if it is part of a transfer of all of a Departing Shareholder's rights, titles and interests in his/her Block of Shares and the right to the Proprietary Lease on the Apartment, or it is part of the financing or refinancing by a Shareholder, including an Entering Shareholder, of the acquisition of a Block of Shares.

**Section 9.2 Application for Disposition of Shares.** The Board may prepare and issue appropriate forms upon which application may be made for a Disposition of Shares. One form will apply to a Disposition of shares that involves a sale to an Entering Shareholder and will include questions to determine whether the transaction complies with these Bylaws and whether the proposed Entering Shareholder will be an appropriate Shareholder for the Corporation and resident in the Apartment. The other form will be used in the event of the finance or refinance of the acquisition of a Block of Shares and will document that the transaction and the Lender will comply with these Bylaws. In each case these forms must be signed by the Departing and Entering Shareholders or by the borrowing Shareholder, as the case may be.

**Section 9.3 Finance or Refinance of Purchase of Shares.** If the Disposition of Shares involves the financing (including refinancing) to purchase a Block of Shares, the application will be approved or denied by the Board within fifteen (15) days after receipt by the Corporation of the completed application. The application will be approved if it is duly signed and it appears that the finance or refinance arrangement is consistent with these Bylaws. The approval by the

Corporation, if granted, signifies only that the Corporation has approved that finance or refinance arrangement and will comply with these Bylaws, including those provisions establishing the rights of Share Lenders.

**Section 9.4 Disposition of Shares Involving a Sale or Transfer.** If the Disposition of Shares involves a sale or transfer to an Entering Shareholder, the Board shall conduct a meeting within fifteen (15) days after receipt by the Corporation of the completed application. The proposed Entering Shareholder must attend this meeting to answer questions of the Board germane to the proposed Entering Shareholder's fitness to be a Shareholder in the Corporation and resident of the Apartment. The Board shall approve the Disposition of Shares to a proposed Entering Shareholder unless it determines that specific factors or characteristics, including, but not limited to, those listed in Section 9.5 of the Bylaws, exist which would make the proposed Entering Shareholder unsuitable as a Shareholder of the Corporation or resident of the Apartment. The decision of the Board approving a Disposition of Shares to an proposed Entering Shareholder is final and conclusive. The decision of the Board disapproving the Disposition of Shares to a proposed Entering Shareholder is final and conclusive unless a written appeal is made to the Shareholders by the Departing or proposed Entering Shareholder within seven (7) days after the written disapproval is issued by the Board. In the event of an appeal, a special meeting of the Shareholders shall be called within twenty (20) days of the date the appeal is received by the Corporation. In the event of an appeal, the Shareholders shall have the same authority and responsibilities as the Board to approve or disapprove the application. The decision of the Shareholders on an appeal is final and conclusive.

**Section 9.5 Reasons for Disapproval of Applicant.** A proposed Entering Shareholder may be disapproved for good cause. Good cause includes, but is not limited to, the following:

1. Failure of the proposed Entering Shareholder to appear at the scheduled interview time and location.
2. Lack of credit-worthiness of the proposed Entering Shareholder.
3. The Corporation could not verify references or received negative references regarding the proposed Entering Shareholder.
4. The proposed Entering Shareholder was deemed unable to participate in the governing of the Corporation and/or management of Wilana Apartments.
5. The proposed Entering Shareholder misrepresented him or herself in the interview or application.
6. The proposed Entering Shareholder has a criminal conviction of a nature that would make him or her unsuitable as a Shareholder and/or resident of the Apartment.

7. The proposed Entering Shareholder has inadequate income to meet the financial obligations of a Shareholder considering other debts of the proposed Entering Shareholder.
8. The proposed Entering Shareholder is construed to be purchasing the Block of Shares for reasons other than to use the Apartment as his/her personal residence or as the personal residence of that Shareholder's Immediate Family Member.

In addition, the Corporation may not approve the sale or other transfer of a Block of Shares to a trust, corporation, partnership, limited liability company or other entity.

