

FILED FOR RECORD AT THE REQUEST OF:
Strichartz Morgenstern PLLC
201 Queen Anne Avenue North, Suite 400
Seattle, WA 98119-3909

**SECOND AMENDED AND RESTATED
BYLAWS OF HMC MANAGEMENT
F/K/A HERRON MAINTENANCE CO.**

Grantor: HMC Management; Herron Maintenance Co.

Grantee: N/A

Legal Description: Herron Island Division No. 1, as per plat recorded in Vol. 18 of Plats at page 45, Herron Island Division No. 2, as per plat recorded in Vol. 18 of Plats at page 46, Herron Island Division No. 3, as per plat recorded in Vol. 18 of Plats at page 52, Herron Island Division No. 4, as per plat recorded in Vol. 18 of Plats, at page 78, Herron Island Division No. 5, as per plat recording in Vol. 18 of Plats at Page 80, and Herron Island Division No. 6, as per plat recorded in Vol. 19 of Plats at page 3, records of Pierce County, State of Washington.

Tax Parcel ID: 445000, 445020, 445030, 445040, 445050 and 445060 (Master Numbers)

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**SECOND AMENDED AND RESTATED
BYLAWS OF HMC MANAGEMENT
F/K/A HERRON MAINTENANCE CO.**

WHEREAS, Herron Maintenance Co. was created under the terms of the Articles of Incorporation filed with the Secretary of State on May 1, 1958 and recorded on September 25, 1991, under Auditor's File No. 9109250254, in the records of Pierce County, State of Washington; and

WHEREAS, Articles of Amendment were filed by the Association with the Secretary of State on September 10, 2004, which, among other things, changed the name of the Association to HMC Management; and

WHEREAS, Bylaws for the governance of Herron Maintenance Co. were duly adopted by the membership of the Association on the 22nd day of June, 1958, and have thereafter been amended and restated by the membership from time to time and most recently on October 16, 1993; and

WHEREAS, Plats for each of the Subdivisions comprising the Community subject hereto were Recorded, as set forth in Paragraph 1.6.36, below; and

WHEREAS, pursuant to the terms of a reservation found on the face of the Plats of Herron Island Divisions 1 through 6, the Articles of Incorporation and Bylaws and the regulations, restrictions and reservations contained therein are binding on the owners of the real property within said Plats; and

WHEREAS, pursuant to Article X of the Bylaws, at a meeting duly called and held on the 9th day of August, 2003, at which a quorum was present, after not less than fourteen (14) days prior notice to all of the Owners entitled to vote thereon duly given, not less than a majority of the Members in Good Standing who were either present in person at the meeting or voting by absentee ballot, voted to approve Amended and Restated Bylaws of Herron Maintenance Co. which were recorded on August 21, 2003, under Auditor's File No. 200308210253; and

WHEREAS, pursuant to Article 15 of the Amended and Restated Bylaws of Herron Maintenance Co., the Owners have voted to amend the Bylaws as hereinafter set forth;

NOW THEREFORE, the President and the Secretary of HMC Management certify that these AMENDED AND RESTATED BYLAWS OF HMC Management have been duly adopted and amend, restate, supersede, and replace in its entirety all previous Bylaws of Herron Maintenance Co.

ARTICLE 1. INTERPRETATION

1.1 Liberal Construction. The provisions of these Bylaws shall be liberally construed in accordance with the laws of the State of Washington to achieve its purpose of creating a uniform plan for the development and operation of the Community.

1.2 Covenants Running with Land. The covenants, restrictions, reservations and conditions contained in the Bylaws shall be operative as a set of covenants running with the land, or equitable servitudes, shall be binding upon the Properties and each portion thereof, and on all Owners, Lenders, Tenants, and other Residents of the Lots, together with their families, Guests, grantees, successors, heirs, executors, administrators, devisees and assigns, and every other person acquiring or owning an interest in a Lot or any part thereof. All Lots shall be held, conveyed, encumbered, used, occupied, improved, leased, subleased and rented subject to the covenants, conditions, restrictions, easements and reservations contained in the Bylaws. Acceptance of an interest in a Lot shall be deemed acceptance of the terms and provisions of these Bylaws.

1.3 Plurals; Gender. Whenever the context so requires, the use of the singular shall include and be construed as including the plural and vice versa. The necessary grammatical changes required to make any provision hereof apply either to corporations or individuals, or to men or women, shall in all cases be assumed as though in each case fully expressed.

1.4 Headings. Article, Section and Paragraph headings are inserted for convenience only and are not intended to be part of this document or, in any way, to define, limit, or describe the scope or intent of the particular provision to which they refer.

1.5 Cross-references. References in these Bylaws to any Article, Section, Paragraph or Sub-paragraph shall refer to the correspondingly numbered Articles, Sections, Paragraphs or Sub-paragraphs of the Bylaws unless otherwise stated.

1.6 Definitions. As used in the Governing Documents, the following capitalized terms shall have the following assigned meanings:

1.6.1 “Act” means Chapter 64.38 RCW pertaining to homeowners’ associations.

1.6.2 “Allocated Interests” means the Common Assessment Liability and Votes in the Association allocated to each Assessable Unit in accordance with the formulas set forth in Article 7.

1.6.3 “Articles” means the articles of incorporation of the Association filed with the Secretary of State of the State of Washington, as they may be amended from time to time.

1.6.4 “Assessable Unit” means a contiguous parcel of real property all of which is held in the same ownership, comprised of one or more Lots which touch each other at one or more common points, and containing not more than one Home; provided that an Assessable Unit may contain a noncontiguous Lot which is separated from the contiguous parcel if that noncontiguous Lot is held in the same ownership as the contiguous parcel and is used for a septic drain field for the Home on the Assessable Unit.

1.6.5 “Assessment” means all sums chargeable by the Association against an Assessable Unit, including without limitation regular and special assessments, fines imposed by the Association, interest and late charges on any delinquent account, costs of collection, including reasonable attorneys’ fees, incurred by the Association in connection with the collection of a delinquent Owner’s account, costs, including reasonable attorneys’ fees, incurred in connection with the enforcement of the Governing Documents, User Fees, and all other sums payable by an Owner to the Association pursuant to the Governing Documents, unless the context clearly indicates otherwise.

1.6.6 “Association” or “HMC” means the HMC Management, a non-profit corporation formed under the laws of the State of Washington composed of all of the Owners acting as a group in accordance with the Governing Documents, and any successor non-profit corporation or unincorporated association.

1.6.7 “Board” or “Board of Directors” means the board of directors of the Association.

1.6.8 “Board Decision” means a decision of the Board adopted pursuant to the Governing Documents.

1.6.9 “Business” and “Trade” shall be construed to have their ordinary generally accepted meanings and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider’s family and for which the provider receives a fee, compensation or other form of consideration, regardless of whether (a) the activity is engaged in full- or part-time; (b) the activity is intended to or does generate a profit; and (c) a license is required to engage in the activity.

1.6.10 “Bylaws” means these SECOND AMENDED AND RESTATED BYLAWS OF HMC MANAGEMENT, F/K/A HERRON MAINTENANCE CO., as they may hereafter be adopted or amended as provided in Article 15.

1.6.11 “Common Areas” means all real property owned or leased by the Association, all facilities owned and/or operated by the Association including without limitation the ferry boat, and any additional real property hereafter acquired by the Association for the benefit of the Owners. Common Areas include but are not limited to the Mainland Property, ferry docks, Island roadways, the Community Building, North Beach Park, Goodpastor Park, South Community Beach, and the trail leading to the South Community Beach.

1.6.12 “Common Areas Structure” means any building or improvement located on the Common Areas.

1.6.13 “Common Assessment” means an Assessment levied against all of the Assessable Units in proportion to the Common Assessment Liabilities of the respective Assessable Units.

1.6.14 “Common Assessment Liability” means the liability for Common Assessments allocated to each Assessable Unit pursuant to Article 7.

1.6.15 “Common Expenses” means and includes the actual and estimated expenses incurred by the Association for administration, operation, maintenance, repair, replacement, addition to or improvement of the Common Areas or for the general benefit of the Owners; all expenditures found necessary or appropriate by the Board pursuant to the Governing Documents; and all expenditures agreed upon as Common Expenses by the Association.

1.6.16 “Community” means that certain real property, also sometimes referred to in the Bylaws as the “Properties,” described and referred to as all of the lands embraced within the Recorded Plats of Herron Island Division No. 1 through Herron Island Division No. 6, as referenced and identified in Paragraph 1.6.36, below, and also the Mainland Property.

1.6.17 “Director” means a member of the Board of Directors.

1.6.18 “Governing Documents” means the Articles, the Bylaws, and the Rules of the Association adopted pursuant to the Bylaws, as the same may be lawfully amended and/or adopted from time to time.

1.6.19 “Guest” means a person who has been authorized by a Member in Good Standing or a Tenant of a Member in Good Standing to visit the Island and use Common Areas, as evidenced by a valid Guest pass.

1.6.20 “Home” means a single-family dwelling house including all attached auxiliary structures located in the Community.

1.6.21 “Improvement” means any Home, building, outbuilding, garage, wall, carport, fence, sign, and any other structure or projection from a structure, of any kind, whether of a temporary or permanent nature, and any landscaping, placed or to be placed on any Lot, including any grading, excavation, tree removal or other site work related to any of the foregoing.

1.6.22 “Island” means Herron Island.

1.6.23 “Lender” means the beneficial owner, or the designee of the beneficial owner, of a Recorded encumbrance on a Lot created by Mortgage which was made in good faith and for value, and shall also mean the seller, or the designee or assignee of a seller, under a real estate contract for the sale of a Lot. “Lender” also includes a governmental agency or governmentally chartered corporation which insures or guarantees a Mortgage.

1.6.24 “Lot” means any plot or parcel of land shown upon a Recorded Plat of a Subdivision which has been deeded to an Owner, together with and including all Improvements constructed thereon, but excluding the Common Areas.

1.6.25 “Mainland Property” means the pier and parking lot owned and/or leased by the Association on the Key Peninsula at Herron, Pierce County, State of Washington, situated in Section 28, Township 21 North, Range 1 West, WM.

1.6.26 “Majority of Owners” means Members in Good Standing who are entitled to cast more than fifty percent (50%) of the Votes allocated to all Lots in the Community.

1.6.27 “Majority of Votes Cast” means more than fifty percent (50%) of the Votes Cast by those Members in Good Standing present and voting, in person, by mail, or by proxy, at a meeting of the Members conducted in accordance with Article 4 at which a quorum is present, or by written ballot conducted as provided in Section 4.9.

1.6.28 “Manager” means the person employed or retained by the Board under a written agreement between that person and the Association to perform those management and administrative functions and duties delegated to that person with respect to the Association and the Community.

1.6.29 “Member” is synonymous with the term “Owner.”

1.6.30 “Member in Good Standing” means an Owner who is current in payment of all Assessments levied against any Lot belonging in whole or in part to that Owner.

