

Bylaws of Diamond Ridge Estates
Homeowners Association

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BYLAWS
OF
DIAMOND RIDGE ESTATES HOMEOWNERS ASSOCIATION

1. Purpose

The Diamond Ridge Estates Owners separately own their Lots. Diamond Ridge Estates Owners also share use rights in the Common Areas of the Plat of Diamond Ridge Estates. The Common Areas ("Shared Assets") are owned by the Diamond Ridge Estates Association of Owners (the "Association"), a homeowners' association that exists to care for the Shared Assets and whose Membership is comprised of all of the Owners of Lots in Diamond Ridge Estates.

The Association was incorporated in 2000 as a Washington non-profit corporation to care for the Shared Assets. Its Membership is comprised of all Owners who, in turn, elect five (5) Owners to serve on a Board of Directors. The Board makes and implements most caretaking decisions.

The Association's Bylaws govern the allocation of decision-making authority between the Board and the Membership, the selection and removal of Directors, and the processes by which decisions are to be made and implemented. The Association has to date operated under a set of Bylaws bearing the date of December 16, 2005.

The Association believes that caring for the Shared Assets is most effectively done when the needs for **transparency, respect, and accountability** are each recognized and addressed.

Transparency. The Board's caretaking decisions and actions are consequential to the Owners. Because Owners have a stake in the outcome of Board action, Owners have a need to observe and influence Association decision-making. Association transparency allows Owners to witness decision-making in real time and thus better understand a Board decision, which helps to avert conflict born of distrust and misunderstanding.

Respect. The burden of making and implementing Board decisions rests on the shoulders of Directors who are not paid and who devote their free time to serving their neighbors. Having invested themselves in serving their neighbors, they are entitled to receive the benefit of the doubt from those whom they serve. Board decisions will inevitably disappoint those who sought a different outcome. But disappointment in an outcome does not justify disrespecting those neighbors who, as Directors, sought to inform themselves, to consider differing points of view, and to reach the decision they believed best served the Owners as a whole.

Accountability. Directors are ultimately accountable to their neighbors for decisions made and actions taken, but absent compelling circumstances that would warrant doing more, accountability should generally take the form of a Membership vote on whether the Director(s) should remain on the Board.

These Bylaws therefore serve to provide for effective Association governance in a manner that recognizes and addresses the needs for transparency, respect, and accountability.

2. Association Membership

2.1. Qualification and Transfer. Each Owner, from becoming an Owner and until ceasing to own a Lot, is a Member of the Association. Association Membership is appurtenant to the Lot. Transferring legal title to a Lot also transfers the appurtenant Membership. Any other transfer, if made, is void. Any person who claims to be an Association Member must, upon request, furnish the Board with copies of any documents under which the person asserts an ownership interest in the Lot and, if requested, copies of any Mortgage on the Lot.

2.2. Register of Members. The Association will maintain a Membership list containing names and addresses (postal and email) of all Association Members. Each Owner must provide the Owner's name and address (postal and email) to the Association. A new Owner should provide this information to the Association within fourteen days of becoming an Owner. If the Association requests proof of ownership, the Owner must provide copies of documents that establish ownership.

2.3. Number of Votes. The Association shall have one (1) class of voting Membership. Each Member shall be entitled to one (1) vote for each Lot owned. A vote (a) shall not be divided, and (b) shall be cast as a single vote. Each Lot shall therefore have one (1) voting representative who may be designated by the act of casting the Lot's vote, which vote will be counted as the Lot's vote, unless another Owner of the Lot notifies the Board before the vote is tallied that such other Owner disagrees with the vote that has been cast, in which case the Lot's vote on the matter is deemed forfeited and will not be counted on the matter being voted upon.

2.4. Voting by Proxy. A Lot's vote may be cast pursuant to a proxy duly executed by an Owner. Unless otherwise specified in the proxy, a proxy shall be presumed to cover all votes which the Owner giving the proxy is entitled to cast. A proxy must be filed with the Secretary prior to the commencement of the meeting for which it is to be effective. 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 eleven (11) months after its date of execution.

2.5. Suspension of Voting Rights. An Owner more than sixty (60) days delinquent in payment of an Assessment is ineligible to vote on any Association matter until the Assessment is paid, but such Owner's presence in person or by proxy at an Association Membership meeting counts in determining whether a quorum is present. An Owner ineligible to vote is also ineligible to be elected or appointed as a Director or an Officer.

3. Directors

3.1. Eligibility.

3.1.1 Number and Qualifications. The affairs of the Association shall be governed by a Board comprised of five (5) individuals, all of whom shall be Owners. No more than one co-Owner of a Lot may serve as a Director at the same time. If a corporation is a Member of the

Association, any one of its Officers, Directors, or shareholders may be elected to the Board; if a partnership is a Member, any one partner of such partnership may be elected to the Board.

3.1.2 Term of Office. A Director's term of office is three (3) years. The three-year terms shall be staggered so that at least one Director stands for election at each annual meeting. A term begins at the conclusion of an election at an annual meeting. A Director shall hold office for the term for which the Director is elected or appointed and until the Director's successor shall have been selected and qualified. No Director shall be elected to serve more than two consecutive terms.

3.1.3 Compensation of Directors. No Director shall be paid for service as a Director, but the Board may reimburse a Director for actual expenses incurred in performance of Director duties. *See Bylaws Section 4 regarding compensation of an Officer.*

3.2. Selection / Removal.

3.2.1 Nomination. Nomination for election of Directors shall be made in accordance with such guidelines and procedures, if any, that the Board may from time to time establish. The Board may appoint a Director who is not standing for election in the upcoming election to oversee the nominating process in accordance with such guidelines and procedures.

