

**BYLAWS
OF THE
HAWTHORNE STATION HOMEOWNERS' ASSOCIATION**

ARTICLE 1: GENERAL TERMS

Section 1.1 Name and Location. The name of the Association is the **Hawthorne Station Homeowners' Association**, hereafter referred to as the "Association". The principal office of the Association shall be located at:

c/o Sundquist Homes, LLC,
7127 196th St SW,
Lynnwood, WA 98036.

The Association may have such other offices, either within or without of the State of Washington, as the Board of Directors ("Board") may designate or as the business of the Association may require from time to time.

Section 2.1 Definitions. Except as otherwise specified herein, the definition of any word used in these Bylaws shall be the same as such term is defined in the Declaration of Covenants, Conditions and Restrictions recorded with the County Recorder's Office in connection with the same property to which these Bylaws apply.

ARTICLE 2: OWNERS' MEETINGS

Section 2.1 Annual Meeting. The organizational meeting of the Association shall be held not later than two months after the date of the termination of management by Declarant. Thereafter, there shall be an annual meeting of the Owners at such reasonable place, time and date as may be designated by written notice of the Board delivered to the Owners no less than fourteen (14) nor more than sixty (60) days prior to the date fixed for said meeting. At the annual meeting, there shall be presented a full and complete report of the common expenses, if any, and the allocation thereof to each Owner, itemizing receipts and disbursements for the preceding fiscal year, and there shall also be presented the estimated common expenses, if any, for the coming fiscal year. The Board at any time, or by written request of Owners having at least 40% of the total votes, may require that an audit of the Association and management books be presented at any special meeting. A Lot Owner, at his own expense, may, at any reasonable time, make an audit of the books of the Board and Association.

Section 2.2 Special Meetings. The Board may call special meetings of the Owners for any purpose. At the request of the Owners of not less than ten percent (10%) of all Owners of the Association entitled to vote at the meeting, the Board shall call a special meeting of the Owners.

Section 2.3 Place of Meeting. All meetings shall be held at such reasonable place designated by the Board.

Section 2.4 Notice of Meeting. The Board, when calling an annual or special meeting of Owners, shall cause written notice to be delivered to each Owner entitled to vote at the meeting, either personally or by mail, and not less than 14 nor more than 60 days before the meeting. Such notice shall state the place, day and hour of the meeting, and shall include an agenda for the meeting. If amendment to the Articles or Bylaws, removal of a Director, any proposal which involves the Association in a legal dispute, or changes in a budget which will result in a change of an assessment obligation is proposed, a general description of such action proposed shall be included with the notice. Placing such notice in the United States mail, postage prepaid, and addressed to an Owner at his postal address or hand delivering the notice to the Owner constitutes delivery of notice.

Section 2.5 Action by Owners' Without a Meeting. Any action required or permitted to be taken at an Owners meeting may be taken without a meeting if a written consent setting forth the action so taken is signed by all Owners entitled to vote with respect to the subject matter thereof. Any such consent shall be inserted in the minute book as if it were the minutes of an Owners' meeting.

Section 2.6 Quorum. Fifty-one (51) percent of the Owners entitled to vote, represented in person or by proxy, shall constitute a quorum at an Owners' meeting. If less than a majority of the Owners are represented at a meeting, a majority of the Owners so represented may adjourn the meeting to another time but may not conduct any other business. The provisions of RCW 64.38.025 (3) shall apply to quorums and votes on budget matters. At an adjourned meeting at which a quorum was originally represented, any business may be transacted that might have been transacted at the meeting as originally notified. The Owners present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Owners to leave less than a quorum.

Section 2.7 Proxies. At all Owners' meetings an Owner may vote by proxy executed in writing by the Owner or by his attorney in fact. Such proxy shall be invalid after 11 months from the date of its execution.

Section 2.8 Voting of Shares. Each Owner entitled to vote shall be entitled to one vote upon each matter submitted to a vote at a meeting of Owners.

Section 2.9 Adjournments. Owners' meetings may be adjourned to a time and place certain without new notice of the meeting being given. However, any meeting at which Directors are to be elected shall only be adjourned from day to day until the Directors are elected.

ARTICLE 3: BOARD OF DIRECTORS

Section 3.1 General Powers/Delegation. The business and affairs of the Association shall be managed by a Board of Directors elected by a majority of the Owners. The Board may delegate the following day-to-day management duties of the Association to any Officer of the Association, or to a managing agent not a member of the Board or the Association:

- 3.1.1 Supervision of the accounting records of the association, and the authority to obtain or provide accounting services;
- 3.1.2 Collection of general or special assessments;

- 3.1.3 Performance and supervision of maintenance of the Common Areas of the Association;
- 3.1.4 Scheduling and providing notice of meetings of the Owners, Board and any Association committees, and providing any of the information to the Owners that the officer or managing agent deems advisable in the administration of the Association's business;
- 3.1.5 Procurement of insurance and non-litigious legal assistance;
- 3.1.6 Proposal of late charges, rules and fines for their violation; and notification of the imposition of late charges or fines for violation of rules of the association, calculation of the amount of any late charge or fine proposed for such violation and referral of the proposed late charge or fine to the Board for action; provided, that any late charge or fine imposed shall only be imposed after action by the Board taken in compliance with RCW 64.38.020 (11).
- 3.1.7 All acts which are described in writing by a resolution adopted by the Board in the manner described in the Declaration, the Articles or these Bylaws, and are assigned to such officer or managing agent by the terms of the resolution so adopted.