1.6.31 “Mortgage” means a Recorded mortgage or Recorded deed of trust that creates a lien against a Lot and also means a Recorded real estate contract for the sale of a Lot.

1.6.32 “Mortgage Foreclosure” includes a deed of trust sale and a deed given in lieu of a mortgage foreclosure or deed of trust sale, and also includes a real estate contract forfeiture or a deed given in lieu of a real estate contract forfeiture.

1.6.33 “Owner” means the person or persons who hold Record title to any Lot in fee, but excluding in all cases any person holding an interest merely as security for the performance of an obligation. In the case of a Lot which has been sold under a Recorded real estate contract, the term excludes the fee owner or owners and includes the contract purchaser or purchasers. The use of the term “Owner” in the singular throughout the Bylaws in the context of the ownership of a single Lot or Assessable Unit specifically includes the plural where applicable.

1.6.34 “Percent of Owners” means Members in Good Standing who are entitled to cast the stated percentage of the Votes allocated to all Lots in the Community.

1.6.35 “Person” means a natural person, a corporation, a limited liability company, a partnership, a trustee, or other legal entity.

1.6.36 “Plat,” or “Properties” means that certain real property subject to the jurisdiction of the Association including Mainland Property at Herron, Pierce County, State of Washington, situated in Section 28, Township 21 North, Range 1 West, WM, and the real property which is commonly known as Herron Island and is legally described as follows:

The Plat of Herron Island Division 1, as per plat recorded in Volume 18 of Plats at Page 45, under Auditor’s File No. 1824669, records of Pierce County, State of Washington, being Auditor’s Plat No. 445000;

The Plat of Herron Island Division 2, as per plat recorded in Volume 18 of Plats at Page 46, under Auditor’s File No. 1824670, records of Pierce County, State of Washington, being Auditor’s Plat No. 445020;

The Plat of Herron Island Division 3, as per plat recorded in Volume 18 of Plats at Page 52, under Auditor’s File No. 1829398, records of Pierce County, State of Washington, being Auditor’s Plat No. 445030;

The Plat of Herron Island Division 4, as per plat recorded in Volume 18 of Plats at Page 78, under Auditor’s File No.

1850062, records of Pierce County, State of Washington, being Auditor's Plat No. 445040;

The Plat of Herron Island Division 5, as per plat recorded in Volume 18 of Plats at Page 80, under Auditor's File No. 1850843, records of Pierce County, State of Washington, being Auditor's Plat No. 445050; and

The Plat of Herron Island Division 6, as per plat recorded in Volume 19 of Plats at Page 3, under Auditor's File No. 1863886, records of Pierce County, State of Washington, being Auditor's Plat No. 445060.

1.6.37 "Recorded," "Record" or "Recording" means filed or filing, as the case may be, for record in the real property records of Pierce County, State of Washington.

1.6.38 "Registered Address" means the single address for purposes of notice by the Association designated by the Owner or Owners of a Lot by written notice to the Association pursuant to Section 3.7, or, if no other Registered Address has been designated by an Owner, the Lot address.

1.6.39 "Renting" or "Leasing" a Lot means the granting of a right to use or occupy a Lot, for a specified term or indefinite term (with rent reserved on a periodic basis), in exchange for the payment of rent (that is, money, property or other goods or services of value), but does not mean and include joint ownership of a Lot by means of joint tenancy, tenancy-in-common or other forms of co-ownership.

1.6.40 "Resident" means any Owner, Tenant or other person who co-occupies a Lot with an Owner or Tenant or who occupies or uses a Lot by, through or under an Owner or Tenant.

1.6.41 "Residential Site" means a contiguous parcel of land suitable for use as a site for a Home comprised of one or more full Lots and parts of Lots.

1.6.42 "Rules" means the rules and regulations adopted by the Board or by a Majority of Owners as provided in Article 16.

1.6.43 "Subdivision" means that portion of the real property in the Community described and encompassed on each of the separate Plats.

1.6.44 "Tenant" means a tenant, lessee, renter or other non-owner occupant of a Lot who does not co-occupy the Lot with an Owner.

1.6.45 “User Fees” means fees and charges by the Association for use of Common Areas and for services provided to Owners and Residents pursuant to the terms of the Governing Documents.

1.6.46 “Violation” means any default by an Owner, Tenant, or other Resident under the Governing Documents, and any failure of an Owner, Tenant or other Resident to comply with any requirement or restriction of the Governing Documents or a decision of the Board adopted pursuant to the Governing Documents, including a decision made after any hearing required or permitted under the Governing Documents.

1.6.47 “Votes” means the votes allocated to each Assessable Unit pursuant to Article 7.

1.6.48 “Votes Cast” means the Votes cast by those Members in Good Standing present and voting, in person, by mail, or by proxy, at a meeting of the Members at which a quorum is present, or by written ballot held as provided in Section 4.9.

ARTICLE 2. PURPOSE AND POWERS

2.1 Purpose. The Association shall be conducted as a nonprofit corporation in accordance with RCW Chapter 24.06 and RCW Chapter 64.38 for the purposes set forth in the Articles. Generally, the purpose of the Association is to administer the Community pursuant to the applicable provisions of the Governing Documents and to act as the governing body for all of the Owners for the maintenance, repair, replacement, administration and operation of the Common Areas, and all other property the Association is required or permitted to maintain under the terms of the Governing Documents. In furtherance of those purposes, the Association, acting by and through the Board, shall perform the following functions, which are listed for the purpose of illustration and not limitation:

2.1.1 Operate, maintain, improve, and care for any Common Areas which may from time to time be established within the Community, together with any and all kinds and types of facilities appurtenant thereto.

2.1.2 Administer and enforce the covenants, conditions, restrictions, easements, charges and liens, which exist upon the Lots or are created for the protection and benefits of the Owners, and to pay all expenses incidental thereto.

2.1.3 Subject to Owner ratification pursuant to Section 9.3, fix, establish, levy, and collect such regular and special Assessments and User Fees as may be necessary in the judgement of the Board to carry out any and all purposes for which this Association is formed.

2.2 Changes to Purpose. The purpose for which the Association was created may be altered, modified, enlarged, or diminished by a Majority of Votes Cast.

2.3 Authority of Association. The Association, acting by and through the Board, and any officers, Manager or other agents or representatives to whom the Board has delegated the power or authority to act, shall have all of the powers and authority enumerated in the Articles, these Bylaws, and RCW 64.38.020, or otherwise permitted by law, subject to such restrictions and limitations as may be imposed thereon by the Governing Documents, including without limiting the foregoing the following powers to:

2.3.1 Adopt and amend Rules;

2.3.2 Adopt and amend budgets for revenues, expenditures, and reserves, and impose and collect assessments for Common Expenses from Owners;

2.3.3 Hire and discharge or contract with Managers and other employees, agents, and independent contractors;

2.3.4 Institute, defend, or intervene in litigation or administrative proceedings in its own name on behalf of itself or two or more Owners on matters affecting the Association, but not on behalf of owners involved in disputes that are not the responsibility of the Association;

2.3.5 Make contracts and incur liabilities;

2.3.6 Regulate the use, maintenance, repair, replacement, and modification of Common Areas;

2.3.7 Cause additional improvements to be made as a part of the Common Areas;

2.3.8 Acquire, hold, encumber, and convey in its own name any right, title, or interest to real or personal property;

2.3.9 Grant easements, leases, licenses, and concessions through or over the Common Areas and petition for or consent to the vacation of streets and alleys;

2.3.10 Impose and collect any payments, fees, or charges for the use, rental, or operation of the Common Areas and for services provided to Owners, Residents and Guests;

2.3.11 Impose and collect charges for late payments of Assessments and, after notice and an opportunity to be heard by the Board or by the representative designated by the Board and in accordance with the procedures as provided in the Bylaws or Rules adopted by the Board, levy reasonable fines in accordance with a previously established schedule adopted by the Board and furnished to the Owners for violation of the Governing Documents;

2.3.12 Exercise any other powers conferred by the Bylaws;

2.3.13 Exercise all other powers that may be exercised in this state by the same type of corporation as the Association; and

2.3.14 Exercise any other powers necessary and proper for the governance and operation of the Association.

2.4 Limitation on Expenditures. Except in an emergency, in the exercise of its powers the Board shall not make an expenditure of over Ten Thousand Dollars (\$10,000.00) which is not included in an annual or special budget ratified by the Members, without first obtaining the approval of the membership at an annual or special meeting of the Members of the Association at which a quorum is present or by written ballot held as provided in Section 4.9.

2.5 Sale or Disposition of Corporate Assets. The Board shall not sell, transfer or dispose of any real or personal property of the Association with a fair market value of more than Ten Thousand Dollars (\$10,000.00) without first obtaining the approval of the membership at an annual or special meeting of the Members of the Association at which a quorum is present or by written ballot held as provided in Section 4.9.

ARTICLE 3. MEMBERSHIP - VOTING - REGISTRATION MATTERS

3.1 Membership. The membership of the Association shall consist at all times exclusively of the Owners of the Lots. Each Lot is entitled to one membership in the Association. Each Owner shall automatically become a Member of the Association upon acquisition of ownership of a Lot. Each Member is entitled to participate personally or through a designated representative in the affairs of the Association, as provided in the Governing Documents and the Act. If a Lot has been sold on Recorded contract, the contract purchaser shall exercise the rights of the Owner for purposes of the Association, and the Governing Documents, except as limited in the Governing Documents, and shall be the voting representative unless otherwise specified. Ownership of a Lot shall be the sole qualification for membership in the Association. Notwithstanding the foregoing, no Member shall have more than one membership in the Association, but shall have one vote for each Assessable Unit owned. Each membership shall be limited to a maximum of five Owner's identification passes (auto decals) per Assessable Unit.

3.2 Transfer of Membership. The Association membership of each Owner shall be appurtenant to the Lot giving rise to the membership, and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated except upon the transfer of title to the Lot and then only to the transferee of title to the Lot. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Lot shall operate automatically to transfer the membership in the Association appurtenant to the Lot to the new Owner of the Lot. No Owner may withdraw from membership except upon the transfer of title to all Lots to which the membership is appurtenant. No compensation shall be paid by the Association upon any transfer of membership and no

person whose membership is transferred shall be entitled to share or participate in any of the property of assets of the Association.

3.3 Required Conveyance Language. Each Member shall cause the following language to be included in any instrument of conveyance or contract for conveyance or instrument of encumbrance of an interest in a Lot:

Grantee covenants and agrees that the herein described real property shall be subject to the Articles of Incorporation and the Bylaws of HMC Management, formerly known as Herron Maintenance Co., a Washington nonprofit corporation, the regulations, restrictions, reservations, charges and Assessments as contained therein, the restrictions, reservations and easements of record and as shown on the face of the recorded plat, and the Rules set forth by the Board or Association and published to the membership.

