

**After recording, please return to:
Kevin Harker
Vial Fotheringham LLP
7000 SW Varns St.
Portland, OR 97223**

**BYLAWS
OF
LAKE RIDGE I HOMEOWNERS ASSOCIATION**

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These Bylaws of Lake Ridge I Homeowners Association (**the “Bylaws”**) are made this ____ day of _____, 2009, by Lake Ridge I Homeowners Association, a Washington nonprofit corporation (the **“Association”**).

**ARTICLE 1
DEFINITIONS**

When used in these Bylaws, the following terms, whether or not capitalized, have the following meaning:

- 1.1 **“Act”** means chapter 64.38 RCW.
- 1.2 **“Articles of Incorporation”** means the Articles of Incorporation of Lake Ridge I Homeowners Association filed _____, 2000 in the office of the Washington Secretary of State.
- 1.3 **“Assessment”** means any charge imposed or levied by the Association on or against an Owner or Lot pursuant to the Covenants, these Bylaws or the Act.
- 1.4 **“Association”** means Lake Ridge I Homeowners Association, a Washington nonprofit corporation.
- 1.5 **“Bylaws”** means these Bylaws and any amendments thereto.
- 1.6 **“Common Expenses”** means expenditures made by or financial liabilities incurred by the Association, more particularly described in Article IV of the Declaration.
- 1.7 **“Covenants”** means the Declaration of Covenants, Conditions and Restrictions and Establishment of the Homeowners Association for Lake Ridge I.
- 1.8 **“Lake Ridge I”** means the property described on the Plat of Lake Ridge Phase I.
- 1.9 **“Lot”** means the individual lots depicted on the Plat of Lake Ridge I.
- 1.10 **“Nonprofit Act”** means the Washington Nonprofit Corporation Act, chapter 24.03 RCW.
- 1.11 **“Percent of Owners” or “Percentage of Owners”** means the percent of the voting rights allocated under Section 3.8 below.

1.12 **“Property”** means the property described on the Plat of Lake Ridge I.

1.13 **“Rules and Regulations”** means the policies, procedure, rules and regulations adopted by the Board of Directors or the Owners pursuant to the authority granted in these Bylaws, the Covenants or the Act.

1.14 **“Voting Rights”** means the portion of the votes allocated to a Lot under Section 3.8 below.

1.15 **Incorporation by Reference.** Except as otherwise provided in these Bylaws, unless the context clearly requires otherwise:

(a) The terms defined in the Covenants have the same meaning in these Bylaws to the extent applicable to the Owner or Lot.

(b) Each term used in these Bylaws that is defined in RCW 64.38.010 has the meaning set forth in RCW 64.38.010, unless the term is defined otherwise in the Covenants.

1.16 **Other Definitions.** Terms which are not defined in this article but are defined elsewhere in these Bylaws have the respective meanings given them in the provision of these Bylaws.

ARTICLE 2

ASSOCIATION IDENTITY, PURPOSES,

POWERS AND OFFICES

2.1 **Name and Location.** These are the Bylaws of Lake Ridge I Homeowners Association, an Washington nonprofit corporation.

2.2 **Principal Office.** The principal office of the Association is located on the Property, at the residence of the President of the Association, or at another location within the State of Washington as is determined by the Board of Directors from time to time.

2.3 **Purposes and Powers.**

(a) **Purposes.** The purpose of the Association is to serve as the means through which the Owners may take action with regard to administration, management and operation of the Property including the administration of The Covenants and the promulgation of rules, regulations, guidelines and standards that are binding on all Owners.

(b) **Powers.** The Association has such powers and duties as may be granted to it or imposed by the Act, including each of the powers and duties set forth in RCW 64.38.020 as the statute may be amended to expand the scope of associations powers and duties, together with such additional powers and duties afforded by the Covenants, these Bylaws, and the Nonprofit Act.

2.4. Membership in Association.

(a) Automatic Membership. The Owner of each Lot is a member of the Association. The membership commences, exists, and continues by virtue of the ownership, and expires automatically upon termination of the ownership. Membership need not be confirmed or evidenced by any certificate or acceptance of the membership.

(b) Determination of Ownership. Ownership shall be determined for all purposes of the Covenants, these Bylaws and the administration of the Association and the Properties from the record of ownership maintained by the Association in accordance with Section 11.1 below.

2.5 Applicability of Bylaws. The Association, all Owners and all persons using the Properties are subject to these Bylaws and to all Rules and Regulations which may be promulgated under these Bylaws.

2.6 Incorporation.

(a) The Association shall be incorporated under the Nonprofit Act. The Articles of Incorporation shall be consistent with these Bylaws. These Bylaws constitute the bylaws of the incorporated association.

(b) In the event the Association is at any time dissolved, whether inadvertently or deliberately, it shall automatically be succeeded by an unincorporated association of the same name. In that event, all of the property, powers and obligations of the incorporated association existing immediately prior to its dissolution automatically vest in the successor unincorporated association. The vesting shall thereafter be confirmed and evidenced by appropriate conveyances and assignments by the incorporated association. To the greatest extent possible, any such successor unincorporated association shall be governed by the Articles of Incorporation and Bylaws of the incorporated association as if they had been made to constitute the governing documents of the unincorporated association.

2.7 Electronic Communications.

(a) In the discretion of the Board of Directors, any notice, information or written material required to be provided an owner under the Declaration, these Bylaws or law, may be given by electronic mail, facsimile or other form of electronic communication acceptable to the Board of Directors in accordance with rules prescribed by resolution of the Board, except notices relating to the following matters:

- (1) Failure to pay an assessment.
- (2) Foreclosure of an Association lien.
- (3) Legal action the Association may take against the owner.

ARTICLE 3
ASSOCIATION OWNER MEETINGS AND VOTING

3.1 **Place of Meeting.** The Association shall hold meetings at such suitable place in Clark County, Washington, convenient to the Owners as may be designated by the Board of Directors from time to time.

3.2 **Annual Meetings.**

(a) The Association shall hold at least one (1) meeting of the Owners each calendar year on a date to be determined by the Board of Directors.

(b) The annual meeting is for the purpose of electing directors and for the transaction of such other business as may properly come before the meeting.

3.3 **Special Meetings.**

(a) Special meetings of the Association may be called by the president or by a majority of the Board of Directors and must be called by the president or secretary upon receipt of a written request from at least 10% of the Owners stating the purpose of the meeting. Business transacted at a special meeting is confined to the purposes stated in the notice given under Section 3.4 below.

(b) If a notice for a special meeting requested by Owners under this section is not given within 30 days after the date the written request is delivered to the president or secretary, a person signing the request may set the date, time and place of the meeting and give notice as specified in Section 3.4 below.

3.4 **Notice of Meetings.**

(a) Subject to Subsection (e) of this section, the president, secretary or other person authorized by resolution of the Board of Directors shall cause notice of all meetings of the Association to be hand delivered or sent prepaid by first class United States mail to the mailing address of each Lot or to the mailing address designated in writing by the Owner, and to all mortgagees that have requested notice, not less than thirty (30) or more than sixty (60) days before the date of the meeting.

(b) If the notice is mailed, the notice is deemed to be delivered when deposited in the United States mail, with first class postage fully paid, addressed as provided in Subsection (a) of this section and Section 13.1 below. Proof of the mailing shall be given by the affidavit of the person giving the notice.

