



**BYLAWS
OF
UNIT OWNERS ASSOCIATION OF
GLENEAGLE VILLAS III, A CONDOMINIUM**

CONTENTS

1. IDENTIFICATION OF THE CONDOMINIUM AND ASSOCIATION.	5
2. DEFINITIONS.	5
3. PURPOSE AND APPLICABILITY OF BYLAWS.	5
4. UNIT OWNERS ASSOCIATION.	5
4.1. Form of Association.	6
4.2. Law Governing Association.	6
4.3 Registered Agent and Registered Office.	6
4.4 Powers Of Association.	6
4.5 Membership.	8
4.6 Transfer of Membership.	9
4.7 Meetings.	9
4.8 Voting.	11
5. BOARD OF DIRECTORS.	13

5.1. Declarant Control Period.	13
5.2 Management by Owners' Board, Qualifications.	14
5.3. Meetings.	15
5.4 Vacancies.	17
5.5 Removal of Directors.	18
5.6 Compensation.	18
5.7 Annual Report of the Board of Directors.	18
5.8 Fidelity Insurance.	19
5.9 Duty of Care.	19
5.10 Duty of Loyalty - Conflict of Interest.	19
5.11 Right to Indemnification.	20
5.12 Board of Directors as Attorney-In-Fact.	21
5.13 Change in Size of Board.	21
5.14 Committees of the Board.	22
5.15 Advisory Committees.	22
6 OFFICERS.	23
6.1 Principal Officers.	23
6.2 Election of Officers.	23
6.3 Removal of Officers; Vacancies.	23
6.4 President.	23
6.5 Vice President.	24
6.6 Secretary.	24
6.7 Treasurer.	24
6.8 Compensation of Officers.	25
6.9 Liability of Officers and Indemnification.	25
7 ENFORCEMENT OF COVENANTS.	25
7.1 Authority of the Board.	25

7.2 Abatement of Violations.	25
7.3 Legal Proceedings.	26
7.4 Costs and Attorney's Fees.	26
7.5 Late Charges and Interest.	27
7.6 Fines.	27
7.7 Liability for Conduct Causing Common Expense.	27
7.8 No Waiver of Rights.	28
7.9 Remedies Cumulative.	28
7.10 Pre-Sanction Hearings.	28
8. MANAGEMENT OF CONDOMINIUM.	32
8.1 Management by Board of Directors.	32
8.2 Professional Management.	32
8.4 Association Records.	35
8.5. Audit of Records Required.	38
9. RESALE OF UNITS.	39
9.1 Resale Certificate.	39
9.2. Fee for Preparation of Certificate.	40
10. AMENDMENT OF BYLAWS.	40
10.1. Amendment of Bylaws.	40
10.2. Consent of Mortgagees.	40
11. NOTICE.	41
11.1. Manner of Notice.	41
11.2. Waiver of Notice.	41
12. MISCELLANEOUS.	41
12.1. Compliance with Law.	41
12.2. Conflict.	41
12.3. Severability.	42

12.4. Captions.	42
12.5. Gender, Number.	42

1. IDENTIFICATION OF THE CONDOMINIUM AND ASSOCIATION.

The name of the Condominium is: Gleneagle Villas III, a Condominium. The name of the association is: Unit Owners Association of Gleneagle Villas III, a Condominium, which will hereinafter be referred to as the "Association."

2. DEFINITIONS.

All terms used in these Bylaws shall have the same meanings ascribed to them in the Washington Condominium Act ("the Act"), and/or in the Condominium Declaration for the Condominium (hereinafter "the Declaration") recorded in the office of the Auditor of the County in which the Condominium is located.

The term "Owner", as used hereinafter, refers to an owner of a Unit in the Condominium.

3. PURPOSE AND APPLICABILITY OF BYLAWS.

These Bylaws are promulgated to provide for the self-government of the Condominium and to promote the safety, health, well-being and enjoyment of its members. The administration and management of the Condominium and the actions of the Owners, the Association and its Board of Directors and Officers shall be governed by these Bylaws. All present and future Owners and their tenants, licensees, invitees, servants, agents, employees and any other person or persons who are permitted to use the Condominium property shall be subject to these Bylaws and to the Rules and Regulations of the Association. Acquisition, rental or occupancy of a Unit shall be deemed conclusive evidence of the Owner's, tenant's or occupant's acceptance and ratification of, and agreement to comply with, these Bylaws, the Declaration, and any Rules and Regulations now existent or hereafter adopted.

4. UNIT OWNERS ASSOCIATION.

4.1. Form of Association.

The Association has been or will be incorporated by the Declarant as a non-profit miscellaneous and mutual corporation under the laws of the State of Washington. The Association shall remain organized as a profit or nonprofit corporation.