3.4 Voting.

3.4.1 Number of Votes. Each Member shall have and each Member in Good Standing may exercise the number of Votes calculated in accordance with the formula set forth in Article 7 appertaining to the Assessable Units owned by that Member.

3.4.2 Voting Owner. There shall be one (1) voting representative of each Assessable Unit. If an Owner owns more than one Assessable Unit, that Owner shall have the Votes for each Assessable Unit owned. The voting representative shall be designated by the Owner of each Assessable Unit by written notice to the Board, and need not be an Owner. The designation shall be revocable at any time by actual notice to the Board from a party having an ownership interest in an Assessable Unit, or by actual notice to the Board of the death or judicially declared incompetence of any person with an ownership interest in the Assessable Unit. This power of designation and revocation may be exercised by the guardian of an Owner, and the administrators or executors of an Owner's estate. Where no designation is made, or where a designation has been made but is revoked and no new designation has been made, the voting representative of an Assessable Unit shall be the group composed of all of the Owners of that Assessable Unit.

3.4.3 Joint Owner Disputes. The Vote for an Assessable Unit must be cast as a single vote. The division of the Votes allocated to an Assessable Unit shall not be allowed. If joint Owners are unable to agree among themselves as to how their Vote or Votes shall be cast, they shall lose their right to vote on the matter in question. If more than one (1) Vote on a matter is cast by different Owners of a particular Assessable Unit at a meeting of the Members, or by written ballot and there is any conflict among the Votes so cast, none of the Votes cast for the Assessable Unit shall be counted and the Votes shall be deemed void; provided that the Vote of

the Assessable Unit shall be counted for the purpose of constituting a quorum; and further provided, that multiple Votes cast for one Lot in a consistent manner shall be counted only once.

3.4.4 Pledged Votes. If an Owner has pledged his or her Vote regarding special matters to a Lender under a duly Recorded Mortgage or to the seller under a duly Recorded real estate contract, only the Vote of the Lender or seller will be recognized in regard to the special matters upon which the Vote is pledged if a copy of the instrument creating this pledge has been filed with the Board.

3.4.5 Proxies. Votes may be cast in person, by mail, or by proxy. Proxies shall be in writing, shall be dated as of the date of execution, and shall be signed by the Owner or voting representative of the Lot. Proxies must be filed with the Secretary of the Association at or before the appointed time of each meeting of Owners. No proxy shall be valid for a period longer than eleven (11) months after its date unless it specifically provides for a longer duration.

3.4.6 Restrictions on Members Not in Good Standing. Only Members in Good Standing may exercise any right or privilege of membership in the Association, including participating in the business of the Association and voting on any matter presented to the membership, and no Vote cast by or on behalf of an Owner who is not current in the payment of all Assessments levied against that Owner and all of the Lots which are owned by that Owner shall be counted for any purpose.

3.5 Registration of Members. The Board shall maintain a register containing the names and addresses of the Owners, their designated representatives and the holders or assignees of any voting rights or proxies that have been filed with the Association. An Owner who sells or conveys his or her interest in a Lot shall promptly report to the Board the name(s) and address(es) of the new Owner of the Lot as required by Section 12.2.

3.6 Evidence of Ownership. Any person becoming an Owner of a Lot, or acquiring an interest in a Lot entitling that person to exercise voting rights as, or on behalf of, a Member of the Association, shall furnish to the Secretary of the Association a copy of the Recorded deed or other Recorded instrument vesting that person with title to the Lot or an original or certified copy of the instrument vesting that person with the voting rights pertaining to the Lot if the person is not an Owner. The instrument establishing the right to vote shall remain in the files of the Association. If there is a challenge to the right of a person to vote in any matter before the membership, that person shall not be entitled to exercise those voting rights until that person has complied with the requirements of this Section.

3.7 Registration of Mailing Address. Each Owner shall notify the Association of an address to be used by the Association for purposes of notice, which shall be the Registered Address for the Lot. Multiple Owners of a Lot shall designate a single Registered Address to be used by the Association. The Registered Address shall be used for mailing of periodic financial statements, notices, demands and all other communications. Use of the Registered Address by

the Association for giving of notice shall be sufficient to constitute notice to any person, firm, corporation, partnership, association or other legal entity, or any combination thereof, which owns the Lot or any interest in the Lot. The Registered Address shall be provided by the Owner to the Secretary of the Association within five days after receipt of title or interest in a Lot. The registration shall be in written form and signed by the Owners of the Lot or by the person(s) authorized by law to represent the interests of all of the Owners. If no Registered Address is provided or if all of the Owners cannot agree, then the address of the Lot shall be the Registered Address until the Registered Address is furnished as required under this paragraph. The Registered Address may be changed from time to time by similar designation. Upon request of the Association an Owner shall provide the names and addresses of all persons holding a joint or several ownership interest in the Lot.

ARTICLE 4. MEETINGS OF MEMBERS OF THE ASSOCIATION

4.1 Meeting Place. All meetings of the Members shall be held at the principal place of business of the Association or at any other reasonable place within the State of Washington set by the Board. The place for any meeting shall be stated in the notice of the meeting.

4.2 Annual Meeting. The annual meeting of the Members shall be held at a reasonable place, date and time set by the Board and designated by written notice of the Board delivered to the Owners no less than fourteen (14) nor more than fifty (50) days prior to the date fixed for said meeting.

4.3 Order of Business. At the annual meeting of Members, the order of business, unless suspended by a majority of Votes Cast, shall be as follows:

- (a) Call to Order
- (b) Proof of notice of meeting (or filing of waiver)
- (c) Announcement of voting power present
- (d) Approval of minutes of last Members' meeting
- (e) Reports of officers
- (f) Reports of committees
- (g) Selection of inspectors of election (if necessary)
- (h) Election of Directors (annual meeting or special meeting called for that purpose)
- (i) Unfinished business
- (j) New business
- (k) Adjournment

4.4 Special Meetings. Special meetings of the Owners may be called at any time for the purpose of considering matters which by the terms of the Act or of the Governing Documents require the approval of all or some of the Owners, or for any other reasonable purpose. Special meetings shall be called by written notice of the Secretary of the Association, at such time and

place as shall be determined by the President or by a majority of the Board, upon the decision of the President, or after request signed by at least two (2) Directors, or by written request by at least Ten Percent (10%) of Owners. Notice shall be given to all Members in the manner specified in Section 12.1. If the President or Secretary shall fail or refuse within fourteen (14) days after receipt of a request from at least Ten Percent (10%) of Owners, as provided in this Section, to give written notice of a special meeting of the Members to be held not less than fourteen (14) nor more than thirty (30) days after such receipt, the Members making the request may give such notice, stating the time, place and purpose for such meeting.

4.5 Notices of Meetings. Written notice of any meeting of the Members of the Association, including any meeting at which it is proposed to amend the Governing Documents, shall be given to all Members in the manner specified in Section 12.1 not less than fourteen (14) nor more than fifty (50) days in advance of the meeting. Notice of any meeting shall state the purpose of the meeting and the business to be placed on the agenda by the Board or any Members requesting the meeting for a vote of the Owners, including the text of any proposed amendment to the Governing Documents, any budget or changes in the previously approved budget that result in a change in Assessment obligations, and any proposal to remove a Director. Except to the extent that the Bylaws specifically requires the notice of meeting for the adoption or amendment of any Governing Document to contain a statement of the text of the provision(s) being proposed, the failure of the notice of an annual meeting to specify a particular item of business shall not act as a bar to the consideration of any matter that may properly be brought before the meeting by a Member in Good Standing.

4.6 Quorum. At any regular or special meeting of the Members, the presence of Members in Good Standing entitled to cast Ten Percent (10%) of the Votes in the Association shall constitute a quorum. Except to the extent that a greater number is required by the Governing Documents or by the laws of the State of Washington, the affirmative vote of a Majority of Votes Cast on any matter properly before the membership shall be the act of the Members of the Association.

4.7 Voting List. At least ten (10) days before each meeting of Members, a list of all Members in Good Standing entitled to vote at the meeting, and a list of all Owners who are not entitled to vote at the meeting, shall be made, arranged in alphabetical order, with the address of and number of votes held by each. The voting and non-voting lists shall be kept on file with the Secretary of the Association for a period of ten (10) days prior to the meeting. The lists shall be kept open at the time and place of the meeting for the inspection of any Member.

4.8 Waiver of Notice. Attendance of a Member at a meeting shall constitute a waiver of notice of the meeting, except where a Member attends for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. A waiver of any notice required to be given any Members, signed by the person or persons entitled to the notice, whether before or after the time stated in the waiver for the meeting, shall be equivalent to the giving of notice.

4.9 Actions Without A Meeting.

4.9.1 Written Ballot Authorized. Any action which may be taken by the Owners at a meeting of the Members may likewise be taken without a meeting after notice sent to all Members not less than thirty (30) nor more than sixty (60) days in advance of the date set for the counting of the ballots, if (a) the written ballot of every Owner is solicited specifying the proposed action and providing an opportunity to specify approval or disapproval of any proposal; (b) the number of ballots cast within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and (c) the number of written approvals, signed by Members in Good Standing or their proxies, setting forth the action to be approved, received by the Association, equals or exceeds the number of Votes that would be required to approve the measure at a meeting at which the total number of Votes Cast was the same as the number of Votes Cast by ballot.

4.9.2 Ballot Solicitations. Ballots shall be solicited in a manner consistent with the requirements of law. All solicitations shall indicate the number of responses needed to meet the quorum requirement and shall state the percentage of approvals necessary to pass the measure submitted. The solicitation must specify the time by which the ballot must be received in order to be counted.

4.9.3 Revocation of Ballots. Subject to any applicable provisions of law, any Owner or other person entitled to cast a ballot, may revoke the ballot, or substitute another, by a writing received by the Association prior to the time specified in the solicitation for the counting of ballots, but may not do so after that time unless that time has been extended as provided in the following paragraph. A revocation is effective upon receipt by the Association at the address specified for return of the ballots.

4.9.4 Extension of Time for Balloting. If a sufficient number of ballots are not received by the Association by the date specified in the solicitation to either constitute a quorum as required under clause (b) of Paragraph 4.9.1, or to approve the proposal under clause (c) of Paragraph 4.9.1, the Board may extend the date for the solicitation of ballots on further notice to all Members, of not less than ten (10) nor more than thirty (30) days, of the new date set for the counting of ballots.

4.9.5 Election of Directors By Mail Ballot. In case of election of Directors by mail, the Board by majority vote shall select a slate consisting of the names of proposed Directors who are willing to serve, sufficient in number to fill any positions on the Board which are up for election, and shall set a date at least fifty (50) days after selection by which all votes are to be received. The Secretary within five (5) days after the selection is made shall give written notice of the number of Directors to be elected and of the names of the Board's nominees to all Owners at their registered addresses. The notice shall state that any Member in Good Standing may nominate an additional candidate or candidates, not to exceed the number of Directors to be elected, by notice in writing to the Secretary at the address specified in the notice.