3.2.2 Election. Election of Directors by secret ballot is not required but is permitted. In an election of Directors, the Members or their proxies may cast one vote per Lot for each vacancy. The person receiving the most votes for the vacancy shall be elected to fill the vacancy. Multiple vacancies will be filled by those receiving the most votes for the vacancies (e.g. two vacancies filled by two Owners who receive the most votes). Cumulative voting is prohibited. (*See also Bylaws Section 6.5 Balloting for another method of election.*)

3.2.3 Appointment. A Board vacancy (except for a vacancy created by removal of a Director by a vote of the Association Membership) shall be filled by vote of the remaining Directors, even though they may constitute less than a quorum. A vacancy not filled by vote of the remaining Directors may be filled by vote of the Association Membership at the earlier of the next annual meeting or a special meeting called for that purpose. A Director shall hold office for the balance of the term for which the Director was selected and until the Director's successor shall have been selected and qualified.

3.2.4 Resignation. A Director may resign by giving the President, the Secretary, or the Board, a written resignation. This resignation is effective upon its receipt or, if the resignation states a specific effective date, then upon that date.

3.2.5 Removal By Chronic Absence. A Director who has missed four (4) or more regularly scheduled Board meetings, during a fiscal year, shall by operation of this provision of the Bylaws be deemed to have tendered to the Board such Director's resignation from the Board, which resignation shall not be effective unless and until a majority of the other Directors have voted to accept the resignation. The Board, by majority vote of the then remaining Directors, may

reinstate the Director to the Board upon determination by the Board that the Director had a bona fide reason for the absence(s) or that the best interests of the Association are served by reinstating the Director.

3.2.6 Removal By Ineligibility. A Director who owned a Lot at the time of the Director's election or appointment to the Board and who later ceases to own a Lot is no longer eligible to serve on the Board as is therefore deemed to have resigned by operation of this provision of the Bylaws.

3.2.7 Removal By Owners. *(See Section 10.4 below.)*

4. Officers

4.1. Designation. The Association Officers are President, Vice President, Secretary, Treasurer, and Member-at-large. The Board shall elect Officers. Only Directors may serve as an Officer. A Director may not concurrently hold the offices of President and Secretary. A Director may, however, concurrently hold any other combination of two offices.

4.2. Election of Officers. The Board shall elect Officers at its first meeting following the Association's annual meeting. An Officer's term of office is one (1) year, unless such term terminates sooner by resignation, removal or disqualification to serve.

4.3. Officer Resignation or Removal. An Officer may resign by giving the Board a written resignation. This resignation is effective upon its receipt or, if the resignation states a specific effective date, then upon that date. In addition, the Board may, by an affirmative vote of a majority of the entire Board, remove an Officer from office, with or without cause. Such vote may either be taken at a regular Board meeting or at a special Board meeting called for that purpose. The Board may elect another Director to fill an Officer vacancy resulting from resignation, removal, or disqualification to serve.

4.4. President. The President is the Association's chief executive officer and presides at all Association and Board meetings. The President shall also have all powers and duties prescribed by these Bylaws, by the Board or usually vested in the office of the President of a non-profit corporation.

4.5. Vice President. The Vice President functions as President in the President's absence or if the President is unable to perform the duties of the office. The Vice President is responsible for (i) cooperating with the Architectural Control Committee (the "ACC") to inform new Owners about their obligations under the Governing Documents and the Landscape Committee in maintenance of the common areas. The Vice President also performs other duties assigned by the Board.

4.6. Secretary. The Secretary (i) records the votes and keep the minutes of all Board and Association meetings, (ii) causes required meeting notice(s) to be given, (iii) maintains custody of Association business records, other than financial records that the Treasurer is required to keep, and (iv) maintains the Association Membership list. The Secretary shall also have all powers and duties prescribed by these Bylaws, by the Board or usually vested in the office of the Secretary of a non-profit corporation.

4.7. Treasurer. The Treasurer is responsible for (i) Association funds, (ii) keeping full and accurate accounts of Association financial matters, and (iii) determining whether a delinquency makes an Owner ineligible to serve as a Director. The Treasurer shall also have all powers and duties prescribed by these Bylaws, by the Board or usually vested in the office of the Treasurer of a non-profit corporation.

4.8. Member-at-large. The Member-at-large is responsible for (i) maintaining an Association website, (ii) annual events and volunteer coordinators, such as the community Garage Sale, Easter Egg Hunt, Summer Patio, Socials, Summer BBQ, Outdoor Movie Night, Holiday Dinner, and Holiday Display, and (iii) other duties assigned by the Board.

4.9. Authority To Sign Association Instrument. A properly approved amendment to the Declaration or to the Bylaws may be executed and certified by any Officer. If no Officer is reasonably available to perform that task, it may be performed by a Director who is not an Officer. All Association agreements, contracts, deeds, leases, and other such instruments shall be executed by at least two Officers or by such other person or persons as the Board by resolution so designates.

4.10. Compensation. The Board may pay an Officer (or Officers) reasonable compensation for performing substantial services in carrying out tasks on the Board's behalf, provided that the compensation has been included in a budget previously approved by the Board and ratified by the Owners.