(c) All notices must be in writing and must state the date, time and place of the meeting and the items on the agenda including:

(1) The general nature of any proposed amendment to the Covenants, Articles of Incorporation, Bylaws.

(2) Any budget changes in the previously ratified budget that result in a change in the assessment obligation of an Owner requiring ratification under Section 8.1 below; and

(3) Any proposal to remove a director of the Association.

(d) When a meeting is adjourned under Section 3.7 below for less than thirty (30) days, no notice of the adjourned meeting need be given other than by announcement at the meeting at which the adjournment takes place.

(e) Add other methods permitted under the Act.

3.5 **Meeting Procedure.** Unless other rules of order are adopted by resolution of the Board of Directors or the Association:

(a) Meeting of the Association must be conducted according to the latest edition of *Robert's Rules of Order* published by the Robert's Rules Association.

(b) A decision of the Association may not be challenged because the appropriate rules of order were not used unless a person entitled to be heard was denied the right to be heard and raised an objection at the meeting in which the right to be heard was denied.

(c) A decision of the Association is deemed valid without regard to procedural errors related to the rules of order one (1) year after the decision is made unless the error appears on the face of a written instrument memorializing the decision.

3.6 **Quorum.**

(a) At any meeting of the Association, 30% of the owners, present in person, by proxy or absentee ballot, if permitted under Section 3.9(b) below, constitute a quorum, unless otherwise provided in these Bylaws.

(b) When a quorum is once present to organize a meeting, the quorum cannot be broken by the subsequent withdrawal of an Owner or Owners.

3.7 **Adjournment of Meetings.**

(a) **Lack of a Quorum.**

(1) If any meeting of Owners, other than a meeting conducted pursuant to Section 3.12 below, cannot be organized because of a lack of quorum, the Owners who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum as specified in Section 3.6 above is present.

(2) If a date certain has been specified in a solicitation of a meeting by written ballot conducted pursuant to Section 3.12 below, the Board of Directors may postpone the due date for counting the ballots, in one (1) or more postponements, for up to ninety (90) days after:

(A) The originally scheduled ballot return date if a quorum of ballots has not been returned or for matters on which a certain percentage approval is required and that vote has not been received or sufficient votes in opposition have not been received to negate the approval.

(B) If the vote is by secrecy procedure, the specified date certain.

(b) **Continuation of Business.** In accordance with *Robert's Rules of Order* or other rules of order adopted under Section 3.5 above, a meeting may be adjourned until later the same day or some other day and time.

3.8 **Voting Rights.** Each Lot is allocated one vote in the affairs of the Association as provided in Covenants. The Board of Directors is entitled to vote on behalf of any Lot which has been acquired by or on behalf of the Association, except the Board of Directors is not entitled to vote on behalf of an acquired Lot in any election of directors.

3.9 **Proxies, Absentee Ballots; Mortgagee Rights.**

(a) **Proxies.**

(1) A vote may be cast in person or by proxy. A proxy given by an Owner to any person who represents the Owner at meetings of the Association must be in writing, dated and signed by the Owner and must be filed with the secretary in accordance with procedures adopted by resolution of the Board of Directors. In the absence of a resolution providing otherwise, a proxy must be filed with the presiding officer prior to the time the meeting is called to order.

(2) A proxy is not valid after the meeting for which it was solicited, unless otherwise expressly stated in the proxy; however, no proxy is valid for more than one (1) year after the date of execution. Unless withdrawn, a proxy given to another person to vote at a

specific meeting is also valid at an adjourned meeting called under the provisions of Section 3.7 above.

(3) A proxy is not valid if it purports to be revocable without notice to the Association.

(4) An Owner may not revoke a proxy given except by actual notice of revocation to the person presiding over a meeting of the Association or to the Board of Directors if a vote is being conducted by written ballot in lieu of a meeting pursuant to Section 3.12 below.

(5) Every proxy automatically ceases upon sale of the Lot by its Owner.

(b) Absentee Ballots. At the discretion of the Board of Directors, a vote may be cast by absentee ballot.

(c) Mortgagee Rights.

(1) An Owner may pledge or assign Owner's voting rights to a mortgagee. In such a case, the mortgagee or its designated representative is entitled to receive all notices to which the Owner is entitled under these Bylaws and to exercise the Owner's voting rights from and after the time that the mortgagee has given written notice of the pledge or assignment to the Board of Directors.

(2) Any first mortgagee may designate a representative to attend any or all meetings of the Association.

3.10 **Fiduciaries, Corporate Entities and Joint Owners.**

(a) Fiduciaries. An executor, administrator, guardian or trustee may vote in person, by proxy or by absentee ballot, if permitted under Section 3.9(b) above, at any meeting of the Association with respect to any Lot owned or held in such capacity, whether or not the same has been transferred to his or her name, provided that the person satisfies the secretary that he or she is the executor, administrator, guardian or trustee holding the Lot in such capacity.

(b) Corporate and Other Entities. Any person voting on behalf of a Lot owned by a corporation, partnership or other entity shall provide the secretary with written evidence, satisfactory to the secretary, that the person is the authorized representative of the corporation, partnership or other entity.

(c) Joint Owners. When any Lot is owned by two (2) or more persons jointly, according to the records of the Association, the vote (or consent) of the Lot may be exercised by any one (1) of the Owners then present, in the absence of protest by a co-owner. In the event of a protest, no one co-owner is entitled to vote without the approval of all co-owners. In the event of disagreement among the co-owners, the vote (or consent) of the Lot must be disregarded completely in determining the proportion of votes given with respect to the matter.

3.11 **Binding Vote.** The vote of Owners representing a majority of the voting rights, present, in person, by proxy or absentee ballot if permitted under Section 3.9(b) above, at a meeting at which a quorum is constituted, is binding upon all Owners for all purposes except where a higher percentage vote is required by law, the Covenants or these Bylaws.

3.12 **Action by Written Ballot in Lieu of a Meeting.**

(a) **Action by Written Ballot.** At the discretion of the Board of Directors, any action that may be taken at any annual, regular or special meeting of the Association may be taken without a meeting upon compliance with this section, except the Annual Meetings and a meeting held pursuant to Section 4.7 below to remove a director may not be conducted pursuant to this section.

(b) **Delivery, Form and Effect of Ballot.**

(1) A written ballot must be delivered to every Owner entitled to vote on the matter at least fourteen (14) days before deadline for return of ballots specified in the solicitation under Subsection (c)(2) of this section.

(2) The written ballot must set forth each proposed action and provide an opportunity to vote for or against each proposed action.

(3) Unless otherwise stated in the written ballot, a written ballot may be revoked by written notice to the Association prior to the period specified in the ballot in accordance with Subsection (c)(2) of this section.

(4) At the discretion of the Board, the vote may be conducted by a secrecy procedure where each written ballot is accompanied by a secrecy envelope, a return identification envelope to be signed by the Owner and instructions for marking and returning the ballot.

(c) **Information Required in Ballot Solicitations.** All solicitations for votes by written ballot must:

(1) State the number of responses needed to meet any applicable quorum requirements and the total percentage of votes needed for approval.

(2) Specify the period during which the Association will accept written ballots for counting, which period ends on the earliest of the following unless the vote is pursuant to the secrecy procedure described in Subsection (d) of this section:

(A) The date on which the Association has received a sufficient number of approving ballots to pass the proposal;

(B) The date on which the Association has received a sufficient number of disapproving ballots to render the proposal impossible of passage; or

(C) A date certain on which all ballots must be returned to be counted.