The notice shall specify a date for the closing of nominations fourteen (14) days from the date the notice is given by the Secretary, by which the nominations must be received. Within five (5) days after the date of closing the nominations, the Secretary shall give written notice to all Members, stating the number of Directors to be elected and the names of all nominees, stating that each Member in Good Standing may cast a Vote by mail and stating the date established by the Board, which shall be not less than ten (10) nor more than fifty (50) days after the date of notice, by which the Votes must be received by the Secretary at the address of the principal office of the Association, which shall be specified in the notice. Votes received after that date shall not be effective except as provided in Paragraph 4.9.4. All persons elected as Directors by mail election by receipt of the number of Votes required by the Bylaws shall take office effective five (5) days after the date specified in the notice for counting of the Votes.

4.10 Parliamentary Authority. In the event of dispute, the parliamentary authority for the meeting shall be Rules of Order for Association Boards, Edition 1.1, by Jeffrey A. Goldberg.

4.11 Audits. An annual audit of the financial statements of the Association for the preceding fiscal year shall be presented at the annual meeting or a special meeting of the Members. The Board at any time may, and by written request of Owners with more than twenty percent (20%) of the Votes of all Owners in the Association shall, require that an audit of the Association books and financial statements be made for that fiscal year and presented at a special meeting of the Owners. An Owner, at his or her own expense, may at any reasonable time cause an audit of the books and financial statements of the Association to be made.

ARTICLE 5. THE BOARD OF DIRECTORS

5.1 Management by Board. Administrative power and authority to manage the affairs of the Association shall be vested in a Board elected from among the Owners. Except as provided in the Governing Documents or RCW Chapter 64.38, the Board shall act in all instances on behalf of the Association. In addition to the powers and authority expressly conferred upon it by these Bylaws and the Articles, the Board may exercise all powers of the Association pursuant to the Act and do all lawful acts and things not directed or required to be exercised or done by the Members by the Act or by the Governing Documents. The Board shall not act on behalf of the Association to amend the articles of incorporation, to take any action that requires the vote or approval of the Owners, to terminate the Association, to elect members of the Board, or to determine the qualifications, powers, and duties, or terms of office of members of the Board. Notwithstanding the foregoing, the Board may appoint Directors to fill vacancies on the Board as provided in Section 5.5. The Board may delegate all or any portion of its administrative duties to a Manager or to an officer or officers of the Association, or in any other lawful manner provided by the Bylaws or by resolution of the Board; provided, however, that any management contract or delegation shall be terminable with or without cause upon thirty (30) days notice by either party, and no such management contract shall have a duration longer than one year. The Board shall elect a President from among its members, who shall preside over meetings of the Board and the meetings of the Association.

5.2 Number, Qualifications, Term, and Election. The Association shall be administered and managed by a Board consisting of an uneven number of Directors, which shall be not less than three (3) nor more than nine (9). Directors and candidates for Director positions must be Members in Good Standing. No paid employee of the Association, shall be eligible to be a Director of the Association. Positions to be filled on the Board shall be filled by those candidates for the Board of Directors who receive the greatest number of Votes. Solely for the purpose of determining a person's qualification to serve on the Board, the term "Member" shall include a director, trustee, officer, manager, agent or employee appointed by an Owner that is a corporation or limited liability company as its voting representative, a partner, agent or employee appointed by a partnership Owner as its voting representative, or a trustee or beneficiary appointed by a trust Owner as its voting representative. No more than one (1) person who owns an interest in any Lot shall serve as a Director at the same time. Directors shall be elected for staggered two (2) year terms such that the terms of approximately half the Directors expire each year. Each Director shall serve for a term until the second annual meeting of the Members following his or her election and until his or her successor is elected. No person who has served as a Director for four (4) consecutive years, and no person who owns an interest in a Lot in common with such Director, shall be elected to serve on the Board by either the Members or the Board until at least one (1) year has expired since that Director last served in that capacity.

5.3 Change of Number. The number of Directors may at any time be increased or decreased by a vote of the Members at any annual or special meeting duly called for that purpose, but no decrease shall have the effect of shortening the term of any incumbent Director.

5.4 Duties of a Director. A Director shall perform the duties of a Director, including the duties as a member of any committee of the Board upon which the Director may serve, in good faith, in a manner such director believes to be in the best interests of the Association, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. In performing the duties of a Director, a Director shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, in each case prepared or presented by: (1) one or more officers or employees of the Association whom the Director believes to be reliable and competent in the matter presented; (2) counsel, public accountants, or other persons as to matters which the Director believes to be within such person's professional or expert competence; or (3) a committee of the Board upon which the Director does not serve, duly designated in accordance with a provision in the Articles or Bylaws, as to matters within its designated authority, which committee the Director believes to merit confidence; so long as, in any such case, the Director acts in good faith, after reasonable inquiry when the need therefor is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

5.5 Vacancies. If a Director has missed three (3) consecutive meetings of the Board without the Board having excused the absences, and noted its action to that effect in the minutes of the meetings that were missed, his or her office shall be declared vacant by the Board; provided, however, that the Board may, in its sole discretion, by vote of a majority waive this

provision with respect to any Director for good cause shown. If a Director ceases to be a Member in Good Standing for a period of thirty (30) days after written notice thereof or otherwise ceases to meet the qualifications for being appointed as a Director during his or her term, he or she shall automatically cease to be a Director and his or her office shall be declared vacant by the Board by the vote of a majority of the Directors present and voting, and the Secretary shall note the vacancy in the minutes of the Board meeting. If a Director's position is declared vacant by the Board pursuant to this Section, and the Director is not present at the meeting at which the vacancy is declared, the Board shall provide written notice of the vacancy to the Director. Except in cases of removal of a Director by the Members pursuant to Section 5.6, any vacancies in the Board to serve out an unexpired term of office, whether caused by resignation, death, delinquency, conveyance of a Lot or otherwise, may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board. A Director elected to fill any vacancy shall hold office until the next annual meeting of the Members of the Association and until his or her successor is elected and qualified to serve the remaining term of the vacated position, if any.

5.6 Removal of Directors by Members. Any Director may be removed with or without cause at a regular or special meeting of the Members called for that purpose by the affirmative vote of a Majority of Votes Cast, and the vacancy created by that removal may then and there be filled by the Members for the balance of the remaining term of the removed Director. Any Director whose removal is proposed may speak to the meeting on that subject.

5.7 Order of Business. At all regular and special meetings of the Board, the order of business shall, unless suspended by a majority of the Directors present and voting, shall be as follows:

- (a) Call to Order
- (b) Proof of notice of meeting (or filing of waiver)
- (c) Roll call of Directors
- (d) Membership input
- (e) Approval of minutes of last Board meeting
- (f) Communications/correspondence
- (g) Treasurer's Report and Bills of the Association
- (h) Reports of committees
- (i) Unfinished business
- (j) New business
- (k) Adjournment

5.8 Parliamentary Authority. In the event of dispute, the parliamentary authority for the meeting shall be Rules of Order for Association Boards, Edition 1.1, by Jeffrey A. Goldberg.

5.9 Regular Meetings. Regular meetings of the Board may be held without notice on the second Saturday of each month at the principal place of business of the Association or at any

other place or places within the State of Washington, as the Board may from time to time designate. The annual meeting of the Board shall be held without notice immediately after the adjournment of the annual meeting of Members for the purpose of election of officers and for transaction of such other business as may come before the meeting.

5.10 Special Meetings. Special meetings of the Board may be called at any time by the President, or by a majority of the Directors, to be held at the principal place of business of the Association or at any other reasonable place within the State of Washington, as the persons calling the meeting may designate.

5.11 Notice. Notice of time and place of all special meetings of the Board shall be given to each Director by delivering personally, by fax, email or other means of written electronic communications or by mailing a written notice of the meeting, at least seven (7) days prior to the meeting; provided that in an emergency the Secretary, or the President if the Secretary is not available, shall give notice in person or by telephone, email, or fax at least twenty-four (24) hours prior to the meeting.

5.12 Open Meetings. Except as otherwise provided in this Section, all meetings of the Board shall be open to Members, Tenants, employees, and others who have matters of business with the Board. Upon affirmative vote in open meeting, the Board may convene in closed executive session to consider personnel matters, consult with legal counsel, consider communications with legal counsel, or to discuss likely or pending litigation, matters involving possible violations of the governing documents of the corporation, and matters involving possible liability of a member to the corporation. The motion to convene in closed session shall state the purpose for the session and specify matters to be considered. The closed session shall be restricted to only those specific matters. No motion or other action adopted, passed, or agreed to in closed session shall be effective unless the Board, following the closed session, reconvenes in open meeting and votes on such motion or other action which is reasonably identified. The requirements of this section shall not require disclosure of information in violation of the law or which is otherwise exempt from disclosure.

5.13 Quorum. A majority of the members of the Board shall constitute a quorum. Except as provided in Section 5.19, the Board shall act by majority vote of those Directors present at its meetings where a quorum exists.

5.14 Waiver of Notice. Attendance of a Director at a meeting shall constitute a waiver of notice of that meeting, except where a Director attends for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. A waiver of notice signed by the Director or Directors, whether before or after the time stated for the meeting, shall be equivalent to the giving of notice.

5.15 Registering Dissent. A Director who is present at a meeting of the Board at which action on a matter is taken shall be presumed to have assented to an action unless his or

her dissent shall be entered in the minutes of the meeting, or unless he or she shall file his or her written dissent to that action with the person acting as the secretary of the meeting, before the adjournment of the meeting, or shall forward the dissent by certified mail, return receipt requested, to the Secretary of the Association immediately after the adjournment of the meeting. The right to dissent shall not apply to a Director who voted in favor of the action.

5.16 Committees. Standing or temporary committees may be appointed from its own number or from among the Owners by the Board from time to time and the Board may from time to time invest the committees with any reasonable powers as it may see fit, subject to any conditions prescribed by the Board. The Rules Committee and any other committees which exercise the powers of the Board shall keep regular minutes of the transactions of their meetings and shall cause them to be inserted in books kept for that purpose in the office of the Association. The designation of any committee and the delegation of authority to that committee shall not relieve the Board, or any Director, of any responsibility imposed by law.

5.17 Compensation. Directors shall not be paid compensation for their services as Directors.

5.18 Conflicts of Interest. Nothing in the Governing Documents shall be construed to authorize the Association or Board to enter into any contract, employment or other transaction between the Association and one or more of its Directors or any other corporation, firm, association or entity in which one or more of its directors are Directors or officers of the Association or are financially interested, and any such contract, employment or other transaction shall be void unless, after the fact of such relationship or interest is disclosed or known to all of the Members, such contract, employment or transaction has been authorized or approved by vote or written ballot by a Majority of Votes Cast, excluding the interested Director or Directors and the votes of any Lot of which they are Owners, and the contract, employment or transaction is fair and reasonable to the Association.