5. Committees And Manager

5.1. Committees of Directors. The Board by resolution may create and appoint one or more committees. Such resolution shall state what, if any, Board authority is being delegated by the Board to the committee. If any Board decision-making authority is delegated to the committee, the committee shall consist of at least two (2) Directors and the resolution shall state the extent to which such authority is being delegated to the committee. Delegating authority to a committee does not relieve the Board or any Director from responsibility imposed by law upon the Board or the Director.

5.2. Architectural Control Committee. Declaration Section 2.9 provides for an Architectural Control Committee, composition and operation of which is governed by the Declaration. Notwithstanding anything to the contrary in RCW 24.03A.575(1), non-Directors appointed to the Architectural Control Committee by the Board pursuant to the authority conferred by the Declaration may serve as voting members on the Architectural Control Committee.

5.3. Landscape Committee. The Landscape Committee shall maintain and manage the common areas within Diamond Ridge Estates within the budget approved by the Board. This Committee shall be under the direction of the Vice President.

5.4. Other Committees. Other committees to which no Board decision-making has been delegated may be composed of one or more Association Members.

5.5. Managing Agent. The Board may contract with a Managing Agent to assist it in its work, provided that the compensation to be paid to the Managing Agent has been included in a budget approved by the Board and ratified by the Owners. The Board may delegate such of its powers and duties to the Managing Agent as it deems to be appropriate, except as limited by the Declaration or the Bylaws. "Managing Agent" here means an experienced community association manager, or someone who by knowledge, skill, experience, training, or education, is similarly qualified to perform the work of an association manager.

5.6. Terms of Management Agreement. The contract with a Managing Agent shall: (i) be written; (ii) have a term of no longer than one (1) year; and (iii) be terminable by the Board without payment of a termination fee either (a) for cause, or (b) on sixty (60) days' written notice, without cause. Because a person qualified to serve as a Managing Agent would, in the exercise of professional competence, read this (and other) Sections of these Bylaws before accepting an offer to become the Association's Managing Agent, these three (3) terms (i.e., items (i) through (iii) of this paragraph) are by this reference deemed to be part of the Managing Agent's contract and control over any conflicting provision(s) that might be contained in the Managing Agent's contract.

6. Membership Decision Making

6.1. Summary.

6.1.1 Methods. Except as otherwise provided by law or elsewhere in the governing documents, Members make Membership decisions by votes at an Association Membership meeting. A Membership meeting may be conducted virtually so long as in doing so, the Owner's opportunity to comment is preserved. Some Membership decisions may be made by balloting without a meeting, or by consent or agreement.

6.1.2 Decisions Reserved to Owners. Although the Board is authorized to make most Association decisions, some Association decisions are reserved to the Owners/Members to make, including (i) election of Directors, (ii) removal of Directors, (iii) budget ratification, and (iv) changes in the Declaration and Bylaws.

6.2. Meetings.

6.2.1 Annual Meeting. There shall be an annual Association Membership meeting. It shall be at a reasonable place and time. A meeting place picked by the Board is presumptively a reasonable place. Failure to hold an annual meeting does not cause a forfeiture or give cause for dissolution of the Association, nor does it invalidate or affect otherwise valid Association acts. As required by RCW 64.38.035(1), the Association must make minutes from the previous Annual meeting available for examination and copying not more than sixty (60) days after the Annual Meeting, provided that actual approval of those Annual Meeting minutes will take place at the following Annual Meeting.

6.2.2 Budget Ratification Meeting. The Association may assess Owners to fund Association expenses by adopting and ratifying a budget as here described.

6.2.3 Budget. The Board annually prepares and adopts its proposed budget. "Budget" here means those documents which combine to capture the information that RCW 64.38.025(2) requires be provided to Members when the budget ratification meeting notice is given. That information includes statements of (i) the Association's projected income by category, (ii) the Association's projected common expenses, and those specially allocated expenses described in Declaration Section 3.13, that are subject to being budgeted, both by category, (iii) the amount of the assessments per Lot, and (iv) the date the assessments are due.

Notice. Within thirty (30) days of Board adoption of the proposed budget containing the information described above, notice of the proposed budget must be given to Owners. The notice must set a date for an Owner ratification meeting. The date must be set for not less than fourteen (14) nor more than fifty (50) days after the mailing of the notice. The notice must include or be accompanied by the budget information described above.

Meeting. Unless a majority of the total votes in the Association vote at the ratification meeting to reject the proposed budget, the proposed budget and the assessments against Lots included in the budget are ratified. (Because the specific purpose of a ratification meeting is to create an opportunity for a proposed budget to be rejected by a majority of the total votes in the Association, the quorum requirement does not apply to a ratification meeting.) Unless the proposed budget is rejected in the manner described, it is deemed approved. If the proposed budget is rejected or the required notice is not given, the periodic budget last ratified and its corresponding assessment(s) continue until a subsequent budget is adopted and ratified.

6.3. Special Meetings. A special meeting of the Association may be called (i) by the President, (ii) by a majority of the Board, or (iii) upon a written request signed by Owners holding at least ten-percent (10%) of the total votes in the Association. Once requested, the Secretary must call the meeting. No business shall be transacted at a special Association Membership meeting except as stated in the notice given for the special meeting.

6.4. Virtual Meeting. A Membership meeting may be conducted by telephonic, video, or other conferencing process, provided that (i) the meeting notice states the conferencing process to be used and provides information explaining how Owners may participate directly, or by meeting at a central location, or by conference connection, and (ii) the conferencing process provides all participants the opportunity to hear or perceive the discussion and a reasonable opportunity to comment regarding matters affecting the community or Association.