(d) Determination of Vote. The outcome of a vote by written ballot in lieu of a meeting must be determined by the Board of Directors within forty-eight (48) hours of the deadline for return of ballots. Matters that may be voted on by written ballot are deemed approved or rejected as follows:

(1) If approval of a proposed action would otherwise require a meeting at which a certain quorum must be present and at which a certain percentage of total votes cast is required to authorize the action, the proposal is deemed approved when the date for return of ballots has passed, a quorum of Owners has voted and the required percentage of approving votes has been received, otherwise the proposal is deemed to be rejected.

(2) If approval of a proposed action otherwise would require a meeting at which a specified percentage of Owners must authorize the action, the proposal is deemed approved when the percentage of total votes cast in favor of the proposal equals or exceeds the required percentage. The proposal is deemed rejected when the number of votes cast in opposition renders approval impossible or when both the date for return of ballots has passed and the required percentage has not been met.

(e) Counting of Votes. Votes may be counted from time to time before the final return date to determine whether the proposal has passed or failed by the votes already cast on the date the votes are entered, except written ballots that are returned in secrecy envelopes may not be examined or counted before the deadline for returning ballots has passed.

3.13 Action Without a Meeting.

(a) Any action that may be taken at any annual, regular or special meeting of the Association may be taken without a meeting and without solicitation of written ballots pursuant to Section 3.12 above, if the action is taken by all of the Owners entitled to vote on the action.

(b) The action must be evidenced by one (1) or more written consents describing the action taken, signed by all of the Owners entitled to vote on the action, and delivered to the Association for inclusion in the minutes or filing with the Association records.

(c) Action taken under this section is effective when the last Owner signs the consent, unless the consent specifies an earlier or later effective date. A consent signed under this section has the effect of a meeting vote and may be described as such in any document.

ARTICLE 4
BOARD OF DIRECTORS:
POWERS; ELECTION; TERM OF OFFICE

4.1 Number; Qualifications; Term.

(a) Number. The affairs of the Association shall be governed by a Board of Directors composed of five (5) directors elected as provided in Section 4.2 below.

(b) Qualification. All directors shall be an Owner or co-owner of a Lot. However, multiple Owners of the same Lot may not serve as directors simultaneously. An officer or employee of a corporation, the members of a limited liability company, a partner of a partnership, a trustee of a trust, a personal representative of an estate or an employee of a trust or estate, may serve on the Board if the corporation, limited liability company, partnership, trust or estate owns a Lot.

(c) Term. All five Directors shall hold office for a term of two (2) years or until their respective successors have been elected by the Owners. The terms shall be staggered to allow for overlapping terms. The initial Board of Directors shall have three of the five Directors hold office for two (2) years. The remaining two directors shall hold office for a term of one (1) year, and upon expiration of this one (1) year term the subsequent terms shall be for two (2) years. For convenience of reference, the Board shall by resolution designate the director positions by number, letter or other identification.

4.2 Election.

(a) Election at Annual Meeting. At the annual meeting held under Section 3.2 above Owners shall elect directors to succeed directors whose terms expire.

(b) Nomination. The Board of Directors shall determine the method of nominating directors which must include the right of an Owner to nominate a director from the floor at any meeting at which an election of directors is held.

(c) Manner of Election. The Board of Directors shall determine the manner of election of directors which may include the election of directors by a single ballot, with each Owner permitted to vote for the number of vacant director positions. In such event, the nominees receiving the highest number of votes equal to the number of director positions shall be directors. Election of directors shall be by plurality. Cumulative voting is not permitted.

4.3 Vacancies. Vacancies on the Board of Directors, caused by any reason other than the removal of a director by a vote of the Association under Section 4.4(a) below, shall be filled for the balance of the term of each directorship by vote of a majority of the remaining directors even though they may constitute less than a quorum. Each person so elected is a director until a successor is elected upon expiration of the term for which the person was elected by the other directors to serve.

4.4 **Removal of Directors; Resignation**

(a) **Removal by Owners.**

(1) At any annual or special meeting, other than a meeting by written ballot held pursuant to Section 3.12 above, any one or more of the directors may be removed, with or without cause, by a binding vote of the Owners under Section 3.11 above. The notice of the meeting must state that the removal is to be considered and any director whose removal has been proposed must be given an opportunity to be heard at the meeting.

(2) The agenda of the meeting called under this subsection must include the election of a successor to fill the vacancy created. If Owners fail to fill a vacancy created by the removal of the director, the president shall call a special meeting in accordance with Section 3.3 above for the purpose of electing a director to fill the vacancy.

(b) **Removal by Board for Failure to Attend Board Meetings.** Any director who fails to attend three (3) successive meetings of the Board of Directors which have been properly called, or who has failed to attend more than one-third (1/3) of the Board of Directors meetings during a twelve (12) month period which have been properly called, may be removed by a majority of the remaining directors.

(c) **Resignation.** Any director may resign at any time by giving written notice to the Board of Directors, the president or secretary. Any resignation is effective upon receipt of the notice or at any later time specified in the notice. Unless otherwise specified in the notice, acceptance of the resignation is not necessary except that the Board may reject a post-dated resignation by notice in writing to the resigning officer. The effectiveness of a resignation does not prejudice the contract rights, if any, of the Association against the officer resigning.

4.5 **Powers and Duties.** The Board of Directors has all the powers and duties necessary for the administration of the affairs of the Association, except such powers and duties as by law or by these Bylaws may not be delegated to the Board of Directors by the Owners. Such powers may be amended from time to time by a vote of the owners.

4.6 **Specific Powers and Duties.** The powers and duties to be exercised by the Board of Directors include, without limitation, the following:

(a) **Maintenance of Common Areas and Easements/Private Roadways..** Maintenance, repair, replacement and supervision of Easements/Private Roadways and any other Common Areas.

(b) **Determination of Expenditures.** Determination of the amounts required for operation, maintenance and other affairs of the Association and the making of such expenditures.

(c) Bank Accounts. Opening and maintenance of bank accounts on behalf of the Association and designating the required signatories required in accordance with these Bylaws.

(d) Budgets and Reserve Studies. Preparation and adoption of budgets for payment of common expenses and preparation, review and update of any reserve studies, all in accordance with these Bylaws.

(e) Reserves. Establishing and maintaining major maintenance and replacement reserve accounts and such other reserve accounts as are permitted by these Bylaws including a general operating reserve account by allocation and payment periodically of an amount determined by the Board of Directors to be appropriate.

(f) Assessment Collection. Designation and collection of assessments from the Owners in accordance with the Covenants, these Bylaws and the Act.

(g) Voucher System. Institution and maintenance of a voucher system for payment of expenses. The system must require a sufficient number of signatories as may be reasonably necessary to prevent any misuse of the Association's funds.

(h) Personnel. Designation, employment and dismissal of the personnel necessary for the maintenance and operation of the Association and the Properties. The Board of Directors may employ or enter into a contract with a management agent, to be compensated in an amount established by the Board, to perform such duties and services as the Board of Directors authorizes, including, but not limited to, the duties listed in this section.

(i) Annual Financial Statement. The preparation and distribution of an annual financial statement of the Association to Owners in accordance with Section 11.5 below.

(j) Rules. In accordance with Article 7 below, promulgation, adoption and amendment of Rules and Regulations governing the details of operation and use of Lots, Common Property and rules of conduct for Owners, employees and invitees which shall be consistent with the Covenants.