5.19 Action by Board without a Meeting. Any action required or which may be taken at a meeting of the Board, or of a committee of the Board, may be taken without a meeting if a consent in writing, setting forth the action to be taken, shall be signed before the action by all of the Directors, or all of the members of the committee, as the case may be. Such consent shall have the same effect as a unanimous vote.

5.20 Action of Board by Communications Equipment. Any action required or which may be taken at a meeting of the Board, or of a committee of the Board, may be taken by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time.

ARTICLE 6. OFFICERS

6.1 Designations. The officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer, who shall be appointed or elected by the Board. The President, Vice President, Secretary and Treasurer must be Directors. The Board may also from time to time appoint or elect an Assistant or Executive Secretary and an Assistant Treasurer who need not be Directors. The officers shall be appointed or elected for a term of one (1) year by the Board at its first meeting after the annual meeting of Members, and shall hold office until their successors are elected and qualify. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

6.2 President. The President shall preside at all meetings of Members and of the Board, shall have general supervision of the affairs of the Association, and shall perform all other duties incident to the office or properly required by the Board.

6.3 Vice-President. During the absence or disability of the President, the Vice-President shall exercise all the functions of the President. The Vice-President shall have the powers and discharge the duties assigned from time to time by the Board.

6.4 Secretary. The Secretary shall issue notices for all meetings, except for notices for special meetings of the Members and special meetings of the Board which are called by the requisite number of Members or Directors, shall keep minutes of all meetings, shall have charge of the corporate books and records, including all correspondence, insurance policies and warranties, and excluding only those corporate records required to be kept by the Treasurer, and shall make all reports and perform all other duties normally incident to the office, or properly required by the Board. An Assistant Secretary, if any, shall perform all of the duties of the Secretary during the absence or disability of the Secretary, and at other times may perform any duties directed by the Board.

6.5 Treasurer. The Treasurer shall have the custody of moneys and securities of the Association and shall keep regular books of account. The Treasurer shall disburse the funds of the Association in payment of the just demands against the Association or as ordered by the Board, taking proper vouchers for all disbursements, and shall render to the Board from time to time as required, an account of all his or her transactions as Treasurer and of the financial condition of the Association. All financial records and statements of the Association shall be kept and prepared in accordance with generally accepted accounting principles as required by the Act. The Treasurer shall not receive any correspondence or other mail of the Association directly. The Treasurer shall not destroy or discard any records in his or her custody or control without the prior approval of the Board. The Treasurer shall perform all other duties normally incident to the office or that are properly required by the Board. An Assistant Treasurer, if any, shall perform all of the duties of the Treasurer in the absence or disability of the Treasurer, and at other times may perform any other duties directed by the Board.

6.6 Delegation. In the case of absence or inability to act of any officer of the Association or the Manager and of any person authorized in the Bylaws to act in his or her place, the Board may from time to time delegate the powers or duties of that officer to any other officer or any Director or other person whom it may select. In addition, the Board may appoint a Manager, who may, if the Board so directs, perform the functions of the Secretary and/or the Treasurer under the directions of that officer or officers.

6.7 Vacancies. Vacancies in any office arising from any cause may be filled by the Board at any regular or special meeting of the Board.

6.8 Other Officers. The Board may appoint any other officers and agents as it shall deem necessary or expedient, who shall hold their offices for the terms and shall exercise the powers and perform the duties determined from time to time by the Board.

6.9 Compensation. No compensation shall be payable to the officers of the Association.

6.10 Term - Removal. The officers of the Association shall hold office until their successors are chosen and qualify. Any officer or agent elected or appointed by the Board may be removed at any time, with or without cause, by the affirmative vote of a majority of the whole Board.

ARTICLE 7. ALLOCATED INTERESTS

The Allocated Interests for each Lot for the purposes of Common Assessment Liability and Votes in the Association are determined without reference to the size, location, or value of the Lot. The Allocated Interests are based on the following criteria:

7.1.1 For fiscal year 2003, each Member shall have a single Common Expense Liability and a single Vote regardless of the number of Lots which the Member owns.

7.1.2 The method of determining Allocated Interests established in Paragraph 7.1.5 shall be phased in over three (3) years beginning in fiscal year 2004.

7.1.3 In 2004, the Members will have a single Common Assessment Liability and a single Vote for the first Assessable Unit that they own and one-third (1/3) of a Common Expense Liability and one-third of a Vote for each additional Assessable Unit that they own.

7.1.4 In 2005, the Members will have a single Common Assessment Liability and a single Vote for the first Assessable Unit that they own and two-thirds (2/3)

of a Common Expense Liability and two-thirds of a Vote for each additional Assessable Unit that they own.

7.1.5 Effective in fiscal year 2006, Members will have a single Common Expense Liability and a single Vote each Assessable Unit they own.

ARTICLE 8. COMMON AREA RIGHTS; EASEMENTS

8.1 Common Area Easement and Ownership. Title to the Common Area shall be held by the Association for the use and benefit of the Owners. Each Owner shall have a nonexclusive right and easement to use and enjoyment in and to the Common Area according to the nature of that Property and subject to the restrictions contained in the Governing Documents, including the right of the Association to charge reasonable admission and other fee for the use of any Common Area. By entering into a lease of a Lot, an Owner automatically delegates his or her right of enjoyment of the Common Areas to his or her Tenant, subject to the Governing Documents. Subject to the terms of the Governing Documents, an Owner or Tenant may delegate his or her right of enjoyment of the Common Area to the members of his or her family and his or her Guests.

8.2 Suspension of Rights. The rights, privileges and easements of an Owner to use the Common Areas, to delegate such rights to others, and to exercise the rights and privileges of corporate membership is subject to the right of the Association:

8.2.1 To suspend the voting rights and other corporate rights and privileges, and right to use of the Common Areas and Association facilities by and through an Owner for any period during which any Assessment against his or her Lot remains unpaid;

8.2.2 After notice and an opportunity for a hearing before the Rules Committee as provided in the Rules and Regulations, to suspend the voting rights and other corporate privileges, and right to use of the Common Areas and Association facilities by and through an Owner for any period during which a Violation remains uncured and for an additional period not to exceed the length of time set forth in the fine and penalty schedule for any such Violation; and

8.2.3 At the request of the Island Manager and after notice and an opportunity for a hearing before the Board of Directors, as provided in the Rules and Regulations, to expel, ban or prohibit from the Island and any of the Common Areas and the Association's facilities, any Owner, family member of an Owner, Tenant of an Owner, or Guest of an Owner or Tenant who poses a threat to the health, safety, well being or property of the Association and its Members. Such threats to health, safety, well being or property include the unauthorized

discharge of weapons or explosive devices, making threats with weapons, violent behavior, and unauthorized or illegal burning of materials or fuel on the Island.

8.3 No Judicial Partition. There shall be no judicial partition of the Common Area. Each Owner, whether by deed, gift, devise, or operation of law, for his or her own benefit and for the benefit of all other Owners, specifically waives and abandons all rights, interests and causes of action for judicial partition of any interest in the Common Area and does further agree that no action for judicial partition shall be instituted, prosecuted or reduced to judgment.

8.4 Easement for Common Area. The nonexclusive right and easement of use and enjoyment in and to the Common Area appurtenant to a Lot is subject to the right of the Association, by approval of the Board, to dedicate and/or grant easements over all or any portion of the Common Area which do not unreasonably impair the use and enjoyment thereof by the Owners.

8.5 Common Area Dedication. The Association shall have the right to dedicate or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective unless a Majority of Owners vote or consent in writing to such dedication or transfer. The instrument dedicating or transferring all or any portion of the Common Area shall be executed by the president and secretary of the Association who shall certify that the requisite vote or consent has been obtained.

ARTICLE 9. BUDGET AND ASSESSMENTS

9.1 Purpose of Assessments. All Assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the Owners and Residents of the Lots, the improvement, operation and maintenance of the Common Areas, and the performance of the duties of the Association as set forth in the Governing Documents.

9.2 Budget. Not less than sixty (60) days prior to the beginning of each calendar year or other fiscal year adopted by the Board by resolution, the Board shall estimate the charges for Common Expenses to be paid during the year, shall make provision for creating, funding and maintaining reasonable reserves for contingencies, operations, and repair, replacement and acquisition of Common Areas, shall take into account any expected income and any surplus available from the prior year's operating fund, shall determine what portion of the Common Expenses are to be funded through Common Assessments and what portion shall be funded through User Fees, shall set the level of User Fees in a fair and equitable manner, shall apportion the estimated Common Assessments among the Lots in accordance with their respective allocated Common Assessment Liabilities, and shall assess each Lot and Owner such amount in accordance therewith. If the sum estimated and budgeted at any time proves inadequate for any reason (including nonpayment for any reason of any Owner's Assessment), the Board may at any time levy a further Common Assessment which shall be assessed to the Owners in like manner.

9.3 Ratification of Budget. Pursuant to RCW 64.38.025(3), within thirty (30) days after adoption by the Board of any proposed regular annual budget or special assessment supplemental budget of the Association, the Board shall set a date for a meeting of the Owners to consider ratification of the budget. The date of the meeting shall be not less than fourteen (14) nor more than fifty (50) days after mailing of the notice of meeting and a copy or summary of the budget. Unless at that meeting a Majority of Owners reject the budget, the budget is ratified, whether or not a quorum is present. If the proposed budget is rejected or the required notice is not given, the periodic budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board.

9.4 Rate of Assessments. Except for User Fees and for certain special Assessments and other items which may be levied against particular Lots under the provisions of the Governing Documents, all Common Assessments for Common Expenses shall be assessed to the Lots and the Owners in proportion to their respective allocated Common Assessment Liabilities.

9.5 Borrowing Authority. In the discharge of its duties and the exercises of its powers as set forth in this Article, but subject to the limitations set forth in the Bylaws, the Board may borrow funds on behalf of the Association and, to secure the repayment of those funds, may levy a special Assessment (the "Loan Special Assessment") against each Assessable Unit and the Owner thereof for that Assessable Unit's pro rata share of the funds borrowed, together with interest payable thereon, and may assign the Association's right to future income including the right to receive the Loan Special Assessment to banks, other financial institutions, lenders, and/or contractors as security for such loans. The Owner of an Assessable Unit may remove the Assessable Unit from the lien of the Loan Special Assessment by payment of the proportional amounts attributable to the Assessable Unit. The individual payments for each Assessable Unit shall be computed in proportion to their respective allocated Common Assessment Liabilities. After any payment, discharge, or satisfaction of the Loan Special Assessment, the Assessable Unit shall be free and clear of the lien so paid, satisfied, or discharged. A partial payment, satisfaction, or discharge shall not prevent the lienor from proceeding to enforce the lienor's rights against any Assessable Unit not so paid, satisfied, or discharged, and the Owner thereof. Notwithstanding anything herein to the contrary, the Assessable Unit shall remain liable for its share of any additional special Assessments levied against the Assessable Units to pay a portion of the Loan Special Assessment against an Assessable Unit or Units uncollectible by reason of the nonpayment thereof.