**Section 9.6 Exception - Deceased Shareholder.** The approval and disapproval provision of Sections 9.2, 9.4 and 9.5 of these Bylaws do not apply to any transfer of shares either by Will or by the law of descent and distribution upon the death of a Shareholder; provided that the Corporation will not transfer Blocks of Shares to a trust, corporation, partnership, limited liability company or other entity. In the event of the death of a Shareholder, the Corporation shall issue a new share certificate and Proprietary Lease to and in the name of the mature person entitled thereto upon surrender of the prior share certificate and Proprietary Lease and upon satisfactory proof that the person claiming the right to a new share certificate and Proprietary Lease is entitled thereto. All provisions of these Bylaws apply to a Shareholder who acquires his/her Block of Shares and Proprietary Lease under the provisions of this Section; provided, however, that if that Shareholder does not live in the Apartment then he or she may sublet the Apartment for a maximum of one year. At the time the Corporation approves an application to sublease under this Section, the Shareholder must execute a legally binding document, approved by the Corporation, by which that Shareholder agrees that, within one year from the date when he or she acquired an interest in the Corporation, to either consummate the sale of his/her rights in the Corporation to an Entering Shareholder or to occupy the Apartment in compliance with these Bylaws and the Proprietary Lease between the Corporation and the Shareholder.

**Section 9.7 Limitation on Blocks of Shares Owned.** The Corporation will not, except as provided in this Section, consider or approve the sale or transfer of a Block of Shares to a Shareholder who already owns two or more Blocks of Shares. If a Shareholder wishes to acquire an additional Block of Shares, he or she must either sell one of his/her existing Block of Shares to an Entering Shareholder prior to acquiring the new Block of Shares or must actively be seeking to sell or transfer one of his/ her existing Block of Shares to an Entering Shareholder, in which event the Shareholder must execute a legally binding document, approved by the Corporation, by which that Shareholder agrees to consummate the sale of one of his/her existing Block of Shares to an Entering Shareholder within one year from the date he/she acquired the new Block of Shares.

**Section 9.8 Fees.** The Board shall establish a reasonable, non-refundable fee that must be paid each time the Corporation is asked to approve a Disposition of Shares. The cost of obtaining a credit or other report and other costs of the Corporation incurred in reviewing a proposed

Disposition of Shares will be paid from this fee. In addition, the Board may establish a reasonable, non-refundable fee that must be paid from the closing proceeds of each Disposition of Shares.

**Section 9.9 All Monies To Be Paid.** Before the Corporation will issue and deliver a new share certificate or Proprietary Lease or approve a Disposition of Shares that involves a finance or refinance of the acquisition of a Block of Shares, all unpaid sums, including but not limited to unpaid assessments, charges and fees under the Proprietary Lease, owed to the Corporation must be paid in full to the Corporation, or satisfactory arrangement for their payment must be made. Unless otherwise specified by the Corporation, the issuance and delivery by the Corporation of a new share certificate to a new Shareholder is conclusive evidence that there are no outstanding sums owed to the Corporation with respect to the Block of Shares and Apartment on the date of issuance.

**Section 9.10 Share Certificate and Proprietary Lease.** Except as specified in Article 14 of these Bylaws, if the Corporation approves a Disposition of Shares to an Entering Shareholder, the Corporation will execute and deliver a new Share Certificate and Proprietary Lease to and in the name of the Entering Shareholder once the sale is closed or as part of the closing process.

**Section 9.11 Prior Share Certificate Must Be Turned Into the Corporation.** Before a new share certificate is issued for a Block of Shares, the prior share certificate representing that Block of Shares must be received by the Corporation or proper arrangements for its receipt must be made as part of a closing. It must be endorsed to the Entering Shareholder and signed by the Departing Shareholder or other satisfactory transfer documentations must be provided to the Corporation.

**Section 9.12 Lost or Missing Share Certificates.** Upon the written application of a Shareholder and upon satisfactory proof of the facts alleged in the application, the Board may issue a replacement share certificate for any lost or missing share certificate. The Board shall require the Shareholder to execute an agreement, approved by the Corporation, to defend, hold harmless and indemnify the Corporation from and against any expense or loss resulting from the issuance by the Corporation of the replacement share certificate. The Board may establish a reasonable fee for issuing a replacement share certificate.

**Section 9.13 Rights Transfer With Share Certificate and Proprietary Lease.** Upon the issuance and delivery of a new share certificate and Proprietary Lease to a new Shareholder, all rights, titles and interest associated with or pertaining to the Block of Shares and the Apartment shall pass to the new Shareholder. Except as established in Article 14 of these Bylaws all rights, titles and interest of the former Shareholder, and all persons claiming through or under the former Shareholder, regarding the Block of Shares and the Apartment shall cease.