Section 3.2 Number, Tenure and Qualification. The Board shall be composed of three Directors; provided, however, that the number of Directors may be changed from time-to-time by an amendment to these Bylaws, but no decrease shall have the effect of shortening the term of any incumbent Director. Each Director shall hold office until the next annual Owners' meeting, and until his successor shall have been elected and qualified, unless he resigns or is removed. Directors need not be members of the Association. The Declarant may, by given written notice to the Board, appoint a Director for a term of up to four years.

Section 3.3 Regular Meetings. A regular Board meeting may be held without notice immediately after and at the same place as the annual meeting of Owners. By resolution, the Board may provide the time and place for holding additional regular meetings without other notice than such resolution. The frequency of Board meeting is left to the discretion of the Board, however the Board shall meet no less frequently than quarterly. All meetings held by the Board shall be open to any Owner except as otherwise provided by RCW 64.38.035 (2).

Section 3.4 Special Meetings. Special Board meetings may be called by or at the request of the President, a majority of Board members or by Owners having ten percent of the votes in the Association. The person or persons authorized to call special meetings may fix any place reasonable as the place for holding any special Board meeting called by them. All meetings held by the Board shall be open to any Owner or Owner's agent, except as otherwise provided by RCW 64.38.035 (2).

Section 3.5 Notice. Written notice of each Special Board meeting shall be delivered personally, faxed or mailed to each Director at his last known address at least three (3) days before the meeting. If such notice is mailed, it shall be deemed to be delivered after it is deposited in the United States mail properly addressed, with postage prepaid. If the notice is faxed, it shall be deemed to be delivered when the originating machine prints a confirmation of

transaction. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need be specified in the notice or waiver of notice of such meeting.

Section 3.6 Quorum. A majority of the Directors shall constitute a quorum for the transaction of business at any Board meeting but, if less than such majority be present at a meeting, a majority of the Directors present may adjourn the meeting from time-to-time without further notice.

Section 3.7 Manner of Acting. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board.

Section 3.8 Vacancies. Any vacancy occurring on the Board may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of Directors shall be filled by election at an annual meeting or at a Special Owners meeting called for that purpose.

Section 3.9 Removal. At a meeting of Owners called for that purpose, one or more members of the Board (including the entire Board) with the exception of a Director appointed by the Declarant, if any, may be removed, with or without cause, by a vote of the holders of a majority of the shares then entitled to vote on election of Directors.

Section 3.10 Presumption of Assent. A Director of the association present at a Board meeting at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent is entered in the minutes of the meeting, or unless he files his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof, or unless he forwards such dissent by registered mail to the Secretary of the association immediately after the adjournment of the meeting. A Director who voted in favor of such action may not dissent.

Section 3.11 Action by Directors Without a Meeting. Any action required or permitted to be taken at a meeting of the Board may be taken without a meeting if a written consent setting forth the action to be taken is signed by each of the Directors. Any such written consent shall be inserted in the minute book as if it were the minutes of a Board meeting.

ARTICLE 4: OFFICERS

Section 4.1 Number. The Directors of the Association shall also serve as the Officers of the Association. The Officers of this Association shall be a president, a secretary, and a treasurer, and such other officers as the Board may from time-to-time by resolution create. Any two offices may be held by the same person except the offices of President and Secretary.

Section 4.2 Appointment and Term of Office. The Directors of the Association shall be elected annually by the Owners at the annual meeting of the Owners or at a special meeting of the Owners called for that purpose. At the regular meeting of the Board of Directors, immediately following the annual meeting of the Owners as provided in Article 3, Section 3.3, the Directors

shall appoint from among themselves the officers of the Association. Each Officer shall hold office until the next annual Owners' meeting, and until his successor shall have been elected and qualified, unless he resigns or is removed.

Section 4.3 Removal. Any Officer or agent elected or appointed by the Board may be removed by the Board whenever in the Board's judgment the best interests of the Association would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Such removal of an Officer by the Board shall not affect that Officer's status as a Director.

Section 4.4 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board for the unexpired portion of the term.

ARTICLE 5: CONTRACTS, LOAN, CHECKS AND DEPOSITS

Section 5.1 Contracts. Unless otherwise restricted, the Board may authorize any Officer or Officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the association, and such authority may be general or confined to specific instances.

Section 5.2 Loans. No loans shall be contracted on behalf of the Association and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Owners. Such authority may be general or confined to specific instances.