9.6 Assessments for Misconduct. Notwithstanding any other provision of these Bylaws, each Owner shall be responsible for any expenses resulting from damages done to the Common Areas by that Owner or a Tenant occupying the Owner's Lot, or the family, servants, employees, agents, visitors, licensees, or household pet of that Owner or Tenant, or as a result of the failure to maintain, repair or replace any fixture, equipment, appliance or appurtenance which the Owner is responsible to maintain, or from any misconduct by that Owner or a Tenant occupying the Owner's Lot, or the family, servants, employees, agents, visitors, licensees, or household pet of that Owner or Tenant. The charges for repair or replacement of any damage and

the expenses resulting from any such misconduct caused thereby shall be specially assessed to the Lot, shall be a lien upon the Lot, and shall be collectable as are other Assessments.

9.7 Date of Commencement of Annual Assessments. The annual and special Common Assessments provided for in the Bylaws shall become due and payable in equal periodic installments, or in any other manner as the Board may reasonably require. Written notice of each Assessment shall be sent to every Owner subject thereto. Each Owner shall be obligated to pay Assessments made pursuant to the Bylaws to the Association in equal installments on or before the due date or in any other reasonable manner as the Board shall designate and any unpaid Assessments shall bear interest and accrue late charges at the rates specified in the Bylaws.

9.8 Omission of Assessment. The omission by the Board before the expiration of any year to fix the estimate and Assessments for that or the next year shall not be deemed a waiver or modification in any respect of the provisions of the Bylaws or a release of an Owner from the obligation to pay the Assessments or any installment thereof for that or any subsequent year, but the Assessment fixed for the preceding year shall continue until a new Assessment is fixed.

9.9 Certificate of Assessment. A certificate executed and acknowledged by the Treasurer or the President of the Board, or the Manager, or another authorized agent of the Association if neither the President nor Treasurer nor Manager is available, stating the indebtedness, if any, for Assessments secured by the Association's lien upon any Lot shall be conclusive upon the Board and the Owners as to the amount of indebtedness on the date of the certificate in favor of all persons who rely thereon in good faith. A certificate of Assessments, in Recordable form, shall be furnished to any Owner or any Lender within a reasonable time after request at a reasonable fee to be set by the Board. Unless otherwise prohibited by law, any Lender may pay any unpaid Assessments payable with respect to that Lot and upon payment that Lender shall have a lien on the Lot for the amounts paid of the same rank as the lien of his or her Mortgage.

9.10 Creation of Lien and Personal Obligation of Assessments.

9.10.1 The Owner of each Lot, for himself or herself, and for his or her heirs, personal representatives, successors and assigns, hereby covenants and agrees, and each subsequent Owner of a Lot by acceptance of a deed therefor, whether or not it shall be so expressed in the deed, is deemed to covenant and agree, for each Lot owned, to pay to the Association any and all Assessments charged by the Association pursuant to these Bylaws.

9.10.2 The amount of any Assessment assessed to any Lot and the Owner of any Lot shall be a charge on the land and shall be a continuing lien upon the Lot against which the Assessment is made from the time that the Assessment is due. Recording of the Bylaws constitutes Record notice and perfection of the lien for Assessments. While no further Recording

of any claim of lien for Assessment shall be required to perfect the Association's lien, the Association may Record a notice of claim of lien for Assessments in the real property records of Pierce County. Any current or prospective Owner or Lender of a Lot may request a certificate of Assessments from the Board pursuant to Section 9.9 and the certificate shall be conclusive against the Association as to the amount of any lien against the Lot at the time of issuance.

9.10.3 In addition to constituting a lien on the Lot and all its appurtenances, each Assessment, including without limitation interest, late charges, costs and attorneys' fees in the event of delinquency, shall be the joint and several personal debt and obligation of the Owner of Lots for which the same are assessed as of the time the Assessment is made, and, except as provided in Section 9.11 to that Owner's successors in title. Suit to recover personal judgment for any delinquent Assessments shall be maintainable without foreclosing or waiving the liens securing them.

9.10.4 Any payment on an Owner's Assessment account shall be applied first to outstanding fines, then to costs of collection, including attorneys' fees, chargeable to an Owner pursuant to the Bylaws, then to interest and late fees, then to regular Common Assessments, and finally to special Assessments.

9.10.5 No Owner may waive or otherwise escape liability for the Assessments provided for in the Bylaws by nonuse, or abandonment of his or her Lot. No Owner shall be entitled to assert as a setoff or defense against his or her obligation to pay Assessments the amount of any obligation or liability due from, or claim asserted against, the Association or any other person.

9.11 Priority of Assessments. The lien for payment of Assessments shall have priority over all other liens and encumbrances, Recorded or unrecorded, except that the liens created under the Bylaws upon any Lot for Assessments shall be subject to tax liens on the Lot in favor of any assessing unit and/or special district and shall be subject to the rights of a Lender in the case of any indebtedness secured by a first Mortgage upon the Lot. Where a Lender or other purchaser of a Lot becomes entitled to possession of a Lot as a result of a Mortgage Foreclosure of a first Mortgage, that possessor and his or her successors and assigns shall not be liable for the share of the Assessments by the Association chargeable to that Lot which became due prior to the Mortgage Foreclosure sale. That prior unpaid share of Assessments shall, at the discretion of the Board, be deemed to be Common Expenses collectable from all of the Owners including the possessor, his or her successors and assigns.

9.12 Late Charges and Interest on Delinquent Assessments. The Board may from time to time establish late charges and a rate of interest to be charged on Assessments that may become or remain delinquent in the future. In the absence of other established non-usurious rates, the late fee on delinquent Assessments shall be twenty-five dollars (\$25.00), which shall be added on the first day of the month to any account which is not paid in full on the last day of the prior month, and the interest rate applicable to any account which is delinquent for more than

thirty (30) days shall be twelve percent (12%) per annum, imposed on the entire delinquent balance, compounded monthly.

9.13 Recovery of Attorneys' Fees and Costs. In addition to any attorneys' fees and costs recoverable in an action brought under Paragraph 9.10.3 or Section 9.16, the Association shall be entitled to recover any costs and reasonable attorneys' fees incurred in connection with the collection of delinquent Assessments, whether or not those collection activities result in suit being commenced or prosecuted to judgment. In addition, the prevailing party shall be entitled to recover costs and reasonable attorneys' fees on appeal and in the enforcement of a judgment, whether in the State of Washington or a sister state.

9.14 Acceleration. If any Assessment chargeable to a particular Lot remains delinquent for more than thirty (30) days, the Board may, upon fifteen (15) days written notice to the Unit Owner, accelerate and demand immediate payment of all or any portion set by the Board, of the Assessments and special charges which the Board reasonably determines will become due during the next twelve (12) months with respect to the Lot. If the Board exercises the right to accelerate the Assessments, the Board shall not also demand a security deposit as provided in Section 9.15. The right of acceleration under this Section is solely for the benefit of the Association. If the Board has exercised its right of acceleration under this Section, it may, in its sole discretion, reverse the acceleration. If a Mortgage Foreclosure takes place after acceleration under this Section but before payment of all accelerated amounts due, the Lender or other person who obtains possession of the Unit as a result of the foreclosure, and not the former Owner, shall be responsible for payment of all unpaid Assessments which would, in the absence of acceleration, have come due after the Mortgage Foreclosure.

9.15 Security Deposit.

9.15.1 If any Assessment attributable to a particular Lot remains delinquent for more than ninety (90) days, an Owner may be required, by the Board or by the Manager, from time to time, to make and maintain a security deposit not in excess of one (1) year's estimated Assessments and other charges, which may be collected as are other Assessments. The security deposit shall be held in a separate fund, credited to the Owner, and resort may be had to the security deposit at any time when the Owner is ten (10) days or more delinquent in paying his or her Assessments. The security deposit shall not be considered as advance payment of Assessments.

9.15.2 If the Board should draw upon the security deposit as a result of the Owner's delinquency in payment of any Assessments, the Owner shall continue to be responsible for the immediate and full payment of the delinquent Assessment (including without limitation all interest, late fees, costs and attorneys' fees on the Assessment) and thus the full restoration of the security deposit, and the Board shall continue to have all of the rights and remedies for enforcing the Assessment payment and deposit restoration as provided in the Bylaws and by law.

9.15.3 All or any portion of the security deposit may at any time be refunded to the Owner by the Association in the discretion of the Board, the refund being made as a cash refund or a credit against Assessments subsequently to become due or a combination of cash and credit.

9.16 Foreclosure of Assessment Lien. The Association may foreclose the lien of any Assessment by appropriate action in Pierce County Superior Court in the manner that a Mortgage is foreclosed or in any other manner provided by the laws of the State of Washington as they may from time to time be changed or amended. In any action to foreclose a lien against any Lot for nonpayment of delinquent Assessments, any judgment rendered against the Owner of the Lot in favor of the Association shall include a reasonable sum for attorneys' fees and all costs and expenses reasonably incurred in preparation for or in the prosecution of the action in addition to taxable costs permitted by law. The Association shall have the power to bid in at any resulting sale and to purchase, acquire, lease, hold, mortgage and convey any Lot.

9.17 Rental Value. From the time of commencement of any action to foreclose a lien against a Lot for nonpayment of delinquent Assessments, the Owner of the Lot shall pay to the Association the reasonable rental value of the Lot to be fixed by the Board and the Association in any Assessment foreclosure action shall be entitled to the appointment, without bond, of a receiver to collect the reasonable rental value of the Lot. The receiver may, if the rental is not paid, obtain possession of the Lot, refurbish it for rental up to a reasonable standard for rental homes in this type of Community, rent the Lot or permit its rental to others, and apply rents first to the costs of the receivership and attorneys' fees thereof, then to the costs of refurbishing the Lot and Improvements for rental, then to costs, attorneys' fees and charges of the foreclosure action, and then to the payment of other delinquent Assessments.

9.18 Rental Lots. If a Lot is rented by its Owner, the rent is hereby pledged and assigned to the Association as security for the payment of all Assessments and, if the Assessments on the Lot are delinquent, the Board may collect, and the Tenant shall pay over to the Board, so much of the rent for the Lot as is required to pay any amounts due to the Association under the Governing Documents. The Tenant shall not have the right to question payment over to the Board, and payment to the Association will discharge the Tenant's duty of payment to the Owner for rent, to the extent of rent received by the Association. No demand or acceptance of rent under this Section shall be deemed to be a consent or approval of the Lot rental or a waiver of the Owner's obligations under the Governing Documents. The Board shall not exercise this power where a receiver has been appointed with respect to the Lot or its Owner; nor in derogation of any rights which a Lender may have with respect to the rents. If a Tenant shall fail or refuse to pay rent to the Association as provided for in this section, the Association shall have the right to bring an action for unlawful detainer for nonpayment of rent under RCW 59.15.030, and the costs and attorneys' fees incurred by the Association in connection with that action shall be an Assessment collectable in the same manner as any other Assessment under the Bylaws.