(k) Enforcement. Enforcement of the provisions of the Act, the Covenants and these Bylaws, and any rules and regulations adopted under these Bylaws in accordance with the Covenants and these Bylaws.

(L) Insurance.

(1) Obtaining and maintaining the insurance required under Article 9 below. In addition, the Board of Directors, in its discretion, may obtain such other insurance as it deems necessary to protect the interests of the Association, the Board of Directors or Owners.

(2) At least annually, the review of the insurance coverage of the Association as provided in Article 9 below.

(m) Annual Report with Secretary of State. The filing of the Annual Report with the Washington Secretary of State in accordance with the Nonprofit Act.

(n) Income Tax Returns. Preparation or causing to be prepared and filed any required income tax returns or forms.

(o) Association Records. Compliance by the Association with RCW 64.38.045 relating to maintenance of Association records and Section 11.6 below.

(p) Association Mailing Address. Maintenance of a current mailing address for the Association.

(q) Committees. Establishment of committees and appointment of members to committees as the Board of Directors in its sole judgement deem necessary or appropriate to assist the Board in its duties, including, without limitation, an architectural control committee.

4.7 Liability and Indemnification of Directors, Officers, Manager, or Managing Agent

(a) Directors and officers are not liable to the Association for any mistake of judgment, negligence, or otherwise except for their own willful misconduct or bad faith.

(b) The Association shall indemnify and hold harmless each director and officer and the manager or managing agent, if any, against all contractual liability to others arising out of contracts made by the Board of Directors, officers, manager, or managing agent on behalf of the Association unless any contract was made in bad faith or contrary to the provisions of the Declaration or of these Bylaws.

(c) Each director and officer and the manager or managing agent, if any, shall be indemnified by the Association against all expenses and liabilities, including attorney fees reasonably incurred or imposed upon them in connection with any proceeding to which they may be a party or which they may become involved, by reason of being or having been a director, officer, manager or managing agent and shall be indemnified upon any reasonable settlement thereof. However, there may be no indemnity if the director, officer, manager, or managing agent is adjudged guilty of willful nonfeasance, misfeasance, or malfeasance in the performance of his or her duties.

4.8 Standards of Conduct. In the performance of their duties, directors are governed by RCW 64.38.025 and chapter 24.03 RCW.

4.9 Compensation of Directors. No director may be compensated in any manner, except for out-of-pocket expenses, unless the compensation is approved by a binding vote of the Owners under Section 3.11 above.

ARTICLE 5
MEETINGS OF THE BOARD OF DIRECTORS

5.1 Organizational Meeting.

(a) Location, Date and Time. Unless otherwise agreed by the Board, within fourteen (14) days following the annual meeting of the Association or following any meeting at which an election of directors has been held, the Board of Directors shall hold an organizational meeting at such place and time as is determined by the directors at the meeting at which the election was held. No further notice of the organizational meeting to the directors is necessary.

(b) Procedure and Business. Until the election of new officers, the organizational meeting shall be chaired by the outgoing president, or, in the absence of such person, the outgoing secretary, regardless of whether the outgoing president or secretary is a member of the newly constituted board. At the organizational meeting, the Board of Directors shall elect officers in accordance with Section 6.2 below and may conduct any other Association business.

5.2 Regular and Special Meetings.

(a) Call of Meetings.

(1) Regular Meetings. Regular meetings of the Board of Directors may be held on such date and at such time and place as is determined, from time to time, by a majority of the directors.

(2) Special Meetings. Special meetings (including emergency meetings) of the Board of Directors may be called by the president or the secretary and must be called by the secretary within 3 days of receipt of a written request of at least three (3) directors. The secretary or other person designated by resolution of the Board of Directors shall cause notice to be given in accordance with Subsection (b) of this section.

(b) Notice to Board of Directors.

(1) Regular Meetings. Any requirements for notice to directors of regular meetings of the Board of Directors shall be determined, from time to time, by a majority of the directors.

(2) Special Meetings. Unless otherwise determined, from time to time, by a majority of the directors, notice of any special meeting must be given to each director, personally or by mail, telephone, telegraph or other means approved by the director, at least three

(3) days prior to the day named for the meeting. The notice must state the time, place and purpose of the meeting.

(3) Emergency Meetings. Notice requirements to directors for emergency meetings of the Board of Directors shall be as determined, from time to time, by a majority of the directors.

5.3 Quorum and Acts.

(a) At all meetings of the Board of Directors, a majority of the existing directors constitutes a quorum for the transaction of business and the acts of the majority of the directors present are the acts of the Board of Directors, unless a greater number is required by law or these Bylaws.

(b) If, at any meeting of the Board of Directors, there is less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any adjourned meeting at which a quorum is present any business which might have been transacted at the meeting as originally called may be transacted without further notice to directors or Owners.

5.4 Meeting Procedure.

(a) Director Assent Presumed.

(1) Subject to Paragraph (2) of this subsection, a director of the Association who is present at a meeting of the Board of Directors at which action on any Association matter is taken is presumed to have assented to the action taken unless:

(A) The director's dissent or abstention from the action taken is entered in the minutes of the meeting; or

(B) The director delivers written notice of dissent or abstention to the person acting as secretary of the meeting before its adjournment or to the secretary of the Association immediately after adjournment of the meeting.

(2) The right of dissent or abstention is not available to a director who votes in favor of the action taken.

(b) Proxies and Secret Ballots Prohibited. Directors may not vote by proxy or by secret ballot at Board meetings, except officers may be elected by secret ballot. A vote or abstention for each director present must be recorded in the minutes.

(c) Rules of Procedure. Unless other rules of order are adopted by resolution of the Board of Directors:

(1) Meetings of the Board of Directors must be conducted according to the latest edition of *Robert's Rules of Order* published by the Robert's Rules Association.

(2) A decision of the Board of Directors may not be challenged because the appropriate rules of order were not used unless a person entitled to be heard was denied the right to be heard and raised an objection at the meeting in which the right to be heard was denied.

(3) A decision of the Board of Directors is deemed valid without regard to procedural errors related to the rules of order one (1) year after the decision is made unless the error appears on the face of a written instrument memorializing the decision.

5.5 **Open Meetings; Executive Sessions.** Meetings of the Board of Directors are governed by this section and RCW 64.38.035 as it may be amended from time to time.

(a) **Open Meetings.** Except as provided in Subsections (b) and (d) of this section, all meetings of the Board of Directors are open for observation by all Owners. An Owner has no right to participate in the meeting of the Board unless the Owner is also a member of the Board. The president or presiding officer has the authority to exclude an Owner who disrupts the proceedings at a Board meeting.

(b) **Executive Sessions.** In the discretion of the Board of Directors, the Board may convene in closed executive session:

(1) To consider personnel matters, including salary negotiations and employee discipline;

(2) To consult with legal counsel or consider communication with legal counsel;

(3) To discuss likely or pending litigation;

(4) To discuss matters involving possible violations of the governing documents.

(5) To discuss matters involving the possible liability of an Owner to the Association; and

(6) For any other purpose permitted under RCW 64.38.034 as it may be amended from time to time.

(c) **Executive Session Procedure.**

(1) The Board of Directors shall vote in an open meeting whether to assemble in closed executive session. The motion to assemble in closed executive session must

state specifically the purpose for the closed session. Reference to the motion and the stated purpose for the closed session must be included in the minutes of the Board meeting.