Section 5.3 Loans to Officers and Directors. No loans shall be made by the Association to its Officers or Directors.

Section 5.4 Checks, Drafts and Bank Accounts. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Association shall be signed by such Officer or Officers, Agent or Agents, of the Association and in such manner as is from time to time determined by resolution of the Board. All funds of the Association shall be deposited in bank accounts in the name of the Association, and shall not be commingled with the funds of any other association or person.

Section 5.5 Deposits. All funds of the Association not otherwise employed shall be deposited from time-to-time to the credit of the Association in such banks, trust companies or other depositories as the Board may select.

Section 5.6 Financial Reporting. The Association shall provide reports to the Owners, and provide access to the Association's records, in compliance with RCW 64.38.045.

ARTICLE 6: EVIDENCE OF OWNERSHIP, REGISTRATION OF MAILING ADDRESS AND REQUIRED PROXIES

Section 6.1 Proof of Ownership. Any person on becoming an Owner shall furnish to the Managing Agent, if any, or Board a copy of the recorded instrument vesting that person with an interest or ownership, which instrument shall remain in the files of the Association. A member

shall not be deemed to be in good standing nor shall he/she be entitled to vote at any annual or Special Meeting of Members unless this requirement is first met.

6.2 Registration of Mailing Address. The Owners of each Lot shall have one and the same registered mailing address to be used by the Association for mailing of monthly statements, notices, demands and all other communications; and such registered address shall be the only mailing address of a person or persons, firm, corporation, partnership, association or other legal entity or any combination thereof to be used by the Association. Such registered address of a Lot Owner or Owners shall be furnished by such Owners to the Secretary within five days after transfer of title; such registration shall be in written form and signed by all of the Owners of the Lot or by such persons as are authorized by law to represent the interests of the Owners thereof. If no such address is registered, then the address of the Lot shall be the registered address until another registered address is furnished as permitted under this section. Registered addresses may be changed from time-to-time by similar designation.

Section 6.3 Completed Requirement. The requirements contained in this Article 6 shall be first met before an Owner of a Lot shall be deemed in good standing and entitled to vote at any Annual or Special Meeting of Members.

Section 6.4 Certificates of Membership. Certificates representing membership in the Association may be issued and signed by the President or the Vice President and by the Secretary and shall be restricted in their transfer as described in the Declaration of Covenants. All certificates should be consecutively numbered or otherwise identified.

ARTICLE 7: FISCAL YEAR

The fiscal year of the Association shall be the calendar year.

ARTICLE 8: WAIVER OF NOTICE

Whenever any notice is required to be given to any Owner or Director of the Association under the provisions of these Bylaws or under the provisions of the Articles of Incorporation or under the provisions of the Washington Nonprofit Corporation Act, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE 9: INDEMNIFICATION

To the full extent permitted by the Washington Nonprofit Corporation Act the Association shall indemnify any person who was or is a party or is threatened to be made a party to any civil, criminal, administrative or investigative action, suit or proceeding (whether brought by or in the right of the Association or otherwise) by reason of the fact that he is or was a Director or Officer of the Association, or is or was serving at the request of the Association as a Director or Officer of another association, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding; and the Board of Directors may, at any time, approve indemnification of any other person which the Association has the power to indemnify under the Washington

Nonprofit Corporation Act. The indemnification provided by this section shall not be deemed exclusive of any other rights to which a person may be entitled as a matter of law or by contract.

ARTICLE 10: NONPROFIT ASSOCIATION

This Association is not organized for profit. No Owner, Director, Officer or person from whom the Association may receive any property or funds shall receive or shall be lawfully entitled to receive any pecuniary profit from the operations thereof, and in no event shall any part of the funds or assets of the Association be paid as salary or compensation to, or distributed to, or inure to the benefit of any Officer or Director. The foregoing, however, shall neither prevent nor restrict the following: (1) reasonable compensation may be paid to any Owner or manager while acting as an agent or employee of the Association for services rendered in effecting one or more of the purposes of the Association, and (2) any Owner, Officer or Director may, from time-to-time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association.

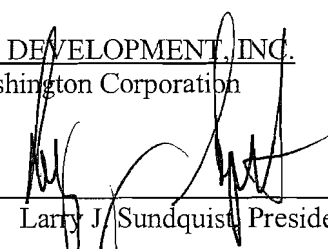
ARTICLE 11: AMENDMENTS

Section 11.1 General Amending Formula. Except as limited by RCW 64.38.025 (2), these Bylaws may be altered, amended or repealed and new Bylaws may be adopted by the Owners at any regular or Special Meeting of the Owners, by a vote of the majority of a quorum of Members present in person or by proxy, except that during the development period, the Developer will have the right to veto amendments.

Section 11.2 Conflict; Control: In case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

IN WITNESS WHEREOF, Declarant hereunder has hereunto set its hand this 10 day of August, 2004.

DECLARANT: PHOENIX DEVELOPMENT, INC.
A Washington Corporation

By: 
Larry J. Sundquist, President

Attest:

By: 
A. J.