6.5. Notice.

6.5.1 Notice. Notice must be provided in the form of a record. Notice may be provided in a tangible medium and in an electronic transmission.

6.5.2 Notice Provided in a Tangible Medium. Notice in a tangible medium may be transmitted by mail, private carrier, personal delivery, telegraph or teletype, or facsimile. Notice must be addressed to the Lot's address unless the Association has been notified by its Owner in a record that notice be sent to a different address or by a different permissible method. Notice is effective as of the date of hand delivery, of deposit with the carrier, or of sending by fax.

6.5.3 Notice Provided in an Electronic Transmission. Association information may be provided to Members in an electronic transmission, provided, however, that Membership Notice may only be provided in an electronic transmission if the person has consented in a record to receive notices sent to an address, location, or system to which such notices may be electronically transmitted. Membership Notice may be provided to such person(s) by posting the notice on an electronic network and delivering to the person a separate record of the posting, together with comprehensible instructions regarding how to obtain access to the posting on the electronic network. Membership Notice is effective the date it is electronically transmitted or has been posted as described above. "Membership Notice" means any required notification by the Association to its Members given (i) to afford the Members an opportunity to participate in making a decision or in taking an action that the Association Membership is authorized to make or take, or (ii) to notify its Members of an Assessment obligation arising from a budget ratified as provided in Bylaws Section 6.2.

6.5.4 Revocation of Consent. A person's consent to receive notice by electronic transmission may be expressly revoked by the person delivering a revocation to the Association in the form of a record. Such consent is constructively revoked if the Association is unable to electronically transmit two consecutive notices and this inability becomes known to the person responsible for giving the notice, but an inadvertent failure to treat this inability as a revocation does not invalidate any meeting or other action.

6.5.5 Notice to the Board. Notice to the Board shall be given to the Association's President or Secretary.

6.5.6 Substantial Compliance. The ineffectiveness of a good faith effort to deliver notice by any means authorized above does not invalidate action taken at, or without, a meeting.

6.5.7 Membership Meeting Notice and Waiver. The Membership annual or special meeting notice described above must be given to Owners not less than fourteen days and not more than fifty days before the meeting date, but this fourteen day minimum notice period may be reduced or waived for a meeting called to deal with an emergency. A Member is deemed to have waived notice by attending the Membership meeting for which notice was required, unless the Member expressly challenges the notice at the beginning of the meeting.

6.6. Conduct of Meeting.

6.6.1 Quorum. A quorum is present throughout any Association Membership meeting if the Owners of Lots to which at least thirty-three percent (33%) of the total votes of the Association are allocated are present in person or by proxy at the beginning of the meeting. A

quorum is not required for a budget ratification meeting. A person may be present at, and participate in, a meeting by telephone conference call or similar communication equipment by means of which all persons participating in the meeting can hear each other at the same time.

6.6.2 Adjournment of Meetings. The Owners present, in person or by proxy, at an Association Membership meeting that cannot be held because a quorum is not present may adjourn the meeting by majority vote of those present to a time not less than forty-eight (48) hours nor more than thirty (30) days from the time the original meeting was called. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting, notice of the time and place for reconvening the meeting shall be given in the manner prescribed above for Association Membership Meetings. If a quorum is present at such reconvened meeting, any business which might have been transacted at the meeting originally called may be transacted.

6.6.3 Order of Business. The Board will determine the order of business at Association meetings, but it will generally be as follows: (i) roll call; (ii) proof of notice of meeting or waiver of notice; (iii) minutes of preceding meeting; (iv) reports of Officers; (v) reports of committees; (vi) election of Directors (at annual meeting or at special meeting called for such purpose); (vii) unfinished business; (viii) Member comments; (ix) new business; and (x) adjournment.

6.6.4 Conduct of Meeting. The President will chair and preside over all Association meetings. The Secretary will keep minutes of meetings and record in the minutes all decisions reached at the meeting. The Chair may permit voting by voice or show of hands, but if an objection to doing so is made from the floor, then the vote will be taken by written ballot. A "new business" item may be discussed but may not be voted upon unless the Chair determines that emergency circumstances necessitate taking an immediate vote on the item. The Chair will decide all procedural matters that arise at the meeting. In order to both provide Owners attending the meeting a reasonable opportunity to comment on community matters and preserve time for Directors to conduct Association business during that meeting, the Chair shall devote up to twenty minutes of the meeting to receiving such comments from Association Members. The Chair may adjourn the meeting if disorder arising at the meeting prevents continuation of the legitimate business of the meeting.

6.6.5 Approval Threshold. Passage of any matter that is properly submitted to an Association Membership vote at an Association Membership meeting at which a quorum is present shall require the affirmative vote of a majority of the votes that are present, in person or by proxy, at such meeting, except as otherwise provided by law, the Declaration or these Bylaws. (*But see* budget ratification, which is a conditional right to veto certain Board actions; *see, also,* Amendment of Declaration, which generally requires supermajority approval, and Amendment of Bylaws, which requires approval by a majority of the total votes in the Association.)

6.6.6 Parliamentary Authority. In the event of dispute, the parliamentary authority for meetings shall be the most current available edition of Robert's Rules of Order, provided that such rules are not inconsistent with these Bylaws.