(2) The directors may only consider in closed executive session matters permitted under RCW 64.38.035 and specifically stated in the motion to assemble in the closed executive session.

(3) A motion or other action adopted, passed or agreed to in closed executive session does not become effective unless the Board of Directors, following the closed executive session, reconvenes in open meeting and votes in the open meeting on the motion or other action which must be reasonably identified and included in the minutes of the meeting.

(d) In accordance with RCW 64.38.035, the requirements of this section do not require the disclosure of information in violation of law or which is otherwise exempt from disclosure.

5.6 **Mode of Board Meetings.** Meetings of the Board of Directors shall be by the assembly of directors at a designated location, except, in the case of an emergency, meetings of the Board of Directors may be conducted by telephonic communication or by the use of a means of communication that allows all members of the Board of Directors participating to hear each other simultaneously or otherwise to be able to communicate during the meeting.

5.7 **Notice to Owners of Meetings of Board.** For other than emergency meetings, notice of each meeting of the Board of Directors must be posted or provided in a manner reasonably calculated to inform the Owners of the meeting.

5.8 **Meeting Defined.** As used in Sections 5.5, 5.6 and 5.7 above, “meeting” means any convening of a quorum of members of the Board of Directors where matters relating to Association business are discussed, except a convening of a quorum of members of the Board of Directors for the purpose of participating in litigation, mediation or arbitration.

5.9 **Waiver of Notice.**

(a) At any time, a director may waive notice of any meeting of the Board of Directors. The waiver must be in writing. A written waiver is deemed equivalent to the giving of the notice.

(b) Attendance by a director at any meeting of the Board constitutes a waiver of notice by the director, except when the director attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Subject to the requirements of Sections 5.5, 5.6, 5.7 and 5.8 above, if all directors are present at any meeting of the Board, no notice to directors is required and any business may be transacted at the meeting.

ARTICLE 6

OFFICERS

6.1 Designation and Qualification.

(a) Designation. The principal officers of the Association shall be a president, a secretary and a treasurer. The directors may designate such other offices as in their judgment may be necessary. Any two (2) or more offices may be held by the same person except the offices of president and secretary.

(b) Qualification. All principal officers must be members of the Board of Directors and owners of lots within the Property.

6.2 **Election of Officers; Vacancies.** The officers of the Association may be elected by the Board of Directors at the organizational meeting of each new Board held in accordance with Section 5.1 above or any Board of Directors meeting thereafter to serve until their respective successors are elected at the next organizational meeting or subsequent Board meeting. If any office becomes vacant, the Board shall elect a successor to fill the unexpired term at any meeting of the Board of Directors.

6.3 Removal and Resignation.

(a) Removal. Officers hold office at the pleasure of the Board of Directors. When in the judgment of the Board of Directors the best interest of the Association will be served, by an affirmative vote of a majority of the members of the Board, any officer may be removed.

(b) Resignation. Any officer may resign at any time by giving written notice to the Board of Directors, the president or secretary. Any resignation is effective upon receipt of the notice or at any later time specified in the notice. Unless otherwise specified in the notice, acceptance of the resignation is not necessary except that the Board may reject a post-dated resignation by notice in writing to the resigning officer.

6.4 **President.** The president is the chief executive officer of the Association and has, subject to the controls of the Board of Directors, the Act or other law, general supervision, direction and control of the business and affairs of the Association. He or she shall preside at all meetings of the Association and of the Board of Directors. The president has all of the general powers and duties which are usually vested in the office of president of an association and has such other powers and duties as may be prescribed by these Bylaws or resolution of the Board of Directors.

6.5 Secretary.

(a) The secretary shall keep the minutes of all proceedings of the Board of Directors and the minutes of all meetings of the Association and of the Board of Directors. The Secretary shall give or cause to be given such notice of meetings of the Association and the Board of Directors as is required by these Bylaws or by law.

(b) The secretary shall have custody of all books, records and papers of the Association except those which are in the care of the treasurer or other person designated in a resolution of the Board of Directors. The secretary shall, in general, perform all the duties incident to the office of secretary and have such other powers and perform such other duties as may be prescribed by these Bylaws or resolution of the Board of Directors.

6.6 **Treasurer.** The treasurer shall:

(a) Have responsibility for the Association's funds and securities not otherwise held by the managing agent.

(b) Keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts and disbursements.

(c) Be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as may, from time to time, be designated by the Board of Directors. He or she shall disburse the funds of the Association in accordance with these Bylaws or as may be directed by the Board.

(d) Perform all other duties incident to the office of treasurer of an association and have such other powers and perform such other duties as may be prescribed by these Bylaws or resolution of the Board of Directors.

6.7 **Execution of Documents; Checks.**

(a) **Documents.** All agreements, contracts, deeds, leases and other instruments of the Association, except checks and drafts and other evidences of indebtedness, shall be executed by such person or persons as may be designated by resolution of the Board of Directors or required by law. In the absence of a resolution or law applicable to any instrument, then the instruments shall be signed by the president.

(b) **Checks, Drafts and Other Evidences of Indebtedness.** All checks, drafts, and other orders for payment of money, notes, or other evidences of indebtedness, issued in the name of or payable to the Association, shall be signed or endorsed by such person or persons and in such manner as is determined from time to time by resolution of the Board of Directors. In the absence of a resolution, all checks and other evidences of indebtedness shall be signed or endorsed by the treasurer.

6.8 **Standards of Conduct.** In accordance with, In the performance of their duties, directors are governed by RCW 64.38.025 and chapter 24.03 RCW.

6.9 **Compensation of Officers.** An officer who is a member of the Board of Directors may not receive any compensation from the Association for acting as an officer.

ARTICLE 7

RULES AND REGULATIONS

7.1 **Adoption of Rules and Regulations.** Subject to Section 7.3 below, and the Act, in addition to the restrictions and requirements in the Covenants and these Bylaws, the Board of Directors from time to time may by resolution adopt, amend or revoke such rules and regulations governing the conduct of persons and the operation and use of the Lots, Common Area and other Common Property as it may deem necessary or appropriate in order to assure the peaceful and orderly use and enjoyment of Lake Ridge and the management and administration of the Association, including the interpretation of the Covenants and these Bylaws.

7.2 **Distribution of Copies.** A copy of the Rules and Regulations, upon adoption, and a copy of each rule amendment or revocation must be delivered or mailed by the secretary or other designated person promptly to each Owner. The Rules and Regulations or rule amendment or revocation are effective and binding upon all Owners and occupants of all Lots from the date of delivery or mailing.

ARTICLE 8

BUDGET & ASSESSMENTS

8.1 Budget.

(a) Adoption and Amendment of Budget.

(1) At least annually, the Board shall estimate the common expenses expected to be incurred (less any previous overassessment and plus any underassessment) and prepare a proposed budget for the Association (the “annual budget”).

(2) If a budget ratified under Subsection (b) of this section is inadequate for any reason, at any meeting of the Board of Directors, the Board may amend the ratified budget and adopt a proposed amended budget (an “amended budget”).

(b) **Budget Summary; Ratification Meeting.** In accordance with RCW 64.38.025, within thirty (30) days after adopting a proposed annual budget or amended budget, the Board of Directors shall:

(1) Provide a copy or summary of the proposed annual budget or amended budget to all Owners.