4.2. Law Governing Association.

The rights and duties of the members and of the Association shall be governed by the provisions of the Condominium Act, the Declaration, and the Nonprofit Miscellaneous and Mutual Corporations Act (Chapter 24.06 RCW, hereinafter known as the "Corporation law"). In case of any conflict between the Corporation Law and the Condominium Act (Chapter 64.34 RCW), the Condominium Act shall control.

4.3 Registered Agent and Registered Office.

The Association shall maintain a Registered Agent to receive legal process and official notices on behalf of the Association, as required by the Corporation Act. The Registered Agent shall have a business office identical with such Registered Office. The Registered Office of the Association shall be located in the State of Washington at such place as may be fixed from time to time by the board of Directors upon filing of such notices with the Secretary of State and elsewhere as may be required by the Corporation law.

4.4 Powers Of Association.

Subject to the provisions of the Declaration, the Association may, through its Board of Directors:

- (a) Adopt and amend Rules and Regulations and, subject to the provisions of Section 10 hereof, adopt and amend Bylaws for the Association;
- (b) Adopt and amend budgets for revenues, expenditures, and reserves, and impose and collect Assessments for Common Expenses from Owners, in the manner provided in Sections 10.1 and 10.2 of the Declaration;

- (c) Hire and discharge or contract with Managers and other employees, agents, and independent contractors;
- (d) 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 Condominium;
- (e) Make contracts and incur liabilities;
- (f) Regulate the use, maintenance, repair, replacement, and modification of Common Elements;
- (g) Cause additional improvements to be made as a part of the Common Elements;
- (h) Acquire, hold, encumber, and convey in its own name any right, title, or interest to real or personal property, but Common Elements may be conveyed or subjected to a security interest only pursuant to the terms of the Act;
- (i) Grant easements, licenses and concessions through or over the Common Elements and petition for or consent to the vacation of streets and alleys;
- (j) Impose and collect any payments, fees, or charges for the use, rental, or operation of the Common Elements, other than Limited Common Elements, and for services provided to Owners;
- (k) Join in a petition for the establishment of a parking and business improvement area, participate in the rate payers' board or other advisory body set up by the legislative authority for operation of a parking and business improvement area, and pay special assessments levied by the legislative authority on a parking and business improvement area encompassing the condominium property for activities and projects which benefit the condominium directly or indirectly;

(l) Impose and collect charges for late payment of Assessments and, after notice and an opportunity to be heard by the Board of Directors or by such representative designated by the Board of Directors and in accordance with such procedures as provided in the Declaration or Bylaws or Rules and Regulations adopted by the Board of Directors, levy reasonable fines in accordance with a previously established scheduled [sic] thereof adopted by the Board of Directors and furnished to the Owners for violations of the Declaration, Bylaws, and Rules and Regulations of the Association;

(m) Impose and collect reasonable charges for the preparation and recording of amendments to the Condominium Instruments, resale certificates required by law, or statements of unpaid Assessments;

(n) Provide for the indemnification of its Officers and Board of Directors and maintain Directors' and Officers' liability insurance;

(o) Assign its right to future income, including the right to receive Common Expense Assessments, but only to the extent the Declaration provides;

(p) Exercise any other powers conferred by the Declaration or Bylaws;

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

(r) Exercise any other powers necessary and proper for the governance and operation of the Association.

4.5 Membership.

Each fee Owner (including Declarant), or real estate contract vendee of a Unit in the Condominium, shall be a member of the Association. Ownership of a Unit shall be the sole qualification for membership in the Association, and the membership of the Association at all times shall consist exclusively of all the Owners. The ownership of an interest in a Unit solely as security for the performance of an obligation does not entitle the owner of such interest to membership in the Association.

4.6 Transfer of Membership.

The Association membership of each Owner (including Declarant) shall be appurtenant to the Unit giving rise to such membership, and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except upon the transfer of title to said Unit and then only to the transferee of title to such Unit. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Unit shall operate automatically to transfer the membership in the Association appurtenant thereto to the new Owner thereof.

4.7 Meetings.

4.7.1. Place of Meetings. Meetings of the Association shall be held at such place within Whatcom County, Washington or within sixty miles thereof as may be designated by the Board of Directors and stated in the notice of the meeting.

4.7.2 Annual Meetings. Following the Declarant Control Period described in Section 8.1 of the Declaration, there shall be an annual meeting of the Association in the first quarter of each year. The annual meeting of the Association shall be held for the election of Directors and the conduct of such other business as may be properly brought before the meeting. At the annual meeting, there shall be presented a report containing the following information:

(a) A balance sheet and a revenue and expense statement of the Association prepared on an accrual basis, which shall be current to sixty days;

(b) The annual financial statement of the Association, including the audit report required by Section 8.5 hereof, if it has been prepared, for the year immediately preceding the current year.