**Section 9.14 Responsibilities Transfer with Share Certificate.** Except as established in Article 14 of these Bylaws, upon the issuance and delivery of a Share Certificate and Proprietary Lease to a new Shareholder, all responsibility associated with or pertaining to the Block of Shares

and the Apartment shall pass to the new Shareholder.

**Section 9.15 Qualified Closing Agent to Close Disposition of Shares.** Except for a Disposition of Shares under Section 9.6 of these Bylaws, each Disposition of Shares must be closed by an escrow or closing agent with prior experience in and knowledge about the transfer or encumbrance, as the case may be, of shares in housing cooperatives. In addition, the Corporation may refuse to allow the closing of a Disposition of Shares by an escrow or closing agent if the Corporation had a prior unsatisfactory experience with that escrow or closing agent.

## **ARTICLE 10. PROPRIETARY LEASE, OCCUPANCY, SUBLEASING**

**Section 10.1 General.** Each Shareholder is entitled to a Proprietary Lease, in a form established by the Shareholders, for the Apartment associated with the Shareholder's Block of Shares. The Proprietary Lease will be issued to the Shareholder and to no other person, except as established in Article 14 of these Bylaws. Each Shareholder must comply with the Proprietary Lease in all respects.

**Section 10.2 Occupancy.** Except as otherwise specifically established in these Bylaws or the Proprietary Lease, no person may reside in the Apartment unless the fulltime primary resident of that Apartment is either the Shareholder or that Shareholder's Immediate Family Member.

**Section 10.3 Subordination of Lease Rights.** The rights of the Shareholders under the Proprietary Leases and the rights of the occupants of the Apartments are subordinate to mortgages, deeds of trust and similar encumbrances on the property owned by the Corporation on which the Apartment is located whether that mortgage, deed of trust or similar encumbrance was established before or after the execution of the Proprietary Lease.

**Section 10.4 Subleases.** A Shareholder may sublease the Apartment to a person, other than a Shareholder's Immediate Family Member, only if all of the following requirements are met:

1. The Shareholder has owned his/her Block of Shares for at least two years.
2. The Shareholder has used the Apartment as his/her principal residence for at least two years.
3. The Sublease is consistent with these Bylaws.
4. The Sublease is approved by the Cooperative consistent with these Bylaws.
5. The Sublease arrangement is established by written agreement for at least a one-year term unless a shorter time is authorized by the Board.
6. One or more of the following circumstances applies:

- a. The Shareholder is residing outside of the Seattle area for an extended period for employment.
  - b. The Shareholder is in the United States Military, including the reserves, and is stationed for more than six months outside the Seattle area.
  - c. The Shareholder is residing or staying in accommodations other than the Apartment because of his/her illness, age or physical or mental condition.
  - d. It is reasonable that the Shareholder is residing other than in the Apartment because of change in family circumstances, including, without limitation, marriage, domestic partnership or the birth or adoption of one or more child.
  - e. It is reasonable that the Shareholder is residing other than in the Apartment because of financial need unforeseen at the time the Shareholder acquired the Block of Shares.
7. The Sublease will not affect the availability of Share Loans to other Shareholders.
  8. The subtenant(s) has been interviewed and approved by the Board. The approval by the Board in no way limits or affects the responsibility of the shareholder under Sections 10.7 and 10.8 of these Bylaws. If the sublease is approved, only those subtenant(s) approved by the Board may reside in the Apartment.

**Section 10.5 Sublease - Time Limit.** A Shareholder may sublease the Apartment for a total period of two years. After a cumulative total of two years of subleasing, the Shareholder must reside in the Apartment for a significant period of time, as determined by the Board, before he/or she is eligible to sublet the Apartment again.

**Section 10.6 Sublease - Application.** Any Shareholder who wishes to sublet an Apartment shall submit a written application to the Board according to the format established by the Board. The purpose of the application will be to determine whether the request complies with the requirements and criteria of Sections 10.4, 10.5 and 10.7 of these Bylaws. The application will be approved or denied by the Board within fifteen (15) days after receipt by the Board of the application and any additional information requested by the Board. The Corporation will issue its decision in written form. The decision of the Board will be final and conclusive, except that if the Board denies an application to sublease an Apartment and has denied a previous application to sublease that Apartment within the prior twenty-four (24) months, then the Shareholder may appeal the decision of the Board to the Shareholders. The time frames and other appeal

provisions, as applicable, of Section 9.4 of these Bylaws will apply to any such appeal.