(2) Set a date for a meeting of the Owners to consider ratification of the proposed annual budget or amended budget (the “Budget Ratification Meeting”). The

meeting must be set for a date not less than fourteen (14) or more than sixty (60) days after the mailing or delivery of a copy or summary of the proposed annual budget or amended budget.

(3) In accordance with Section 3.4 above, provide notice of the Budget Ratification Meeting set under Subsection (b) of this section.

(c) Ratification. Unless at the Budget Ratification Meeting at least 51% of the owners reject the proposed annual budget or amended budget, the budget is ratified, whether or not a quorum is present at the meeting.

(d) Continuation of Prior Ratified Budget. If the proposed annual budget or amended budget is rejected or the notice required under Subsection (b) of this section is not given and a Budget Ratification Meeting is not held, the last ratified budget continues in effect until a new budget is ratified by the Owners as provided in this section.

8.2 Determination of Common Expenses. Common expenses include:

(a) Expenses of administration of the Association, including any accounting and any management fees.

(b) Expenses of maintenance, repair or replacement of the Easements/Private Roadways, any Common Property and any other portions of the Properties required to be maintained by the Association pursuant to the Covenants or these Bylaws.

(c) Cost of insurance or bonds obtained in accordance with these Bylaws and the Covenants.

(d) Reserve for major maintenance, repair and replacement if established under Section 8.5 below.

(e) A general operating reserve if established under Section 4.6(e) above.

(f) Any deficit in common expenses for any prior period.

(g) Utilities and services for the Common Property and other utilities and services with a common meter or commonly billed, such as electricity, trash collection, water and sewer.

(h) Any other items properly chargeable as an expenses of the Association.

8.3 Assessment Obligation of Owners; Liability.

(a) Obligation to Pay. Except as provided in Section 8.4 below, all Owners are obligated to pay the following types of assessments imposed by the Board of Directors on behalf of the Association pursuant to the Covenants and these Bylaws:

(1) Regular Assessments to fund the annual budget and any amended budgets ratified under Section 8.1 above, except for any sums in an amended budget levied as a special assessment under Section 8.7 below.

(2) Special or Extraordinary Expenses as provided under Section 8.6 below.

(3) Assessments for any other charges levied by the Association under the Covenants, these Bylaws or the Act.

(b) Offsets Prohibited. An Owner may not claim an offset against an assessment for failure of the Association to perform its obligations and no Owner may offset amounts owing or claimed to be owed by the Association to the Owner. An Owner by the owner's action may not claim exemption from liability for contribution towards common expenses by waiver of Owner's use or enjoyment of any of the Common Property or by abandonment by the Owner of the Owner's Lot.

(c) Personal Liability. An Owner is personally liable for all assessments imposed on the Owner or assessed against the Lot.

(d) Joint and Several Obligation. In addition to constituting a lien on the Lot as provided in the Covenants, each assessment is the joint and several obligation of the Owner or Owners of the Lot to which the same are assessed.

(e) Assessments Property of Association. All sums received by the Association on account of assessments belong to and are the property of the Association.

(f) Voluntary Conveyance; Statement for Prospective Purchasers.

(1) Subject to Paragraph (2) of this subsection, in a voluntary conveyance of a Lot, the grantee is jointly and severally liable with the grantor for all unpaid assessments against the grantor of the Lot to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amount paid by the grantee.

(2) Upon request of an Owner or Owner's agent, for the benefit of a prospective purchaser, the Board of Directors shall make and deliver a written statement of the unpaid assessments against the prospective grantor of the Lot effective through a date specified in the statement, and the grantee in that case is not liable for any unpaid assessments against the grantor not included in the written statement.

8.4 Allocation and Payment of Assessments.

(a) Allocation of Assessments Liability. Except as otherwise provided for assessments under this subsection, the common profits derived from and the common expenses of the Association shall be assessed equally against all the Lots. The Board may elect to round assessments to the nearest dollar.

(1) Owner Misconduct. To the extent that any common expense is caused by the misconduct of any Owner, the Association shall assess that expense against the Owner and the Owner's Lot as a Special Assessment pursuant to Section 8.6(b) below.

(b) Timely Collection of Assessments. The Board of Directors, on behalf of the Association shall take prompt action to collect from an Owner any assessment due which remains unpaid for more than thirty (30) days from the due date for its payment.

(c) Assessments under Amended Budget. Assessments imposed based on an amended budget ratified under Section 8.1 above are due as determined by resolution adopted by the Board of Directors. The resolution may provide that the assessments may be imposed as a special assessment under Section 8.6 below.

(d) Surplus Funds. If the sums estimated and budgeted, and being collected or already collected, at any time exceeds necessary funds, the Board may reduce the amount being assessed or apply existing funds (in excess of current needs and any required reserves if established under Section 8.5 below) against future assessments as provided in the Covenants.

8.5 Reserve Account for Major Maintenance, Repair and Replacement.

(a) Establishment of the Reserve Account. The Association may establish a reserve account for major maintenance and replacement of the Easements/Private Roadway and any other Common Property and for such other items the Association has responsibility to maintain.

(b) Funding of Reserve Account. The reserve account shall be funded by assessments against individual Lots assessed for maintenance of items for which the reserve account is established under Section 8.4 above which sums shall be included in the regular periodic assessment for the Lots. The reserve portion of the assessment shall be based on a reserve study or other reliable information.

(c) Use of Reserve Account.

(1) The reserve account may only be used for the purposes for which the reserves have been established and must be kept separate from other funds.

(2) The Board of Directors may borrow funds from the reserve account to meet high seasonal demands on the regular operating funds or to meet unexpected increases in expenses if the Board has adopted a resolution, which may be an annual continuing resolution, authorizing the borrowing of funds.

(3) Not later than the adoption of the budget for the following year, the Board of Directors shall adopt by resolution a written payment plan providing for repayment within a reasonable time of any unpaid borrowed funds.

(4) The reserve account may be invested by the Board of Directors subject to normal prudent investment standards.

(d) Reduction, Increase or Elimination of Assessment for Reserve Account. In addition to the authority of the Board of Directors under Subsection (c) of this section, by an affirmative vote of at least 51% of the Owners of Lots, the Association may elect to reduce, increase or eliminate future Assessments for the reserve account.

(e) Reserve Fund Association Property. Assessments paid into the reserve account are the property of the Association and are not refundable to Owners. Owners may treat their outstanding share of the reserve account as a separate item in any agreement for the sale of their Lots.

8.6 Special or Extraordinary Assessments. The Board of Directors has the power to levy special assessments for the following purposes:

(a) Subject to requirement for ratification of an amended budget under Section 8.1 above, to correct a deficit in the current ratified budget.

(b) To collect amounts due to the Association from an Owner for breach of the Owner's obligations under the Covenants, these Bylaws, or the Rules and Regulations of the Association, by a vote of a majority of the Board.

8.7 Statement of Assessments and Budget Summary.

(a) Statement of Assessments Payable. The Board of Directors shall advise each Owner in writing of the amount of assessments payable by the Owner. The Board shall promptly provide any Owner who makes a request in writing with a written statement of the Owner's unpaid assessments.

(b) Budget Summary. Within thirty (30) days after adopting the annual budget and any amended budget, the Board of Directors shall provide a summary of the budget on which Assessments are based to all Owners in accordance with Section 8.1 above. The Board shall promptly provide any Owner who makes a request in writing with a copy of the budget and, if requested, to the Owner's Mortgagee.