6.7. Balloting – Action Without A Meeting. Except as otherwise provided by law or the governing documents, a vote may be conducted without a meeting by taking the following five steps.

6.7.1 Give Notice. Notify Owners that the vote will be taken by ballot. The notice must state (i) the percentage of votes needed to establish a quorum, and needed to approve each matter (other than election of directors), (ii) the time, date, and manner by which Owners wishing to deliver information regarding the matter being voted on to all Owners must do so, and (iii) the deadline by which the ballot must be returned, which deadline may not be less than fourteen days after the date of the notice. The notice must be accompanied by a ballot and the ballot must, for each proposed action, set forth an opportunity to vote for or against the action.

6.7.2 Receive Ballots. A ballot is effective when the Association receives it. Revocation of a ballot is effective when the Association receives actual notice of the revocation. A ballot or its revocation must be received by the established deadline. The deadline is initially established in the notice, but a later deadline may be established by notifying Owners that the deadline has been extended to a later date, which date may be up to eleven months later than the initial deadline.

6.7.3 Tally the Votes. Votes and revocations that the Association receives by the established (or re-established by extension as provided above) deadline will then be tallied to determine (i) whether a quorum has been established, and, if so, whether (ii) the proposed action(s) have been approved by the votes cast.

6.7.4 Report the Outcome(s). If the proposed action(s) have been approved by the votes cast, then notice of such approval must be given to Owners within a reasonable time after such approval.

6.7.5 Keep a Record. A record of the action approved must be kept with the Association's minutes, including the ballots received or a report of the persons appointed to tabulate the ballots. (See Bylaws Section 9 regarding how long voting records must be retained.)

6.8. Consent To Declaration Amendment. (Note: See Declaration Article 11.)

7. Board Decision Making

7.1. Summary. Boards generally act at a Board meeting. An organizational meeting is held shortly after the annual election. Regular meetings are generally scheduled and held as scheduled. A Special meeting may also be held. Finally, Board decision-making can occur by unanimous written consent. Decisions on matters discussed in executive session must be made in open session, but the motion calling for a Board vote on such matter may omit confidential, privileged, or other information omitted to preserve privacy.

7.2. Board Powers and Duties.

7.2.1 Association Action. Except as otherwise provided in the governing documents or by law, the Association acts through (i) the Board and (ii) any other person(s) or entity to whom the Board has delegated authority to act. The Board acts on behalf of the Association and its Members. This allocation of decision-making authority to the Board is intended to be broad. To that end, the Board may exercise (i) all powers of a homeowners' association set forth in RCW 64.38.020 of the Homeowners' Association Act (Ch. 64.38 RCW)("the Act"), (ii) all powers of a non-profit corporation set forth in RCW 24.03A.140 and .145, and (iii) all powers of the Association that have not been expressly reserved to the Association Membership for decision or action.

7.2.2 Limitations on Board Authority. The Board shall not (i) act on the Association's behalf on those matters that have been expressly reserved to the Association Membership for decision, nor (ii) act on those matters set forth in RCW 64.38.025(2) of the Act.

7.3. Meetings.

7.3.1 The Organizational Meeting. The first meeting of the newly elected Board will be held within ten (10) days of election at a date and place to be fixed by the Directors at the meeting at which the Directors were elected.

7.3.2 A Regular Meeting. A regular Board meeting will be held at least quarterly and may be held at such time and place as a majority of Directors shall from time to time determine.

7.3.3 Special Meetings. A special Board meeting may be called by the President and, upon the written request of any two (2) Directors, shall be called by the President.

7.4. Attendance.

7.4.1 Open Meeting. Board meetings must be open to Owners except for any portion of a meeting during which the Board meets in executive session. The meeting must afford Owners a reasonable opportunity to comment on a matter(s) affecting the community or the Association, but the Board may expel or prohibit attendance by any person who, after warning by the chair of the meeting, disrupts the meeting. Minutes of the meeting, excluding executive sessions, must be made and the decision on each matter voted on must be recorded in the meeting minutes. Board minutes of open meetings shall be made available to all Owners.

7.4.2 Executive Session. The Board may, during a regular or special Board meeting, hold an executive session. An executive session may be held only to (i) consult with the Association's attorney concerning legal matters, (ii) discuss existing or potential litigation or mediation, arbitration, or administrative proceedings, (iii) discuss labor or personnel matters, (iv) discuss contracts, leases, and other commercial transactions to purchase or provide goods or services currently being negotiated, including the review of bids or proposals, if premature general knowledge of those transactional matters would place the Association at a disadvantage, or (v) prevent public knowledge of the matter to be discussed if the Board determines that public

knowledge would violate the privacy of any person. A final vote or action on the matter(s) considered in executive session may not be taken during an executive session. Because executive session deliberations are confidential, and actual decisions are made in open session, no minutes are taken of executive sessions.

7.5. Notice. Notice of the time, date, place, and agenda of a Board meeting must be given to Owners and directors not less than fourteen (14) days before the meeting date, but this fourteen day minimum notice period (i) does not apply to meetings included in a schedule given to Owners, nor to the Organizational Meeting, and (ii) may be reduced or waived for a meeting called to deal with an emergency. Notice of a Board meeting may be waived by a Director or Owner entitled to notice. A Director or Owner is deemed to have waived notice of a Board meeting by attending the Board meeting for which notice was required, unless such Director or Owner expressly challenges the notice when the meeting begins.

