

BYLAWS OF
VILLAGE GREEN
HOMEOWNERS ASSOCIATION

The following are Bylaws of Village Green Homeowners Association, a corporation organized under the Washington Nonprofit Corporation Act (RCW 24.03, the "Nonprofit Corporation Act"). These Bylaws provide for operation of Village Green, a Planned Residential Development (the "Property") located in Orting, Washington. They apply to the entire Property, each lot and tract therein, and all common areas. Each owner automatically, by virtue of ownership of a lot, becomes a member of the Association. All present and future owners, mortgagees and other encumbrances, lessees, tenants, licensees, and occupants of lots, and their guests and employees, and any other person who may use the facilities of the Property are subject to these Bylaws, the Declaration of Covenants, Conditions, Restrictions, and Reservations for Village Green, as it may from time to time be amended (the "Declaration") and the rules and regulations pertaining to use and operation of the Property.

Words and phrases that are defined in the Declaration shall have the same meaning in these Bylaws.

ARTICLE 1. MEMBERSHIP; VOTING; REGISTER.

Section 1.1 Membership. The owners of lots in the Property shall constitute the Association. Corporations, partnerships, associations, and other legal entities, trustees under an express trust, and other fiduciaries, as well as natural persons may be members of the Association. Owners of a lot as joint tenants, tenants in common, community property, or other ownership involving more than one owner, shall be joint members of the Association, but the sum total of their vote shall not exceed the voting power allocated to the lots owned.

Section 1.2 Number of Votes. The voting power of the members shall be as specified in the Declaration and the Articles.

Section 1.3 Voting by Multiple owners. If only one of the multiple owners of a lot is present at a meeting of the Association, the owner is entitled to cast all the votes allocated to that lot. If more than one of the multiple owners are present, the votes allocated to that lot may be cast only in accordance with the agreement of a majority in interest of the multiple owners. There is majority agreement if any one of the multiple owners casts the votes allocated to that lot without protest being made promptly to the person presiding over the meeting by any of the other owners of the lot.

Section 1.4 Voting Representative. An owner may, by written notice to the Board, designate a voting representative for the lot. The voting representative need not be an

owner. The designation may be revoked at any time by written notice to the Board from a person having an ownership interest in a lot, or by actual notice to the Board of the death or judicially declared incompetence of any person with an ownership interest in the lot, except in cases in which the person designated is a mortgagee of the lot. This power of designation and revocation may be exercised by the guardian of an owner, the attorney-in-fact of the owner under a durable power of attorney, or the administrators or executors of an owner's estate. If no designation has been made, or if a designation has been revoked and no new designation has been made, the voting representative of each lot shall be the group composed of all of its owners. If a lot is owned by husband and wife and only one of them is at a meeting, the one who is present will represent the marital community.

Section 1.5 Voting by Proxy; Pledged Votes to Mortgagee. Votes allocated to a lot may be cast pursuant to a proxy duly executed by an owner. If a lot is owned by more than one person, each owner of a lot may vote or register protest to the casting of votes by the other owners of the lot through a duly executed proxy. A lot owner may not revoke a proxy given pursuant to this Section except by actual notice of revocation to the person presiding over a meeting of the Association. A proxy is void if it is not dated or purports to be revocable without notice. Unless stated otherwise in the proxy a proxy terminates 11 months after its date of issuance. An owner may, but shall not be obligated to, pledge his or her vote on all issues or on specific issues to a mortgagee. If an owner is in default under a first mortgage on the lot for one year or more, the mortgagee shall automatically be authorized to declare at any time thereafter that the owner has pledged his or her vote on all issues to the mortgagee during the continuance of the default. If the Board has been notified of any such pledge to a mortgagee, only the vote of the mortgagee will be recognized on the issues that are subject to the pledge.

Section 1.6 Persons Under Disability. Minors and persons declared legally incompetent shall be eligible for membership in the Association, if otherwise qualified, but shall not be permitted to vote except through a legally appointed, qualified, and acting guardian of their estate voting on their behalf, or, in the case of a minor with no legal guardian of his estate, through a parent having custody of the minor.

