

Bylaws, Rules and Regulations of the Diamond Ridge Estates Homeowners Association

In accordance with the Declaration of Covenants, Conditions, Restrictions and Easements for Diamond Ridge Estates (the "CC&R"), and the power given therein to Diamond Ridge Estates Homeowners Association, (the "Association"), the Association hereby adopts the Bylaws, Rules and Regulations, as dated herein, (the "Bylaws") by a majority vote of the members of the Association (the "Owner(s)").

Formation of the Board of Directors

Nominations for the Board of Directors will be accepted prior to and during the Diamond Ridge Estates Homeowners Association Annual Meeting. Written notification of the Annual Meeting and of nominations for open Board of Director positions shall be mailed to all Owners no less than 30 days prior to the Annual meeting.

Nominations of prospective Board Members may be made by any Owner. Nominations can be presented to the Secretary or can be presented during the Annual Meeting.

Nominees must be Owners at the time of the election.

The Board of Directors shall be made of five (5) members elected by the Owners.

The Board shall consist of a President, Vice-president, Secretary, Treasurer, and Member-at-large.

Elections of the Board shall be held in conjunction with the Annual Meeting of the Diamond Ridge Estates Homeowners Association. Elections will be held by secret written ballot. Proxy votes will be distributed to those Owners not in attendance. Votes will be tallied and results presented to the Board of Directors and the Association no later than 45 days after the Annual Meeting. Proxy votes not received by 30 days after the Annual Meeting will be rejected and not included in the election. Each Owner will have one vote, i.e., one vote per property. Proxy votes shall be filled out in writing and returned to the Secretary. Votes shall remain sealed, if so received, and opened and counted in the presence of another member of the Board of Directors.

A quorum of Owners for the purpose of election of the Board of Directors or other issues voted upon will be 33%, thirty-three percent, of the Association. If a quorum is not achieved, a new election/vote shall be held.

The term of office of the Board of Directors shall be three- 2 year positions and two- 1 year positions. The positions shall be held until the Board member resigns or is removed

from office. The terms of the initial Board members shall be determined by the number of votes received. The three Board members with the highest number of votes shall serve for two years. The two Board members with the next highest number of votes shall serve for one year. During the initial election of the Board of Directors, the term of office may be switched if mutually agreed upon by a majority vote of the Board of Directors, i.e. a two year position may be switched for a one year position. No Board Member shall be elected to serve for more than 2 consecutive terms.

The Board of Directors shall vote amongst themselves for the positions of President, Vice-president, Secretary, Treasurer, and Member-at-large. The Board shall vote on the positions each year within 30 days after the Annual Meeting of the Association.

Duties of Board of Director Positions

Duties of the President

The President shall preside at all meetings of the Board of Directors; preside at all meetings of the Association, see that all orders and resolutions of the Board of Directors are carried out, sign all leases, mortgages, deeds, and other written instruments, and co-sign all checks and promissory notes, and discharge other duties assigned by the Board of Directors.

Duties of the Vice-President

The Vice-President shall act in the place of the President in the event of the absence, disability, or the refusal of the President to act. The Vice-President shall exercise and discharge other duties assigned by the Board of Directors.

Duties of the Secretary

The Secretary shall manage and record any votes held during Board of Director meetings and Association meetings, keep the minutes of all Board and Association meetings, distribute minutes from Board and Associate meetings, serve notice of all meetings of the Board and Association except for special meetings of the Board, shall notify Owners in writing of dues and assessments levied at least 30 days in advance of the due date, shall assist in counting votes for any elections and other votes taken by the Board of Directors and Association, and discharge other duties as directed by the Board of Directors.

Duties of the Treasurer

The Treasurer shall receive and deposit in the appropriate bank account all monies of the Association, disburse funds as needed in payment of Association debts or as directed by the Board of Directors, co-sign all checks and promissory notes of the Association, keep proper books of accounts, prepare Treasurer's report including the budget and statement of income and expenditures at each Association meeting, and discharge other duties as directed by the Board of Directors. The Treasurer shall not destroy or discard any records in his or her custody or control without prior approval of the Board. All financial records and

statements of the Association shall be kept and prepared in accordance with Generally Accepted Accounting Principles. The Treasurer may elect to use a third party accounting firm to discharge some of the duties of Treasurer with the approval of the Board of Directors.

Duties of the Member-at large

The Member-at-large shall be responsible for the maintenance of the list of residents (residents may request their information not be published), shall coordinate with the Architectural Control Committee (the "ACC") to assure that new Owners receive a copy of and understand the CC&R, shall coordinate design and maintenance of a website to disseminate pertinent information regarding the Association and the Board of Directors, shall interact with standing committees and assure the committees are discharging their assigned duties, and shall discharge other duties as directed by the Board of Directors.