7.6. Location. A Board meeting shall be held at a reasonable place. The meeting place picked by the Board is a presumptively reasonable place. A Board may meet virtually, in whole or in part, if (i) the meeting notice states that conferencing technology will be used and provides the means by which Owners may virtually attend the meeting, and (ii) the technology used provides a means by which all persons participating in the meeting can hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

7.7. Quorum. A majority of Directors shall constitute a quorum for transacting Board business. A director(s) may participate in a meeting through use of any means of communication by which all directors participating can hear each other during the meeting. A director(s) participating in this way is deemed to be present at the meeting. A Director may not attend a Board Meeting, nor participate in Board decision making, by use of a proxy or a ballot. A quorum must be present at the time the Board votes on a matter. 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.

7.8. Owner Comment. In order to both provide Owners attending the meeting a reasonable opportunity to comment on community matters, while also preserving time for Directors to conduct Association business during that meeting, the Chair will devote up to twenty minutes of the meeting to receiving such comments from Owners. A Board may expel, or prohibit Board meeting attendance by, a person who, after warning by the chair of the meeting, disrupts the meeting.

7.9. Deliberations. Except for a deliberation in executive session, deliberation on a matter should take place in open session. Deliberations on a confidential matter may take place in executive session, provided that any decision on the matter be made in open session.

7.10. Decisions.

7.10.1 Approval Threshold. Except as otherwise provided below or elsewhere in the Governing Documents, the act of the majority of the Directors present at a meeting at which a quorum is present at the time of the action shall be the act of the Board. Except as otherwise provided, a Board decision is reached at a Board Meeting in open session. The Board shall keep

minutes of all Board actions. Board minutes of open meetings shall be made available to all Owners. Use of a proxy by a Director to establish a Board quorum or to participate in Board action is prohibited.

7.10.2 Director Dissent or Abstention. A Director present when the Board acts is presumed to have assented to the act unless the Director's dissent or abstention, stated at the time of the act, is entered in the meeting minutes or the Director's dissent is submitted in writing to the Secretary immediately after the meeting adjourns.

7.10.3 Action Without a Meeting. The Board may act without a meeting by unanimous written consent. Actions taken by unanimous written consent must be kept as a record with the meeting minutes.

7.10.4 Informal Gathering. A gathering at which Directors do not conduct Association business is not considered a Board meeting, but Directors cannot use an incidental or social gathering to evade the open meeting requirements set out above.

8. Association Record Keeping And Retention

8.1. General Record Keeping. The Board shall cause to be kept complete, detailed, and accurate books and records of the Association's receipts and expenditures which are sufficiently detailed to enable the Association to fully declare to each Owner the true statement of its financial status. All financial and other records of the Association, including but not limited to checks, bank records, and invoices, in whatever form they are kept, are the property of the Association. The Association must retain (i) its original or restated Declaration, Articles of Incorporation, Bylaws, and all amendments to such documents, (ii) copies of notices given to comply with the HOA Act or governing documents, (iii) minutes of Membership and Board meetings (other than executive sessions), (iv) a record of all Membership and Board actions that were taken without a meeting, and (v) a record of all actions taken by a committee on behalf of the Board or the Association. The Association's Managing Agent, if any, shall immediately upon termination of its management relationship with the Association, or immediately upon demand of the Board, turn over all original books and records. A Managing Agent may keep copies of Association records. All records a Managing Agent turns over to the Association shall be made reasonably available for the Managing Agent's examination and copying.

8.1.1 Current. The Association must retain copies of (i) all rules currently in effect, (ii) the current budget, along with detailed records of receipts and expenditures affecting the operation and administration of the Association, (iii) the names of current Owners, addresses used to communicate with them, and the number of votes allocated to each Lot, (iv) copies of insurance policies under which the Association is a named insured, (v) any current warranties provided to the Association, and (vi) current financial records.

8.1.2 One Year. The Association must, for a period of one year after a Membership action, retain ballots, proxies, absentee ballots, and other records related to the Membership action to which they relate.

8.1.3 Seven Years. The Association must, for a period of seven years, retain (i) financial statements, tax returns, and other such accounting records, (ii) copies of contracts to which it is or was a party, (iii) materials relied upon to approve or deny any request for design or architectural approval, and (iv) materials relied upon in reaching any decision on enforcing the governing documents.

8.2. Confidential. Confidential or sensitive records which the Association may withhold from inspection and copying include (i) personnel and medical records relating to specific individuals, (ii) contracts, leases, and other commercial transactions to purchase or provide goods or services which are currently being negotiated, (iii) existing or potential litigation or mediation, arbitration, or administrative proceedings, (iv) existing or potential matters involving federal, state, or local administrative or other formal proceedings before a governmental tribunal for enforcement of the governing documents, (v) legal advice or communications that are otherwise protected by the attorney-client privilege or the attorney work product doctrine, including communications with the managing agent or other agent of the Association, (vi) information the disclosure of which would violate a court order or law, (vii) records of an executive session of the Board (excepting the record of a Board decision reached in open session, as noted in the meeting minutes of the meeting at which such decision was reached), (viii) individual Lot files other than those of the requesting Lot Owner, (ix) unlisted telephone number or electronic address of any Lot Owner or resident (unless such information is approved for distribution), (x) security access information provided to the Association for emergency purposes, and (xi) agreements that for good cause prohibit disclosure to the Members.

8.3. Financial Statements. At least annually, the Association shall prepare, or cause to be prepared, a financial statement of the Association. If annual assessments total fifty-thousand dollars or more, then the financial statement shall be audited by an independent certified public accountant.