9.19 Remedies Cumulative. The remedies provided in the Bylaws are cumulative and the Board may pursue them concurrently and may pursue any other remedies which may now or in the future be available under law although not expressed in the Bylaws.

ARTICLE 10. FINANCE - HANDLING OF FUNDS

10.1 Depositories. The monies of the Association shall be deposited in the name of the Association in federally insured deposit or U.S. Treasury money market accounts or other brokerage money market accounts designated by the Board (“Deposit Accounts”), and shall be drawn out only by check or other order for payment of money signed by the persons and in the manner determined by resolution of the Board. The Treasurer shall deposit all funds of the Association to the account of the Association promptly, and in all events within five (5) days of the receipt of thereof.

10.2 Accounts. The Association shall maintain separate Deposit Accounts for current operations, and for reserves for major repairs or replacement of capital items, to properly provide for the operation and maintenance of the Community, as required by the Governing Documents. The funds of the Association 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. Subject to the direction of the Board, overall management of these Deposit Accounts and the funds in the accounts shall be the responsibility of the Treasurer. The Treasurer shall be authorized by resolution of the Board to open those Deposit Accounts and adopt any procedures the Board deems advisable to properly secure the accounts and funds of the Association. The accounts required under Section 10.3 and Section 10.4 and all other Reserve Accounts of the Association shall be maintained in segregated Deposit Accounts. Any transaction involving funds in a Reserve Account, including the issuance of checks, shall require the signature of two (2) officers or Directors of the Association.

10.3 Reserve Accounts. At the direction of the Board, the Treasurer shall establish one or more interest-bearing Deposit Accounts, to be known as the “Reserve Accounts.” The purpose of the Reserve Accounts is to provide for major repairs or renovations of Common Areas, for financial stability during periods of special stress, and to meet deficiencies in the general funds that may occur from time to time as a result of delinquent payment of assessments, and for other contingencies. A portion of the periodic Common Assessments chargeable to the Owners shall be allocated to the Reserve Accounts. The amount of the allocations shall be determined in the discretion of the Board, and may be adjusted from time to time by the Board.

10.4 General Account. At the direction of the Board, the Treasurer shall establish a checking account in a commercial bank to be known as the “General Account.” This account will be the working capital account for the current operations of the Association and will normally receive all periodic Common Assessments, all User Fees, and all income and other funds received by the Association. Checks and other forms of payment shall be issued from this account for all management, maintenance, and operation expenditures necessary for the

Community. Funds for the Reserve Accounts will normally be received and deposited in the General Account and checks issued to the other accounts immediately so that an overall accounting of the funds received by the Association is centralized in the check register of the General Account.

10.5 Records. The Board shall cause to be kept complete, detailed and accurate records of all receipts, expenditures, assets and liabilities of the Association. Financial records of the Association shall be kept in accordance with generally accepted accounting principles and in a form sufficient to enable the Association to comply with the requirements of any applicable Washington statute. Annual financial statements prepared in accordance with generally accepted accounting principles shall be furnished to each Owner, together with the report of an audit by an independent Certified Public Accountant prepared as provided Section 4.11. Except to the extent exempted from disclosure under applicable law, the books and records of the Association, including the records and resolutions authorizing payments by the Association and all contracts, documents, minutes, resolutions, papers and other records of the Association, shall be available for examination and copying upon prior request by any Owner, Lender, prospective purchaser of a Lot, or prospective Lender, personally or by an authorized representative, during normal business hours at the place at which the records are normally kept or at another reasonable time and location established by the Board. The Association may assess reasonable charges against an Owner and the Owner's Lot to cover the direct and indirect costs of examination and copying of Association records by an Owner or an Owner's representative and may require any other requesting party to pay a like charge.

ARTICLE 11. RESTRICTIONS ON USE OF PROPERTIES

The restrictions contained in this Article 11 are adopted for the purposes of protecting and preserving each Owner's investment in the Properties, enhancing the value of the Properties, and providing a framework within which the Residents can live in harmony in a close community situation. They are subject to enforcement by the Association or any aggrieved Owner in the manner provided in the Rules and Regulations.

11.1 Single Family Residential Use and Occupancy. The Lots shall be used exclusively for single family residential purposes, including the customary social, recreational and other reasonable uses normally incident to single family residential purposes and for purposes of operating the Association and managing the Community. Residential purposes include sleeping, eating, food preparation for on-site consumption by Residents and Guests, entertaining by Residents of personal Guests and similar activities commonly conducted within a residential dwelling, without regard to whether the Owner or Resident resides in the residence on the Lot as a primary or secondary personal residence, on an ownership, rental, lease or invitee basis.

11.2 Limitation on Business Use. No Trade or Business of any kind may be conducted in or from any Residential Site except that a Resident or Owner residing in a Home on a Residential Site may conduct Business activity within the Residential Site only if:

11.2.1 the Business activity conforms to all zoning and other governmental requirements for the Lot and/or the activity;

11.2.2 the Business activity does not involve persons who are not Owners or Residents coming onto the Properties in any number or manner which shall be determined by the Board to create or constitute a burden on the Properties or the other Owners;

11.2.3 the Business activity does not increase the liability or casualty insurance obligation or premium of the Association; and

11.2.4 in the sole discretion of the Board, the Business activity is consistent with the residential character of the Association and does not constitute a nuisance, annoyance, or hazardous or offensive use.

ARTICLE 12. NOTICES

12.1 Method of Giving Notice. Except as may otherwise be required by law or be specifically provided otherwise in the Governing Documents, any notice to any Member, officer or Director shall be delivered personally, by electronic means of written communications, or by United States mail, first class postage prepaid, and shall be deemed given when personally or electronically delivered or deposited in the mail addressed to the Registered Address of that person. The address for purposes of notice to an Owner shall be designated or changed as provided in Section 3.7. Notices to a Tenant or Resident shall be given at the address of the Lot occupied. Notice to be given to the Association may be given to the President or Secretary of the Board at that persons Registered Address, or at the principal address of the Association or to the registered agent of the corporation at the registered address on file with the Secretary of State. The Association may designate a different address for notices, upon the decision of the Board, by giving written notice of change of address to all Owners and by Recording an amendment to these Bylaws setting forth the change of address in the office of the Pierce County Auditor. Any Owner may designate a different address for notices to him or her by giving written notice of change of address to the Association. Upon written request to the Association, any Lender shall be given a copy of all notices permitted or required by these Bylaws to be given to the Owner whose property is subject to the Mortgage.

12.2 Notification of Sale of Lot. Concurrently with the execution of any escrow instructions, purchase and sale agreement, contract of sale, or other agreement for the sale or transfer of a Lot, under circumstances whereby the transferee will become the Owner of the Lot, the transferor shall notify the Association in writing of the sale. The notification shall set forth:

12.2.1 The names and mailing addresses of the transferor and the transferee;

12.2.2 The street address of the Lot purchased by the transferee;

12.2.3 The name and address of the escrow holder or closing agent, if any, for the sale and the escrow number;

12.2.4 The scheduled date of sale or transfer.

Concurrently with the consummation of the sale or transfer, or within five (5) business days after Recording of any deed or instrument of conveyance, the transferor shall notify, in writing, the Association of consummation of the sale or transfer. The notification shall set forth the information called for in Paragraph 12.2.1, Paragraph 12.2.2 and Paragraph 12.2.3., and the date on which the sale or transfer was consummated. Unless and until the notice is given and any unpaid Assessments have been paid on behalf of the transferor, the Association shall not be required to recognize the transferee for any purpose. Prior to receipt of the notification of consummation of the sale or transfer, any and all communications required or permitted to be given by the Association or the Board shall be deemed to be duly given and made to the transferee if duly and timely made and given to the transferee's transferor. In addition, until the notice of consummation of the sale or transfer has been given to the Association, the transferor shall remain jointly and severally liable with the transferee for all Assessments against the Lot so transferred.

ARTICLE 13. LIMITATION OF LIABILITY

13.1 Liability for Utility Failure, Etc. Except to the extent covered by insurance obtained by the Board, neither the Association nor the Board shall be liable for any failure of any utility or other service to be obtained, provided or paid for by the Board; or for injury or damage to person or property caused by the elements or resulting from electricity, water, rain or sand which may leak or flow from outside or from any parts of the Common Area or from any pipes, drains, conduits, appliances, or equipment or from any other place; or from injury or damage due to invasion or infestation by birds, animals, insects or other vermin; or for inconvenience or discomfort resulting from any action taken to comply with any law, ordinance, or order of a governmental authority or resulting from exercise of the Association's right of access to or through a Home or Lot for the purpose of performing any work or other obligation for which the Association is responsible under the Governing Documents; or for injury or damage suffered as a result of the failure of any Owner or Resident to comply with a provision of the Governing Documents; or for injury or damage suffered as a result of the failure of the Association or its Manager to enforce any provision of the Governing Documents against a noncomplying Owner or Resident. No diminution or abatement of Assessments shall be claimed or allowed for any such utility or service failure, or for such injury or damage, or for such inconvenience or

discomfort. This Section shall not be interpreted to impose any form of liability by implication upon the Board or the Association.

13.2 No Personal Liability. So long as a Board member, Association committee member, Association officer, or the Manager, exercising the powers of the Board, has acted in good faith, without willful or intentional misconduct, or self dealing, upon the basis of the information possessed by that person, then that person shall not be personally liable to any other Owner, to any Tenant or Resident or to any other party, including the Association, for any damage, loss, or prejudice suffered or claimed on account of any act, omission, error, or negligence of that person; provided, that this limitation shall not apply where and to the extent that the consequences of the act, omission, error, or negligence are covered by insurance obtained by the Board.

ARTICLE 14. INDEMNIFICATION

14.1 The Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Association) by reason of the fact that he or she is or was a Director, officer, employee or agent of the Association, or is or was serving at the request of the Association as a director, trustee, officer, employee or agent of another association, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with the action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Association, and with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner in which he or she reasonably believed to be in or not opposed to the best interests of the Association, and with respect to any criminal action or proceeding had reasonable cause to believe that his or her conduct was unlawful.

14.2 The Association shall indemnify any person who was or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Association to procure a judgment in its favor by reason of the fact that he or she is or was a Director, officer, employee or agent of the Association, or is or was serving at the request of the Association as a director, trustee, officer, employee or agent of another association, corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of the action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Association and except that no indemnification shall be made in respect to any claim, issue or matter as to which that person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the Association

unless and only to the extent that the court in which the action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, the person is firmly, equitably and reasonably entitled to indemnity for those expenses which the court shall deem proper.

14.3 To the extent that a Director, trustee, officer, employee or agent of the Association has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 14.1 or Section 14.2, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with that action, suit or proceeding.