Section 1.7 Register of Members. The Board shall cause a register to be kept containing the names and addresses of all members of the Association. Persons who purchase an interest in a lot shall promptly inform the Board of their interest. Persons who claim to be members of the Association shall, upon request, furnish the Board with copies of any documents under which they assert ownership of a lot or any interest therein, and any mortgages thereon.

ARTICLE 2. MEETINGS OF MEMBERS.

Section 2.1 Place. Meetings of the members of the Association shall be held at such suitable place as may be convenient to the membership and designated from time to time by the Board.

Section 2.2 Annual Meeting. The annual meeting of the Association shall be held in the first quarter of each fiscal year on a date fixed by the Board, which date shall not be less than 10 nor more than 60 days after notice of the meeting is given to the members. At such annual meeting the owners shall elect members to the Board or fill vacancies therein, and transact such other business as shall properly come before the meeting.

Section 2.3 Special Meetings. A special meeting of the Association may be called by the president, by resolution of the Board or upon the written request of a majority of the Board or upon the written request of owners having 20% of the votes in the Association not less than 10 nor more than 60 days in advance of the meeting. No business shall be transacted at a special meeting except as stated in the notice given therefor unless consented to by four-fifths of the owners present either in person or by proxy.

Section 2.4 Notice of Meetings. It shall be the duty of the secretary to give notice of each annual, budget and special meeting. Such notice shall be hand-delivered or sent prepaid by first-class United States mail to the mailing address of each lot or to any other mailing address designated in writing by the lot owner, to each member of the Association. The notice of any meeting shall state the time and place of the meeting and the items on the agenda to be voted on by the members, including the general nature of any proposed amendment to the Declaration or Bylaws, changes in the previously approved budget that result in a change in assessment obligations, and any proposal to remove a director or officer. Before any meeting of the Association, any member may, in writing, waive notice of such meeting. Attendance by a member at a meeting of the Association shall be a waiver by him of timely and adequate notice unless he expressly challenges the notice when the meeting begins.

Section 2.6 Quorum. The presence in person or by proxy of members of the Association or voting representatives holding 25% of the total voting power shall constitute a quorum for the transaction of business at any meeting of members of the Association.

Section 2.7 Adjournment of Meetings. If any meeting of owners cannot be organized because a quorum has not attended, the owners present, in person or by proxy, may adjourn the meeting to a time not less than 48 hours from the time the original meeting was called.

Section 2.8 Majority Vote. Except as otherwise provided by the Declaration, the Articles or these Bylaws, passage of any matter submitted to vote at a meeting where a quorum is present, shall require the affirmative vote of at least 51% of the votes present.

Section 2.9 Order of Business. The order of business at meetings of the Association shall be as follows unless dispensed with on motion:

- (a) Roll call;
- (b) Proof of notice of meeting or waiver of notice;

- (c) Minutes of preceding meeting;
- (d) Reports of officers;
- (e) Reports of committees;
- (f) Election of inspectors of election;
- (g) Election of directors (annual meeting or special meeting called for such purpose);
- (h) Unfinished business;
- (i) New business;
- (j) Adjournment.

Section 2.10 Parliamentary Authority. In the event of dispute, the parliamentary authority for the meetings shall be the most current available edition of Robert's Rules of Order or such other published code of parliamentary procedure as shall be approved by a majority at the meeting.

ARTICLE 3. BOARD OF DIRECTORS.

Section 3.1 Number, Term and Qualifications. The affairs of the Association shall be governed initially by one director. At such time as the Class B membership shall cease and be converted to Class A membership in accordance with the Articles of Incorporation, the affairs of the Association shall be governed by a Board of three directors. The term of office for directors will begin on the first day of the calendar month following the date of adjournment of the meeting at which they are elected. The normal term of office for directors will be for two years and until their successors are elected and take office. However, to provide for staggered terms, at the first annual meeting one-half of the number of directors (or the whole number nearest to one-half) shall be elected for one year and the remainder shall be elected for two years. As long as there is a Class B membership, the directors do not have to be lot owners. After there ceases to be a Class B membership, a majority of the directors shall be lot owners. If a corporation is a member of the Association, any of its officers, directors, or shareholders may be elected to the Board; if a partnership is a member, any partner of such partnership may be elected to the Board.