8.4. Inspection. All records required to be retained by an Association and not exempt from disclosure as a confidential or sensitive record must be made available for examination and copying by Owners, Lot mortgagees, and their respective authorized agents. "Records" includes financial records, contracts, and minutes, but does not include any emails or texts, except for an email or text sent by a Director for the express purpose of creating a record of a Board decision that has been reached. The Association shall not release the unlisted telephone number of any Owner. Unless otherwise agreed, such record inspection must occur at the offices of the Association or its managing agent during reasonable business hours. The Association is not obligated to compile or synthesize information. The Association may charge a reasonable fee for supervising the inspection and for producing and providing copies of any records. The right to copy records includes the right to receive copies by photocopying or by other means, including, at the Association's discretion, through an electronic transmission (if available) upon request by the inspecting party. Information provided pursuant to this section may not be used for commercial purposes. The Association may require the requesting party to certify in writing that the information inspected shall only be used for a legitimate Association purpose.

9. Association Accounts

9.1. Accounts. The Board will establish an Operating Fund Account and a segregated Replacement Reserve Account.

9.2. Operating Fund. This is a checking account established at a commercial bank in the Association's name. It will be used for the Association's normal operations. Assessments received will be deposited into this account. The portion, if any, of a deposit that was paid to the Association to fund the replacement reserve shall then be transferred from this account to the Replacement Reserve Account. This process enables the Association to more easily account for total receipts and for funding of the Replacement Reserve Account.

9.3. Replacement Reserve Account. This is an account at a financial institution(s) that is insured by an agency of the United States and is insured in an amount equal to the maximum FDIC insurable limit then in effect.

9.4. Managing Accounts. The Treasurer manages these accounts, subject to Board oversight, but any transaction affecting transfer from, or expenditure of funds in, the Replacement Reserve Account shall require the written approval of at least two (2) Directors. The Association's funds shall be kept in accounts in the name of the Association and shall not be commingled with the funds of any other association, nor with the funds of any manager of the Association or any other person responsible for the custody of such funds.

9.5. Fidelity Insurance. The Association shall maintain fidelity insurance to protect against dishonest acts on the part of Officers, Directors, trustees, committee members, and employees of the Association and all other persons, including but not limited to a managing agent, who handle or are responsible for handling funds of, or administered by, the Association. All such fidelity insurance shall name the Association as insured and/or obliged and shall be not less than the estimated maximum of funds, including reserve funds, in custody of the Association at any time during the term of each policy, but, in no event, shall the aggregate amount of insurance be less than three (3) months' aggregate Assessments, plus reserve funds. The policy shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employees" or similar expression.

10. Director Accountability

10.1. Standards.

10.1.1 Due Care and Loyalty. A person shall perform the duties of a Director or an Officer (i) in good faith, (ii) in a manner the person reasonably believes to be in the best interest of the Association, (iii) with the care an ordinarily prudent person in a like position would use under similar circumstances, and (iv) with the degree of care and loyalty required of a Director or Officer of a corporation organized under Ch. 24.03A RCW. A person performing such duties may rely on information, opinions, reports, or statements, including financial statements or other financial data, prepared or presented by a source the person reasonably believes to be reliable

and competent in the matters presented, unless and until the person has reasonable cause to believe that such reliance is no longer warranted. A Board may also exercise its reasonable business judgment when deciding if, and how, to enforce the governing documents.

10.1.2 Code of Conduct. Because earning Owners' trust makes the Board more effective, a person who serves as a Director or Officer will endeavor to earn trust by observing these six guidelines:

I Will Respect My Neighbors: I will set a good example by treating neighbors as my equals, by listening attentively to what they say, and by not embarrassing them in what I say or do.

I Will Keep My Governing Documents Promises: I will comply with use restrictions, pay my assessment obligations, and faithfully fulfill the obligations of homeownership set out in our governing documents.

I Will Respect My Fellow Directors: I will listen to, and consider, the viewpoints of others. I will cast my vote on issues in a way I believe best serves the long-term best interests of our community. I will respect decisions I have voted against. I will not say or do things to undermine a Board decision.

I Will Respect Legal Boundaries: I will not disclose confidential information to someone who does not have a right to receive it. I will not use my position to advance my own self-interest, nor to obtain a benefit not afforded to those who are not on the Board.

I Will Be Prepared: I will prepare for Board Meetings. I will read materials furnished to me to inform me on matters to be discussed at an upcoming meeting. I will listen attentively to viewpoints expressed at a Meeting and give due consideration to material facts in the course of deciding how to cast my vote on a matter.

I Will Be Honest: I will disclose to the Board the relevant, non-confidential, factual information I have that bears on whether I might have a conflict of interest on a particular matter that has come before the Board. I will abstain from taking part in Board decision-making where I have a personal stake in the matter the Board is considering.

10.1.3 An Approach To Decision Making. The Board may, in its sole discretion, approach its decision making task(s) in any given instance by considering, in sequence, the following three questions: (i) **must** we?; (ii) **may** we?; and (iii) **should** we? The "**must** we" inquiry focuses the Board's attention on whether or not it has a legal duty to act, or to refrain from acting, on the matter before it. If it has no duty to act, or to refrain from acting, then the "**may** we" inquiry next focuses the Board's attention on whether or not it has any authority to act, or to refrain from acting, on the matter before it. If it is not obligated to act, yet it is authorized to act, then the "**should** we" inquiry next focuses the Board's attention on whether or not it should exercise its authority to act, or to refrain from acting, on the matter before it and, if so, how it might best exercise its authority in making a decision or taking action on the matter before it.