14.4 Any indemnification under Section 14.1 or Section 14.2 (unless ordered by a court) shall be made by the Association only as authorized in the specific case upon a determination that indemnification of the Director, trustee, officer, employee or agent is proper in the circumstances because he or she had met the applicable standard of conduct set forth in Sections 14.1 or Section 14.2. The determination shall be made (a) by the Board by a majority vote of a quorum consisting of Directors who were not parties to the action, suit or proceeding, or (b) if that quorum is not obtainable, or even if obtainable, a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion, or (c) by the affirmative vote of a Majority of Votes Cast.

14.5 Expenses (including attorneys' fees) incurred in defending a civil or criminal action, suit or proceeding may be paid by the Association in final disposition of an action, suit or proceeding as authorized in the manner provided in Section 14.4 upon receipt of an undertaking by or on behalf of the Director, officer, employee or agent to repay that amount unless it shall ultimately be determined that he or she is entitled to be indemnified by the Association as authorized in this Article.

14.6 The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of Members or disinterested Directors, or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding that office, and shall continue as to a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of that person.

14.7 The Board may, by majority vote, cause the Association to purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Association, or is or was serving at the request of the Association as a director, officer, trustee, employee or agent of another association, corporation, partnership, joint venture, trust, or other enterprise against any liability asserted against him or her and incurred by him or her in any capacity, or arising out of his or her status as such, whether or not the Association shall have indemnified him or her against that liability under the provisions of this Article.

ARTICLE 15. ADOPTION AND AMENDMENT OF BYLAWS

Bylaws for the administration of the Association and the Community, and for other purposes not inconsistent with the intent of the Articles, may be adopted by the affirmative vote of a Majority of Votes Cast. A Bylaw may be proposed by the Board, by written request signed by Ten Percent (10%) of the Owners, or by inclusion by Ten Percent (10%) of the Owners in a request for a special Owners' meeting. Notice of the time, place and purpose of the meeting shall be delivered to each Owner at least thirty (30) days prior to the meeting, and notice of any mail vote, shall be given to each Owner at least thirty (30) days prior to the date set for counting the vote. Notice shall include the text of the proposed Bylaws. The requirement that the text of the proposed Bylaws be included with the notice shall preclude the adoption of Bylaws language which has been amended by the Owners at the meeting without further notice to all of the Owners. Amendments to the Bylaws may be adopted by the same vote at a regular or special meeting similarly called or by mail ballot similarly held. To the extent that the Bylaws are inconsistent with the Articles, the Articles shall control.

ARTICLE 16. RULES

16.1 Adoption of Rules. The Board, at a duly called regular or special Board meeting, or the membership by the affirmative vote of a Majority of Votes Cast, may from time to time adopt reasonable Rules necessary or desirable to insure compliance with or supplement the covenants, conditions and restrictions of the Bylaws, or to regulate the use, occupancy and maintenance of the Common Areas for the common good of the Owners. The power to adopt, amend and repeal Rules governing the use, occupancy, and maintenance of privately owned Lots shall be vested exclusively in the Members, by the affirmative vote of a Majority of the Votes Cast. A Rule may be proposed for adoption by the Owners: (a) by the Board; (b) by written request signed by Ten Percent (10%) of Owners; or (c) by inclusion by Ten Percent (10%) of the Owners in the request for a special Owners' meeting. If the Rule is being proposed for adoption by the Owners, the text of the proposed Rule shall be included in the notice of the meeting or vote by written ballot. When adopted, the Rules shall be binding upon all Owners, Residents and Guests of the Community.

16.2 Amendment of Rules. The Board or Owners may from time to time amend any Rules in the same manner as is provided for adoption; provided, however, that the Board shall not have the power: (1) to amend any Rule adopted by the membership in a manner inconsistent with the action of the membership; or (2) to adopt any Rule which has been defeated by a vote of the membership; or (3) to adopt any Rule which is inconsistent with a Rule adopted by the membership.

16.3 Distribution of Rules. The Rules shall be stated in writing and shall be made available to each Owner, Tenant, Resident, Lender or other party having a legitimate interest in the Rules, upon request to the Secretary of the Association. The Association may charge a reasonable fee for the cost of complying with the request.

16.4 Governing Documents to be Provided to Tenants and Residents. Each Owner who rents or leases a Lot in the Community to a Tenant or allows the occupancy of a Lot by any other Resident shall provide the Tenant or Resident with a copy of the Governing Documents. If the Owner fails to provide evidence to the Association that he or she has done so, the Association may furnish a copy of these documents to the Tenant or Resident and charge the Owner an amount to be determined by the Board for each document so provided. Unless otherwise set by the Board, the copying charge shall be .25 per page. The copying charge shall be collectable as an Assessment. The failure of the Owner, or of the Association without a specific request therefor, to provide a copy of the Governing Documents, or any of them, to a Tenant or Resident shall in no event be deemed a defense to compliance with or enforcement of any provision contained therein.

ARTICLE 17. COMPLIANCE WITH GOVERNING DOCUMENTS

17.1 Strict Compliance. Each Owner, Tenant, other Resident and Guest shall comply strictly with the provisions of the Governing Documents and with all Board Decisions. The acceptance of a deed, conveyance, or lease, or the entering into occupancy or use of any Lot shall constitute an agreement that the provisions of the Governing Documents, as they may be amended from time to time, are accepted and ratified by that Owner, Tenant, or other Resident, and all provisions of the Governing Documents shall be deemed and taken to be covenants running with the land and shall bind any person having at any time any interest or estate in the Lot, as though the provisions were recited and stipulated at length in each and every deed, conveyance or lease of the Lot.

17.2 Failure to Insist on Strict Performance No Waiver. The Board or Manager shall exercise its business judgment in determining what actions to take in the enforcement of the Governing Documents. The failure of the Association in any one or more instances to insist upon the strict performance of any of the terms, covenants, conditions or restrictions of the Governing Documents, or to exercise any right or option contained in the Governing Documents, or to serve any notice or to institute any action, shall not be construed as a waiver or relinquishment for the future of that term, covenant, condition or restriction, but the term, covenant, condition or restriction shall remain in full force and effect. The receipt by the Association of any Assessment from an Owner with knowledge of any Violation shall not be deemed a waiver of a Violation, and no waiver by the Association of any provision of the Governing Documents shall be deemed to have been made unless expressed in writing and signed by the appropriate officers on behalf of the Board.

17.3 Judicial Enforcement. Failure to comply with a provision of the Governing Documents or a Board decision, or to comply with a decision of the Rules Committee following notice of a violation and an opportunity for a hearing, shall be grounds for an action to recover sums due for damages, which shall include any fines levied by the Rules Committee and any costs, including reasonable attorney's fees, incurred by the Association in connection with the proceedings before the Rules Committee, maintainable by the Association (acting through the

Board). Such failure shall further be sufficient grounds for the issuance of injunctive relief in such an action and a showing of irreparable harm shall not be a prerequisite to issuance of such injunctive relief. Nothing contained in the Bylaws shall be deemed or construed as a waiver of the Association's right to bring an action as provided in this Section without first exhausting the Association's internal enforcement procedures in cases where the Board deems immediate legal action to be necessary or appropriate. If the Board fails or refuses, after demand by an aggrieved Owner, to take appropriate action to enforce compliance with any provision of the Governing Documents, any Board Decision, or any Rules Committee decision, an aggrieved Owner on his or her own may maintain an action for damages or injunctive relief against the party (including an Owner or the Association) failing to comply. In any action brought by the Association or by an Owner as provided in this Section, the prevailing party shall be entitled to recover as part of its judgment a reasonable sum for attorneys' fees incurred in connection with the action, in addition to taxable costs permitted by law.

17.4 Enforcement Against Tenants and Residents. The occupancy of a Lot by a Tenant and every lease shall be subject to the Governing Documents of the Association. By entering into occupancy of a Lot a Tenant agrees to be bound by the Governing Documents. A breach of the Governing Documents by a Tenant shall be deemed to be a breach of his or her lease. In the event of a Violation by a Tenant or other non-Owner Resident, then, in addition to all other remedies which it may have, the Board shall notify the Owner, and the Tenant or other Resident, of the Violation and demand that they be remedied through the Owner's efforts within twenty (20) days' after the notice. Said notice shall contain the particulars of the Violation, the name and address of any witness thereto, and the written statement of each witness. The Owner shall, within five (5) days of such notice, serve upon the Tenant in the manner provided by law, a notice to comply or quit. If the Violation is not remedied within the twenty (20) day period, then the Owner shall immediately thereafter, at his or her own cost and expense, institute and diligently prosecute an unlawful detainer action under the Washington Residential Landlord Tenant Act or any successor statute on account of the Violation(s). The unlawful detainer action shall not be compromised or settled without the prior written approval of the Board. If the Owner fails to fulfill the foregoing obligation, then the Board shall have the right, but not the duty, to institute and prosecute an unlawful detainer action as attorney-in-fact for the Owner and at the Owner's sole cost and expense, including all legal fees incurred. The costs and expenses of the action shall be deemed to constitute Assessments secured by a lien on the Lot involved as well as the personal obligation of the Owner, and collection thereof may be enforced by the Board in the manner described in Article 9. Each and every Owner does hereby automatically and irrevocably name, constitute, appoint and confirm the Association as his or her attorney-in-fact for the purposes described in this section.

ARTICLE 18. DISSOLUTION

Upon dissolution or final liquidation of the Association, any assets remaining after settlement of all debts, obligations and liabilities of the corporation, shall be distributed to the Members in proportion to the Allocated Interests in the Lots owned by each Owner; provided,

however, that each Owner's share of the distributable assets shall be subject to the setoff of any debts, obligations and liabilities of the Owner to the Association.

ARTICLE 19. GENERAL PROVISIONS

19.1 Severability. If any provision of these Bylaws or any section, sentence, clause, phrase or word, or the application thereof in any circumstance, is held invalid, the validity of the remainder of the Bylaws, and of the application of that section, sentence, clause, phrase or word in any other circumstances shall not be affected thereby.

19.2 Violation and Nuisance. Every act or omission whereby any provision of these Bylaws is violated in whole or in part is hereby declared to be a nuisance and may be enjoined or abated, whether or not the relief sought is for negative or affirmative action by the Association or any Owner or Owners.

19.3 Violation of Law. Any violation of any federal, state, municipal or local law, ordinance or regulations, pertaining to the ownership, occupancy or use of any of the Lots is hereby declared to be a violation of these Bylaws and subject to any or all of the enforcement procedures set forth in the Bylaws.

19.4 Effective Date. These Amended and Restated Bylaws shall take effect on upon Recording and shall supersede and replace in its entirety the Bylaws and any amendments thereto previously adopted by the Association.

CERTIFICATE OF ADOPTION

The undersigned President and Secretary of HMC Management certify that the foregoing Second Amended and Restated Bylaws were duly adopted by the Members of the Association in accordance with the procedures provided in Article X, Section 1 of the Bylaws on the _____ day of _____, 2005.

DATED this _____ day of _____, 2005.

HMC MANAGEMENT

By: _____
President

ATTEST: The above amendment was properly adopted.