Removal of Board Members

Any Board member may be removed from the Board without cause by a majority vote of the Association, at any regular meeting of the Association or special meeting called for that purpose. A successor may then and there be elected by a majority vote of Owners attending to fill the vacancy.

Resignation of Board Members

Any Board Member may resign at any time by giving written notice to the President or Secretary. Such resignation shall take effect on the date of receipt of the notice or at a later time designated by the notice.

Board Vacancies

Vacancies on the Board of Directors resulting from actions other than removal of a Board member shall be filled by the Board of Directors at any regular or special meeting of the Board of Directors. The Director appointed shall serve for the remainder of the term of the position filled.

Compensation

The Board of Directors shall receive no monetary or other compensation for any service rendered as a result of the duties performed. Directors may be reimbursed for actual expenses incurred in performance of his/her duties with the approval of a majority of the Board of Directors.

Meeting of the Board of Directors

Quorum of the Board of Directors

At all meetings of the Board, a majority of the Board of Directors shall constitute a quorum for the transactions of business. A list of Board members attending shall be maintained and announced at the Annual Homeowner Association Meeting.

Regular Meetings of the Board of Directors

Regular meetings of the Board of Directors shall be held at least quarterly with at least 30 days notice to the Homeowners at a time to be determined by the members of the Board. Homeowners may attend Board meetings or may submit concerns in writing for the Board to address. If concerns are submitted in writing, the Board must respond in writing to the Homeowner. Minutes shall be kept for Regular Meetings. The Minutes shall be presented at the Annual Homeowner Association Meeting or upon the request of a Homeowner.

Special Meetings of the Board of Directors

Special meetings of the Board of Directors shall be held when deemed necessary by the President or by any two Board Members with not less than three days notice to each Board Member. Minutes shall be kept for Special Meetings. The Minutes shall be presented at the Annual Homeowners Association Meeting or upon the request of a Homeowner.

Duties of the Board of Directors

The Board of Directors shall have the power to:

Levy and collect such dues, fees, and assessments as necessary to properly maintain, improve, and manage the property, assets, and facilities of the Association and to otherwise carry out its functions, provided any increase in annual dues or proposed assessment shall be approved by a majority of the Owners voting in person or by proxy.

Employ a manager, managing agent, independent contractor, or other such employee as they deem necessary to fix and prescribe their duties.

Adopt and publish rules and regulations governing the use of Common Areas and facilities, and the personal conduct of the Owners and their guests and to establish penalties for infractions of the rules and regulations.

Suspend all rights of any Owner granted by the Bylaws and the CC&R during any period in which the Owner is in default in the payment of any dues or financial obligation or in violation of responsibilities set forth therein.

Levy fines against Owners that are in violation of the CC&R.

Establish conditions for indemnity and insurance of Members of the Board of Directors and Committee Members.

Organize committees and appoint committee members necessary to properly carry out the responsibilities, affairs, and duties of the Association and its Common Areas, facilities, utilities, and properties.

The Board of Directors shall:

Enforce the provisions of the CC&R and Bylaws.

Supervise all officers, agents, employees, and committee members of the Association and see to it that their duties are properly performed.

Cause to be kept a complete record of all its acts and affairs and to present a statement thereof to the Owners at the Annual Meeting of the Association, or at any special meeting when such statement is requested in writing by one-third of the Association.

Cause all committee members or Board Members having fiscal responsibilities to be bonded, as it may deem appropriate.

Provide for proper supervision, maintenance, and upkeep of the Common Areas and facilities.

Procure and maintain adequate liability and hazard insurance on property owned by the Association.

Publish the names of any Owner in default of any dues or assessments owed the Association. These names shall be published when the monies owed are not paid 30 days after the due date.

May attach and enforce a lien against any property for which assessments are not paid within 180 days after the due date or bring an action at law against the Owner personally obligated to pay the same.

Recommend changes and additions to the CC&R or Bylaws as deemed necessary. Any changes or additions must be approved by a majority vote in writing of the Association.

Conflicts

In any case of conflicts between the CC&R and these Bylaws, the CC&R shall control.

Indemnification

To the full extent permitted by the Washington Non-profit Corporation Act, each member of the Board of Directors and each member of an Association Committee, shall be indemnified by the Association against all expenses and liabilities, including attorney's fees reasonably incurred by or imposed in connection with any proceeding that he or she may be a party, or which he or she may become involved, by reason of holding or having held such position or any settlement thereof, whether or not he or she holds such position at the time such expenses or liabilities are incurred, except to the extent that such expenses and liabilities are covered by insurance and except in such places wherein such person is adjudged guilty of misfeasance in the performance of his or her duties; provided, that in the event of a settlement, the indemnification shall apply only when the Board of Directors approves such a settlement and reimbursement as being in the best interest of the Association.

These Bylaws shall be in effect after approval of the majority of Association and pending review of legal council. Such review shall be made part of the Association record and be placed in the Minutes of the next Board Meeting.