**Section 10.7 Sublease - Responsibility of Shareholder.** In the event of any sublease, the Shareholder shall make reasonable investigation to determine that the proposed subtenant will be an appropriate resident of the Apartment and will not interfere with the rights of other residents in the Wilana Apartments. The Shareholder shall be responsible in all respects for the subtenant and the actions of the subtenant. Without, in any way, limiting the generality of the immediately preceding sentence, the Shareholder is responsible for the subtenant's compliance with the Articles of Incorporation, these Bylaws, the Proprietary Lease and the Rules and Regulations.

**Section 10.8 Sublease - Termination.** The Shareholder shall take all steps necessary to terminate the sublease and evict any subtenant who is violating the sublease or, directly or indirectly, the Articles of Incorporation, these Bylaws, the Proprietary Lease or Rules and Regulations or who is in violation of any applicable law. The Board may notify the Shareholder of any event, condition or circumstance which merits termination of the sublease and eviction of the subtenant under this Section. If the Board sends such a notice and the Shareholder fails to act immediately to take all necessary steps to terminate the sublease and evict the subtenant then the President of the Corporation is hereby empowered, on behalf of and in the name of the Shareholder, to take all such steps, and the Shareholder hereby appoints the President of the Corporation as the Shareholder's attorney-in-fact for all such purposes. The Shareholder shall indemnify and hold the President and other officers, directors, Shareholders, agents and employees of the Corporation and the Corporation harmless from all claims, lawsuits, liabilities, expenses and costs, including, but not limited to attorney's fees, related to and/or arising out of actions taken as the Shareholder's attorney-in-fact under this Section, and the Shareholder shall reimburse the Corporation for all costs and expenses, including but not limited to attorney's fees, incurred pursuant to this Section.

## **ARTICLE 11. DUES**

**Section 11.1 Annual Budget Recommended by the Board.** The Board shall, prior to the annual meeting of the Shareholders, prepare a budget covering the estimated cost of operating the Corporation and the property of the Corporation for the coming year, including but not limited to, mortgage and similar payments, if any; taxes; insurance; utilities; reserves; management, administrative, legal and accounting expenses; and anticipated repairs.

**Section 11.2 Annual Budget and Monthly Dues Approved by the Shareholders.** The annual budget of the Corporation shall be approved by the Shareholders at the annual meeting of the Shareholders. The annual dues to be charged to and paid by a Shareholder will be derived using the following three step process: Step one - divide the property taxes and assessments on the Corporation's property paid, or to be paid, by the Corporation in that year by the total number of shares in the Corporation owned by Shareholders and multiply the result by the number of shares owned by that Shareholder (the "Property Tax component"); Step two - divide all expense items in the budget (including, without limitation, reserves), other than the

Property Tax Component, by 27 (the “Other Expense Component”): Step three – add the Property Tax Component and the Other Expense Component, and round to the nearest whole dollar amount divisible by 60. This figure will then be divided by 12, and the result is the monthly dues to be paid by that Shareholder based on that annual budget.

**Section 11.3 Increase in Budget and Monthly Assessments.** In the event of unforeseen expenses or increases in the cost of operating the Corporation or its property, the Board may increase the annual budget by up to ten percent and may increase the monthly assessment owed by each Shareholder by up to ten percent. Increases beyond this percentage must be submitted to the Shareholders for approval.

**Section 11.4 Special Assessments.** The Corporation may, from time to time, levy and collect a special assessment against each Shareholder to pay for unforeseen expenses and/or capital or major expenses. At the sole discretion of the Board, the Board may approve an expenditure and levy a special assessment of up to a total of ten percent of the then current total annual budget of the Corporation. Special assessments over ten percent of the total of the then current annual budget of the Corporation may not be authorized unless approved by the Shareholders. All special assessments shall be levied against the Shareholders equally unless the Shareholders establish a different levy method in the action approving the special assessment.

**Section 11.5 Payment of Assessments and Dues - Late Fees.** Unless otherwise decided by the Board, all monthly dues shall be due and payable by each Shareholder, without notice, on the first day of each month. The action of the Board or Shareholders approving a special assessment shall specify when the special assessments or installments thereon, as applicable, are due. All dues and assessments shall be paid to the Corporation by placing the payment in the Corporation’s drop box next to the mailboxes near the main entry door of the Wilana Apartments or as otherwise designated by the Board. Reasonable late fees will be charged for a payment received more than fifteen days after it is due. The Board shall establish the amount of the late fees.