Section 3.2 Powers and Duties. The Board shall have the powers and duties provided for the administering authority of the Property in the Declaration, and all other power necessary for the administration of the affairs of the Association, and may do all such acts and things as are not prohibited by statute or by the Declaration required to be done in another manner.

Section 3.3 Vacancies. Vacancies on the Board caused by reasons other than the removal of a director by a vote of the Association shall be filled by vote of the majority of the remaining directors, even though they may constitute less than a quorum. Each person so selected shall be a director until a successor is elected at the next annual meeting of the Association to serve the balance of the unexpired term.

Section 3.4 Removal of Directors. At any regular or special meeting, any one or more of the directors may be removed, with or without cause, by members holding a majority of the votes in the Association and a successor may then and there be elected to fill the vacancy thus created and to serve the balance of the unexpired term. Any director whose removal has been proposed shall be given an opportunity to be heard at the meeting.

Section 3.5 Compensation. No compensation shall be paid to directors for their services as directors.

Section 3.6 Organization Meeting. The first meeting of the newly elected Board shall be held within ten days of election at a place to be fixed by the directors at the meeting at which the directors were elected, and no notice shall be necessary to the newly elected directors in order legally to call the meeting, providing a majority of the whole Board shall be present at the meeting.

Section 3.7 Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined from time to time by a majority of the directors, but at least two such meetings shall be held during each fiscal year. Notice of regular meetings of the Board shall be given to each director personally or by mail, telephone, or facsimile, at least three days before the day fixed for the meeting.

Section 3.8 Special Meetings. Special meetings of the Board may be called by the president on three days' notice to each director, given personally or by mail, telephone, or telegraph, which notice shall state the time, place, and purpose of the meeting. Special meetings of the Board shall be called by either the president or secretary in like manner and on like notice on the written request of any two directors.

Section 3.9 Waiver of Notice. Before any meeting of the Board, any director may, in writing, waive notice of such meeting. Attendance by a director at any meeting of the Board shall be a waiver by him of timely and adequate notice unless he expressly challenges the notice when the meeting begins. If all directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at the meeting.

Section 3.10 Quorum. At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business, and the acts of the majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board. If there is less than a quorum present at any meeting of the Board, the majority of those present may adjourn the meeting from time to time. At the adjourned meeting any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 3.11 Open Meeting. Any owner or voting representative may attend any meeting of the Board, but shall not be entitled to participate except with the consent of the Board. The Board may, however, go into private, executive session to consider the employment or dismissal of the managing agent or other persons employed by the Association, or to hear complaints or charges brought against such person, unless the person requests a public hearing, or to discuss with legal counsel litigation in which the Association is or is likely to become a party if public discussion would adversely affect the interests of the Association in such litigation.

ARTICLE 4. OFFICERS.

Section 4.1 Designation. The principal officers of the Association shall be a president, a vice president, a secretary, and a treasurer, all of whom shall be elected by and from the Board. The directors may appoint from the Board such other officers as in their judgment may be necessary or desirable. Two or more offices may be held by the same person, except that a person may not hold the offices of president and secretary simultaneously.

Section 4.2 Election of Officers. The officers of the Association shall be elected annually by the Board at the first Board meeting after the annual meeting of the Association. They shall hold office at the pleasure of the Board.

Section 4.3 Removal of Officers. At any regular meeting of the Board or at any special meeting of the Board called for such purpose, upon an affirmative vote of a majority of the members of the Board, any officer may be removed, either with or without cause. A successor to the removed officer may be elected at any such meeting.

Section 4.4 President. The president shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board and shall have all powers and duties usually vested in the office of the President.

Section 4.5 Vice President. The vice president shall perform the duties of the president when the president is absent or unable to act, and shall perform such other duties as may be prescribed by the Board.