8.8 Remedies of the Association for Non-payment of Assessments.

(a) Enforcement and Collection of Assessment. Enforcement and collection of assessments, in addition to assessments for common expenses for the Easements/Private Roadways described under Section 8.2(b) above, shall be as provided in Paragraph 18 of the Covenants, except that the minimum delinquency period before foreclosure proceedings may be initiated only applies to assessments for the common expenses for the Easements/Private Roadways.

(b) Interest, Late Payment Charges and Collection Costs. In addition to any other remedies under the Covenants, these Bylaws or the Act, if an assessment levied by the Association is not paid within thirty (30) days after its due date (as established by resolution of the Board of Directors) the assessment is delinquent and is subject to such interest, late charges and collection costs as may be provided in a resolution adopted by the Board of Directors pursuant to RCW 64.38.020 and the Covenants.

(c) Suit to Recover Personal Judgment. Suit to recover a personal judgment for any delinquent assessment is maintainable in any court of competent jurisdiction without foreclosing or waiving the lien security the sums.

ARTICLE 9 **INSURANCE**

9.1 **Insurance by Association.** The Board of Directors shall obtain and maintain at all times and shall pay as a common expense, except as otherwise provided in this article, the insurance, to the extent available at reasonable cost, specified in this section.

(a) **Property Damage Insurance.**

(1) The Association shall obtain and maintain a policy or policies of insurance covering loss or damage from fire, with standard extended coverage and all risk endorsements and such other coverage as the Association may deem desirable.

(2) The amount of coverage shall be for not less than one hundred percent (100%) of the current replacement cost of the improvements on Common Property and any other Common Property (exclusive of land, foundation, excavation, and other items normally excluded from coverage), subject to a reasonable deductible.

(3) The policy or policies shall include all fixtures and building service equipment to the extent that they are part of Common Areas or other Common Property and all personal property and supplies belonging to the Association.

(b) **Liability Insurance.**

(1) The Association shall obtain and maintain comprehensive general liability insurance coverage insuring the Association, the Board of Directors and the managing agent, if any, against liability to the public or Owners and their invitees or tenants incident to the operation, maintenance, ownership, or use of the Common Area or other Common Property, including legal liability arising out of lawsuits related to employment contracts of the Association. There may be excluded from the policy or policies coverage of an Owner (other than as a member of the Association or the Board of Directors) for liability arising out of acts or omissions of the Owner and liability incident to the ownership or use of the part of the property as to which the Owner has the exclusive use or occupancy.

(2) Limits of liability under the insurance maintained under this subsection may not be less than Three Million Dollars (\$3,000,000.00) on a combined single limit basis.

(3) Insurance policies obtained under this subsection shall be issued on a comprehensive liability basis and shall provide cross liability endorsement wherein the rights of named insured under the policy or policies may not be prejudiced as respects his, her or their action against another named insured.

(c) Workers Compensation Insurance. The Association shall obtain and maintain worker's compensation insurance to the extent necessary to comply with any applicable laws.

(d) Fidelity Insurance.

(1) The Board of Directors shall cause the Association to obtain and maintain blanket fidelity bonds for all officers, directors, trustees, and employees of the Association and all other persons handling or responsible for funds of, or administered by, the Association. If the Association has retained a management agent, the Board of Directors may require the agent to maintain fidelity bonds for its officers, employees, and agents handling or responsible for funds of, or administered on behalf of, the Association.

(2) The total amount of fidelity bond coverage required shall be based upon the best business judgment of the Board of Directors.

(3) The fidelity bond must name the Association as obligee and contain waivers by the issuers of the insurance of all defenses based upon the exclusion of persons serving without compensation from the definition of employee or similar terms or expressions. The bonds must provide that they may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least ten (10) days prior written notice to the Association.

(e) Directors and Officers Liability Insurance. The Association shall obtain and maintain a policy of directors and officers liability insurance with coverage in the amount of not less than One Million Dollars (\$1,000,000.00), subject to a reasonable deductible.

9.2 Insurance by Owners.

(a) Each Owner is responsible for obtaining, at his or her own expense, insurance covering Owner's property not insured under Section 9.1(a) above and insurance covering Owner's liability not covered under Section 9.1(b) above.

9.3 **Insurance Deductibles; Copies of Owners' Policies.**

(a) The Board of Directors shall determine the amount of the deductible for property loss insurance policies and any other insurance policies required to be obtained by the Association under this article. In determining the deductible under the policies, the Board, among other factors, shall take into consideration the availability, cost, and loss experience of the Association. In this regard, as in other Board responsibilities, the Board members shall exercise their reasonable business judgment.

(b) The Board of Directors shall notify all Owners of the amount of the deductible under the Association policies. To the extent reasonably practicable, the Board of Directors shall give at least thirty (30) days notice to the Owners of any increase in the deductible proposed in renewal or replacement insurance policies.

(c) Unless otherwise provided by these Bylaws or resolution of the Board of Directors, the cost of the deductible is a common expense of the Owners of the Lots to which the cost of the insurance policy is assessed under Section 8.4 above.

(d) Within thirty (30) days of receipt of a written request by the Board of Directors, Owners shall file a copy of each policy required under this article with the Association.

9.4 **Contribution Prohibition.** Insurance maintained by the Association may not be brought into contribution with insurance bought by Owners and their mortgagees.

ARTICLE 10 **AMENDMENTS TO BYLAWS**

10.1 **How Proposed.** Amendments to the Bylaws may only be proposed by either a majority of the Board of Directors or by at least 10% of the owners. The proposed amendment must be reduced to writing and must be included in the notice of any meeting at which action is to be taken thereon.

10.2 **Adoption.** Amendments may be approved by the Association at a meeting of the Association or ballot meeting conducted for such purpose under Section 3.12 above or by action without a meeting under Section 3.13 above. A vote of at least 51% of the Owners of Lots is required for approval of any amendment except no amendment may be inconsistent with the Covenants unless the Covenants is also amended.

10.3 **Execution and Recording.** An amendment is not effective until certified by the president and secretary of the Association as being adopted in accordance with these Bylaws and the applicable provisions of the Act, and is acknowledged and recorded in the Auditors Records of Clark County, Washington.

ARTICLE 11
ASSOCIATION RECORDS AND ACCOUNTS

11.1 General Records.

(a) The Board of Directors and managing agent or manager, if any, shall keep detailed records of the actions of the Board of Directors and managing agent or manager; minutes of the meetings of the Board of Directors; and minutes of the meeting of the Association.

(b) The Board of Directors shall maintain a record of ownership of each Lot. which includes the name, address, and Lot number of the Owner. The record shall be established by the Owners filing with the Association a copy of the deed or land sale contract for the Lot evidencing the certificate of the Auditor of Clark County, Washington, a copy of a title insurance policy or other evidence reasonably acceptable to the Board of Directors.

(c) The Board of Directors shall maintain a Book of Resolutions containing the rules, regulations and policies adopted by the Association and the Board of Directors.

(d) The Association shall retain within this state the documents, information and all other records of the Association for not less than the period specified in chapter 24.03 RCW or any other applicable law.

11.2 Financial Records and Accounts.

(a) Association shall keep financial records sufficiently detailed to enable the Association to comply with RCW 64.38.045.

(b) All assessments shall be deposited, in the name of the Association, in a financial institution authorized to do business in this state. All expenses of the Association shall be paid from the Association's bank account.