**Section 11.6 Other Fees.** The Board shall establish and enforce fees as necessary to cover expenses or costs for services or goods furnished or supplied to Shareholders and others.

**Section 11.7 Limitation on Board Authority.** The Board may authorize payment of the expenses of the Corporation contemplated in the approved budget regardless of the amount of any expense. With respect to non-budgeted items, the Board may, without authorization of the Shareholders, approve any expense that does not exceed 2.5 percent of the then current approved annual budget of the Corporation, as well as any expense if the Board determines, in its absolute discretion, that an emergency exists and that the expenditure is reasonably necessary to preserve the property or integrity of the Corporation or for other compelling purpose.

**Section 11.8 Property Tax Exemptions.** If the Corporation receives a reduction in property taxes because of the age or disability and income of a Shareholder, the Corporation shall credit or pay to that Shareholder, at least annually, the amount of the property tax reduction



because of the age or disability and income of that Shareholder.

## **ARTICLE 12. CORPORATION'S SECURITY INTEREST/PLEDGE OF SHARES**

**Section 12.1 Security Interest Created and Pledge of Shares.** The Corporation has and hereby declares a security interest in the Block of Shares of each Shareholder for payment of all sums owed to the Corporation by that Shareholder and/or pertaining to the Apartment. The shares of the Corporation represented by each Block of Shares are hereby continuously pledged to the Corporation to ensure faithful compliance by each Shareholder and any person or entity claiming by, under or through each Shareholder with the Articles of Incorporation, these Bylaws, the Proprietary Lease and the Rules and Regulations. Each Shareholder takes his or her Block of Shares subject to this security interest and pledge of shares

**Section 12.2 Priority of Security Interest and Pledge.** Unless otherwise agreed to in writing by the Corporation, the security interest created by and the pledge of Shares under this Article have priority over and are superior to any other security interest, pledge, lien or encumbrance.

**Section 12.3 Exercise of Security Interest.** If a Shareholder fails to pay in full all sums owing to the Corporation and/or breaches or fails to comply with the Articles of Incorporation, these Bylaws, the Proprietary Lease or the Rules and Regulations and if such breach or failure continues for sixty (60) days after the Corporation has sent notice of the breach or failure to the Shareholder at his or her address as shown in the records of the Corporation, then the Corporation may take possession of said Shareholder's Block of Shares and exercise the security interests and/or pledge. In this event the Corporation is hereby authorized to dispose of the Block of Shares pursuant to the provisions for enforcing a security interest under Chapter 62A.9A of the Revised Code of Washington or in any other manner allowed by law, to a person who has been approved as a Shareholder in the Corporation.

**Section 12.4 Sale of Block of Shares.** If the Proprietary Lease of a Shareholder is terminated for any reason, other than in a situation where the Proprietary Leases of all Shareholders are terminated, the Corporation is hereby authorized to dispose of the Block of Shares pursuant to the provisions for enforcing a security interest under Chapter 62A.9A of the Revised Code of Washington or in any other manner allowed by law, to a person who has been approved as a Shareholder in the Corporation.

**Section 12.5 Other Rights.** In addition to, and without limiting any other rights of the Corporation, the Corporation may bring any appropriate action in court to seek possession of the Apartment and/or other appropriate relief in the event of any failure by the Shareholder or any person or entity claiming by, through or under that Shareholder or for whom the Shareholder is responsible under the Proprietary Lease to comply with and/or breach of the Articles of Incorporation, these Bylaws, the Proprietary Lease or the Rules and Regulations and/or for failure to comply with applicable law. Notwithstanding any of the provisions of these Bylaws, if the Corporation takes possession of an Apartment, it is hereby authorized to lease that Apartment to a non-shareholder for the account of the Shareholder until the Block of Shares associated with that

Apartment is sold to an Entering Shareholder. During any such period, the rent from the Apartment shall first be applied to reimburse the Corporation for any costs it incurred in taking possession of and/or renting the Apartment, including but not limited to attorney's fees; then to all past due sums owed to the Corporation by the Shareholder; then to any sums presently due and payable to the Corporation by the Shareholder; and the balance, if any, shall be paid to the Shareholder.

**Section 12.6 Late Fees and Penalties.** In addition to, and without limiting any other rights of the Corporation, the Board is authorized to adopt, publish and enforce reasonable late fees and fines for violations by a Shareholder or any person or entity claiming by, through or under that Shareholder, of the Articles of Incorporation, these Bylaws, the Proprietary Lease and/or the Rules and Regulations.