Section 4.6 Secretary. The secretary shall keep the minutes of all meetings of the Board and of the Association and shall have custody of the business records of the Board and the Association, other than financial records kept by the treasurer. He shall also perform such other duties as may be prescribed by the Board.

Section 4.7 Treasurer. The treasurer shall have responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association.

Section 4.8 Other Officers and Employees. Other officers of the Association and any persons employed to assist the officers, shall have such authority and shall perform such duties as the Board may prescribe within the provisions of the applicable statutes, the Declaration, and these Bylaws.

Section 4.9 Compensation. The Board may pay reasonable compensation to any officer or owner who performs substantial services for the Property in carrying out the management duties of the Board. The Board's decision to compensate an officer shall not become final until 60 days after notice of it (including the amount of compensation to be paid) has been given to all persons entitled to notice of meetings of the Association, and such decision may be reversed by the members of the Association at a meeting duly called and held within 60 days after the notice of the decision was given.

ARTICLE 5. COMMITTEES.

Section 5.1 Committees of Directors. The Board may appoint one or more committees that consist of one or more directors. Such committees, if composed entirely of Board members, shall have and exercise, to the extent provided in the resolution establishing the committee, the authority of the Board in the management of the Association. The appointment of any such committee shall not relieve the Board of its ultimate responsibility for the administration and management of the Property.

Section 5.2 Other Committees. Other committees, not having or exercising the authority of the Board in the management of the Association, may be appointed by the president or the directors, and such committees may be composed of one or more members of the Association.

ARTICLE 6. HANDLING OF FUNDS.

The Association shall establish the necessary funds or accounts to provide properly for the operation and maintenance of the Property. Overall superintendence of these funds shall be the responsibility of the treasurer of the Association.

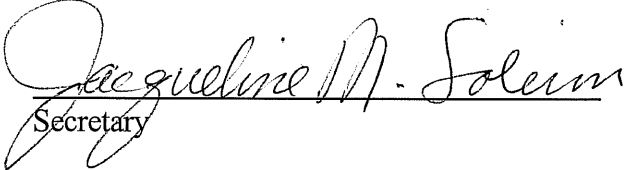
ARTICLE 7. KEEPING RECORDS AND REPORTS.

The Board shall cause to be kept complete, detailed, and accurate books and records of the receipts and expenditures of the Association, in a form that complies with generally accepted accounting principles. The books and records, authorizations for payment of expenditures, and all contracts, documents, papers, and other records of the Association shall be available for examination by the owners, mortgagees, and the agents or attorneys of either of them, during normal business hours and at any other reasonable time or times.

ARTICLE 8. AMENDMENTS.

These Bylaws may be amended by the vote of 67% of each class of members.

The foregoing Bylaws were adopted on 5-9-, 2001 at the organizational meeting of the Association.


Secretary

**UNANIMOUS CONSENT RESOLUTION
OF THE BOARD OF DIRECTORS OF
VILLAGE GREEN HOMEOWNERS ASSOCIATION**

The undersigned, being all the directors of the Board of Industrial Park Owners Association, a Washington non-profit corporation, hereby consent and agree to the following corporate action in lieu of holding a meeting of the Board, pursuant to RCW 24.03.055:

RESOLVED, that pursuant to RCW 24.03.055, the registered agent for **Village Green Homeowners Association**, a Washington nonprofit corporation (the "Association"), be changed from FPS Corporate Services, Inc., to:

Capstone Homes Inc.

FURTHER RESOLVED, that the registered office address for the Association be changed from 1111 Third Avenue, Suite 3400, Seattle, Washington 98101-3299, to:

21750 230th Avenue SE
Maple Valley, WA 98038

FURTHER RESOLVED, that the officers of the Association are hereby authorized and directed to take all action necessary and proper to effect the foregoing change in registered agent and registered office address, including filing a Statement of Change of Registered Agent or Registered Office Address with the Washington Secretary of State.

RESPECTFULLY SUBMITTED this 1ST day of MAY, 2002.