(c) The Association shall maintain one (1) primary account and such other accounts as the Board of Directors deems necessary to manage the Association's funds. The account shall be identified as the "General Account."

11.3 Assessment Roll. The assessment roll shall be maintained in accounting books in which there shall be an account for each Lot. The account shall designate the Lot number, the name and address of the Owner or Owners, the amount of each assessment against the Owners, the dates and amounts in which the Assessment comes due, the amounts paid upon the account, and the balance due on the Assessments.

11.4 Fiscal Year. Unless otherwise provided by resolution adopted by the Board of Directors, the fiscal year of the Association shall begin on the first day of January and end on December 31 of each calendar year.

11.5 **Financial Reports and Audits.**

(a) **Annual Financial Statement.**

(1) At least annually, the Board of Directors shall prepare or cause to be prepared an annual financial statement consisting of a balance sheet and income and expenses statement for the preceding fiscal year.

(2) The Board of Directors shall cause a copy of the annual financial statement to be distributed to Owners and to all mortgagees of Owners who have requested a copy in writing.

(b) **Audit of Annual Financial Statement and Records.**

(1) If required by RCW 64.38.045, the Board of Directors shall cause the financial statement required under Subsection (a) of this section to be audited by an independent certified accountant licensed in this state as provided in RCW 64.045.

(2) From time to time the Board of Directors, at the expense of the Association, may obtain an audit, review, compilation or other financial examination of the books and records pertaining to the Association and furnish copies thereof to the Owners and mortgagees of Lots. At any time any Owner or mortgagee may, at the Owner's or mortgagee's own expense, cause an audit, review, compilation or other financial examination to be made of the books and records of the Association.

11.6 **Inspection of Records by Owners.**

(a) **Inspection of Records**

(1) Subject to Paragraphs (2) and (3) of this subsection, in accordance with RCW 64.38.045, all documents and records of the Association, including the names and addresses of owners and other occupants of Lots shall be reasonably available for examination by an Owner and any mortgagee of a Lot and their respective authorized agents pursuant to rules adopted by resolution of the Board of Directors.

(2) The Association may not release the unlisted telephone number of any Owner or any other information prohibited under RCW 64.38.045 without the prior written consent of the Owner.

(3) The requirements of this subsection do not require the examination or disclosure of information in violation of law or which is otherwise exempt from examination or disclosure.

(b) **Copies Suitable for Duplication.** The Board of Directors shall maintain a copy, suitable for the purposes of duplication, of the following:

(1) The Covenants and Bylaws and any amendments or supplements thereto, and Rules and Regulations of the Association currently in effect.

(2) The most recent financial statement prepared pursuant to RCW 64.38.045.

(3) The current budget of the Association.

(4) Architectural standards and guidelines, if any.

(c) **Adoption of Rules.** The Board of Directors, by resolution, may adopt reasonable rules governing the frequency, time, location, notice and manner of examination and duplication of Association records and the imposition of a reasonable fee for furnishing copies of any documents, information or records described in this section. The fee may include reasonable personnel costs incurred to furnish the information.

11.7 **Notice of Sale.** Immediately upon the sale of any Lot, the Owner shall promptly inform the secretary or manager of the name and address of the new Owner.

ARTICLE 12 **COMPLIANCE AND ENFORCEMENT**

12.1 **Compliance.** Each Owner or occupant of a Lot, shall comply with the provisions of the Covenants, the Bylaws, Rules and Regulations, and the applicable provision of the Act.

12.2 **Remedies of Association.** Violation of, or failure to comply with, any provision of the Covenants, the Bylaws, or Rule and Regulations or any decision of the Association made pursuant to the documents, or applicable provisions of the Act gives the Board of Directors, acting on behalf of the Association, the right, in addition to any other rights set forth in Section 12.1 above or in any provision of the Covenants, these Bylaws or under law, and any applicable Easement, to do, any or all of the following after giving notice and an opportunity to be heard:

(a) To enter the Lot which or as to which the violation exists and to summarily abate and remove, at the expense of the defaulting Owner, any structure, thing, or condition that may exist contrary to the intent and meaning of the provisions of the Covenants, Bylaws or any Rules or Regulations, and the Board of Directors may not thereby be deemed guilty of any manner of trespass, provided that judicial proceedings must be instituted before any items of construction may be altered or demolished.

(b) To enjoin, abate or remedy such thing or condition by appropriate legal proceeding.

(c) To levy reasonable fines pursuant to a schedule of fines adopted by resolution of the Board of Directors after a copy of which has been furnished to each Owner in accordance with RCW 64.38.020.

(d) Bring suit or action against the Owner on behalf of the Association and other Owners to enforce the Covenants, the Bylaws and any Rules or Regulations.

12.3 **Disputes Among Owners.**

(a) **Referral to Board of Directors.** Any dispute among Owners concerning the provisions of the Covenants, the Bylaws or any rule or regulation adopted by the Board of Directors may be referred in writing to the Board of Directors for resolution.

(b) **Action by Board.** The Board of Directors, in its sole discretion, has the option to hear the dispute or to decline to hear the dispute. The Board's decision not to hear a dispute is effective either upon written notice to the Owners involved or if no notice is given by the Board, thirty (30) days after receipt by the Board of the written referral. If the Board chooses to hear the dispute, any decision by the Board is binding upon the parties.

12.4. **Action by Owners.** An aggrieved Owner may bring an action against another Owner or the Association to recover damages or to enjoin, abate or remedy such thing or condition by appropriate legal proceedings as provided in RCW 64.38.050.

ARTICLE 13 **GENERAL PROVISIONS**

13.1 **Notices.**

(a) **Association.** All notices to the Association or the Board of Directors must be sent care of the managing agent or, if there is no managing agent, to the principal office of the Association or to such other address as the Board of Directors may designate from time to time.

(b) **Owners.** Except as otherwise provided in these Bylaws or law, all notices to an Owner must be directed to such address as may have been designated by him or her, from time to time, in writing to the Board of Directors, or if no address has been designated, then to the Owner's Lot. If a Lot is jointly owned or has been sold under a land sale contract of sale, notice must be sent to a single address, of which the secretary has been notified in writing by the parties. If no address has been given to the secretary in writing, then mailing to the Lot is sufficient.

13.2 **Waiver, Precedent and Estoppel.** No restriction, condition, obligation or provision contained in these Bylaws or Rules and Regulations may be deemed to have been abrogated or waived by the Association by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur. Any failure to enforce the same may not be deemed to constitute precedent or estoppel impairing the right of the Association as to any similar matter.

13.3 **Invalidity; Number; Captions; Construction.** The invalidity of any part of these Bylaws does not impair or affect in any manner the validity, enforceability or effect of the

balance of these Bylaws. As used in these Bylaws, the singular includes the plural and the plural the singular and “may not” and “shall not” are equivalent expressions of an absolute prohibition. The masculine and neuter each include the masculine, feminine and neuter, as the context requires. All captions used in these Bylaws are intended solely for convenience of reference and in no way limit any of the provisions of these Bylaws.

13.4 **Conflicts.**

(a) These Bylaws are intended to comply with the Act, the Nonprofit Act, and the Covenants. In case of any irreconcilable conflict, the acts and the Covenants control over these Bylaws or any Rules and Regulations.

(b) In the case of a conflict between the Articles of Incorporation and these Bylaws, the Articles control to the extent consistent with the Act and the Nonprofit Act.

(c) In the case of a conflict between the Act and the Nonprofit Act, the Act controls.