### **ARTICLE 13. RIGHTS OF LENDERS**

The Board is authorized to enter into agreements with one or more Share Lender to make a Share Loan to Shareholders. The Board is also authorized, in order to make Share Loans available to Shareholders, to execute Recognition Agreements, or similar agreements, with any Share Lender making Share Loans to Shareholders. The provisions of any Recognition Agreement or other similar agreement executed by the Corporation supersedes any conflicting provisions of these Bylaws and the Proprietary Lease; provided however, that the provisions of these Bylaws and the Proprietary Lease which do not conflict with or can be harmonized with any such Recognition Agreement or other similar agreement shall be fully applicable.

### **ARTICLE 14. SELLER FINANCING**

Notwithstanding any other provisions of these Bylaws or the Proprietary Lease, the provisions of this Article apply whenever a Departing Shareholder sells his/her rights in the Corporation, including the right to a Block of Shares and the right to a Proprietary Lease to the Apartment under an arrangement wherein that Shareholder will receive payments over time and will retain his/her existing Stock Certificate as security for said payments (such transaction is hereinafter referred to as a "Contract Sale").

#### **Section 14.1 General.**

The Corporation will approve a Contract Sale consistent with the following conditions and requirements:

**14.1.1** The Contract Sale purchaser has (and the written documents evidencing the Contract Sale must reflect) all rights as a Shareholder so long as that Contract Sale is not terminated. This includes, but is not limited to, the following:

- a. The Contract Sale purchaser shall be given an irrevocable proxy to vote the Block of Shares that will be effective

so long as the Contract Sale is not terminated.

b. The Contract Sale purchaser shall be entitled, rather than the Contract Sale seller, to all Shareholder notices.

c. The Contract Sale purchaser shall be entitled to whatever distribution is available with respect to that Block of Shares in the event of the dissolution of the Corporation, after subtracting whatever sums are still owed to the Contract Sale seller under the Contract Sale.

d. The Contract Sale purchaser, rather than the Contract Sale seller, shall have all rights of management of the Corporation associated with the Block of Shares.

**14.1.2** The Contract Sale purchaser shall have all of the responsibility of a Shareholder in the Corporation so long as the Contract Sale is not terminated.

**14.1.3** So long as the Contract Sale has not been fulfilled or terminated, the Contract Sale seller shall have the rights of a secured party (subordinate to the rights of the Corporation), and not the rights of an owner, with respect to the Block of Shares and the Apartment associated with the Block of Shares.

**Section 14.2 Use of Term "Shareholder" Under the Contract Sale.** In the event of any Contract Sale and until such Contract Sale is either fulfilled or terminated, the terms "Shareholder" and "Member" as used in these Bylaws, the Articles of Incorporation, Proprietary Lease and Rules and Regulations shall apply to the purchaser under the Contract Sale and not to the seller under the Contract Sale.

**Section 14.3 Issuance of Proprietary Lease.** The Corporation will issue a Proprietary Lease to and in the name of the Contract Sale purchaser upon the execution of the Contract Sale documents.

## **ARTICLE 15. NONDISCRIMINATION**

The Corporation will not discriminate, nor base any decision or action on, religious affiliation, age, gender, gender identity, sexual orientation, marital status, disability, race, source of income nor on any other basis prohibited by applicable law.

## **ARTICLE 16. AMENDMENT**

These Bylaws may be altered, amended, repealed or replaced at any meeting of the Shareholders by a two-thirds vote of the Shareholders.

## **ARTICLE 17. TITLES AND NUMBER AND GENDER**

The titles of the Articles, Sections and provisions of these Bylaws are for convenience only and do not alter, add to or affect these Bylaws. As used in these Bylaws the singular shall include the plural and vice versa and each gender shall include every other gender, all as the context may require.

## **ARTICLE 18. SEAL**

The seal of the Corporation consists of a flat-faced circular die with the words "WILANA APARTMENTS, INC." around the margin and the words and figures "CORPORATE SEAL 1948" in the center.

## **ARTICLE 19. PARTIAL INVALIDITY**

Should any portion of these Bylaws be adjudicated to be invalid by a court of competent jurisdiction, then only that portion shall be invalid and all other provisions of these Bylaws shall remain in full force and effect.

Adopted by resolution of the Board of Directors on this\_\_\_\_ day of \_\_\_\_\_, 2013.

\_\_\_\_\_  
Secretary