10.2. Director Accountability Principles. Serving as a Director or Officer consumes time and energy of the person serving. Serving one's neighbors thus comes at a personal cost to the person serving.

This fact shapes what accountability means in the context of holding a Director or Officer accountable for official acts or omissions. We believe that removal from further service generally strikes the appropriate balance between the interests of the person serving and of the persons being served.

Honest effort that produces an outcome(s) which substantially differs from an outcome the Association Membership is committed to achieve may signal the need to change the composition of the Board so that, going forward, future Board decisions more closely correspond with the Association Membership's priorities. Affording the Association Membership with the means to remove a Director(s) from the Board before the end of a term will therefore be the principal means by which a Director or Officer will be held accountable for official acts or omissions.

10.3. Presumptions, Showing, Limitations.

10.3.1 Presumption of Good Faith. The act or omission of a Director or Officer is presumptively made in good faith, it being intended that the benefit of the doubt be extended to the act or omission of a Director or Officer. A person asserting a claim that a Director or Officer has acted in bad faith has the burden of proving the facts upon which that claim is made.

10.3.2 Substantial Compliance With Applicable Procedure(s). Except as otherwise provided by law, the Board's substantial compliance with a procedural requirement is deemed to have complied with the procedural requirement, so long as (i) the actions taken serve to give effect to the purpose(s) that the procedural requirement is intended to advance, and (ii) the person(s) challenging the action has not shown that the failure to strictly adhere to the applicable procedure has adversely impacted the exercise of a right(s) the procedure was intended to protect.

10.4. Removal By Owners. Notwithstanding any provision of the Governing Documents to the contrary, Owners present in person or by proxy at an Association Membership meeting called for the purpose of removing a Director(s) and at which a quorum is established may, by a vote equaling or exceeding a majority of the total votes in the Association, remove a Director(s), with or without cause. Any Director whose removal has been proposed shall be given an opportunity to be heard at the meeting before the vote for removal is taken. If a Director has been removed as provided above, a successor(s) may then and there be elected by a majority vote of the votes present, in person or by proxy, to fill the vacancy thus created and to serve out the balance of the unexpired term.

10.5. Protections Afforded To Directors and Officers.

10.5.1 Directors and Officers Insurance. The Association shall carry Directors' and Officers' liability insurance.

10.5.2 No Personal Liability. Except as otherwise expressly provided by RCW 24.03A.610 through .620, so long as a Director, or Officer, or Managing Agent has acted in good faith, without willful or intentional misconduct, upon the basis of such information as is then possessed by such person, no such person shall be personally liable to any Owner, or to any other person, including the Association, for any damage, loss, or prejudice suffered or claimed on account of any act,

omission, error, or negligence of such Person; provided, that this exemption from personal liability shall not apply where the consequences of such act, omission, error, or negligence is covered by insurance obtained by the Board and the insurer(s) have confirmed coverage in writing.

10.5.3 Indemnification. As further provided by Declaration Section 12.8, each Board Member, Officer, and Managing Agent, if any, 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 to which such person may be a party, or in which such person may become involved, by reason of holding or having held such position, or any settlement of such a proceeding.

11. Bylaws Amendments

11.1. Amendment. These Bylaws may be amended by approval of a majority of the total voting power in the Association. Approval can be given at an Association meeting, by action without a meeting, or by any combination of these methods for obtaining Member approval. The amendment when adopted shall bear the signature of a Director, who shall certify that the amendment was properly adopted. Such certification shall be conclusive as to the procedural validity of the Amendment.

11.2. Interpretation. These Bylaws shall be construed in accordance with the laws of the State of Washington. Though the Association was incorporated as a non-profit corporation under the Washington nonprofit corporation act (Ch. 24.03 RCW, repealed and replaced by Ch. 24.03A RCW, effective January 1, 2022, the "Corporation Act"), its actual operations are principally governed by (i) the Homeowners' Association Act (Ch. 64.38 RCW, the "HOA Act") and (ii) those legal principles that Washington courts have articulated and applied to the operations of homeowners' associations (collectively, "Association Law"). In the event that Association Law and any provision of the Corporation Act both address the same topic, Association Law shall control over provisions of the Corporation Act. Topics on which Association Law controls over provisions of the Corporation Act include, without limitation, the following: Association Membership; Association borrowing; use of Association Membership list; balloting without a meeting; retention and inspection of Association records; standards of conduct for Directors and Officers; and remedies for violations of governing documents. In the event that any provision of the Corporation Act addresses a topic not addressed by Association Law, such provision supplements Association Law. Topics on which the Corporation Act supplements Association Law include, without limitation, the following: inspectors of elections; validity of ballots, consents, waivers, and proxies; emergency powers; and a Director's right to inspect Association records.

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CERTIFICATE OF ADOPTION

The President and Secretary of the Association certify that these Bylaws were approved by a majority of the total votes in the Association. The contents of these Bylaws supersede and replace the Original Bylaws in their entirety and supersede and replace any inconsistent provisions in the House Rules in effect at the time these replacement Bylaws were adopted.

DATED THIS 13 day of March, 2023.

By: R. Desmond Mayo
Its President

ATTEST: The above amendment was properly adopted.

By: Pamela K. Davis
Its Secretary