(c) A statement of the amount of any reserves for repair or replacement and of any portions of those reserves currently designated by the Association for any specified projects;

(d) A statement of any anticipated repair or replacement cost in excess of five percent of the annual budget of the Association that has been approved by the Board of Directors; and

(e) A statement of any unsatisfied judgments against the Association and the status of any pending suits to which the Association is a party.

4.7.3. Notices of Annual Meetings. Not less than ten (10) nor more than sixty (60) days in advance of an annual meeting, the Secretary shall cause notice to be hand-delivered or sent prepaid by first class United States mail to the mailing address of each Unit or to any other mailing address designated in writing by the Owner. The notice of any meeting shall state the place, day and hour of the meeting and the items on the agenda to be voted on by the members, including a list of the candidates seeking to be elected as Directors of the Association.

4.7.4. 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 Condominium Act or the Declaration require the approval of all or some of the Owners, or for any other reasonable purpose. Such meetings shall be called by written notice of the President of the Association upon the decision of the President, or after request signed by a majority of the Board, or by written request by Owners having at least 20% of the total votes in the Association. Only matters described in the notice of a special meeting may be considered at such a meeting, and the order of business at a special meeting shall generally conform to the order specified in the notice of such meeting.

4.7.5. Notices of Special Meetings. Not less than ten (10) nor more than sixty (60) days in advance of any special meeting, the Secretary shall cause notice to be hand-delivered or sent prepaid by first class United States mail to the mailing address of each Unit or to any other mailing address designated in writing by the Owner. The notice of any special meeting shall state the place, day and hour of the meeting and the items on the agenda to be voted on by the members, including the general nature of any proposed amendment to the

Declaration or Bylaws, and any proposal to remove a Director or Officer.

4.7.6. Notices of Special Meetings Involving Changes to Budget. In the event that a special meeting is called to approve an annual Budget, or to approve changes to a previously approved Budget that result in a change of Assessment obligations, the notice shall be given not less than fourteen (14) days in advance of the meeting.

4.7.7. Waiver of Notice. Whenever any notice to an Owner is required to be given by the Association, a Waiver thereof in writing signed by the Owner, whether made before or given after the time stated therein, shall be equivalent to the giving of such notice.

4.8 Voting.

4.8.1. Voting Rights. Each Owner has a right to vote at meetings of the Association for the election of Directors and with respect to such other matters that are not within the powers of the Board of Directors as may lawfully come before the meeting. The total number of votes available to the Owner of any one Unit shall be equal to the Allocated Interest for voting appertaining to such Unit described in Section 7.4.2 of the Declaration and Exhibit B thereto. In the event that a Unit is owned by the Association, no votes allocated to such Unit may be cast, and in determining the percentage of votes required to act on any matter, the votes allocated to such Unit shall be disregarded.

4.8.2. Joint Owner Disputes. The vote for a Unit must be cast as a single vote, and fractional votes shall not be allowed. Since a Unit may be owned by a corporation, partnership, marital community, limited liability company, trust or other legal entity involving or comprising multiple persons, any director, officer, partner in, or trustee of any such entity, may be deemed the Owner thereof to cast the vote for such Unit. Where a Unit is owned by more than one person, if only one of such persons is present at a meeting of the Association, in person, by proxy or written ballot, such person is entitled to cast all the votes allocated to that Unit. If more than one of the multiple persons comprising an Owner are so present, such Owner's vote may be cast only in accordance with the agreement of a

majority in interest of such multiple persons. There is majority agreement if any one of the multiple persons casts a vote for such Owner without protest being made promptly to the person presiding over the meeting by any of the other persons comprising the Owner. In the absence of majority agreement, the conflicting votes shall be deemed an abstention of the vote for such Unit.

4.8.3. Proxies and Voting by Written Ballot. Votes allocated to a Unit may be cast by a written ballot or pursuant to a proxy duly executed by the Owner. An Owner may not revoke a proxy given pursuant to this Section except by actual notice of revocation to the person presiding over a meeting of the Association. A proxy is void if it is not dated or purports to be revocable without notice. Unless stated otherwise in the proxy, a proxy terminates eleven months after its date of issuance. A written ballot shall not be valid unless it is signed by the Owner and received by the Association on or before the date and time of the meeting at which it is to be counted. A written ballot shall be deemed the equivalent of a directed proxy, irrespective of its form; a ballot may designate an individual either by name or by general description (e.g., "any Officer of the Association") and therein instruct such person how to vote on the matters to be decided at the meeting for which the ballot is prepared. Alternatively, it may consist of any form prepared by the Board for obtaining votes on the matters constituting the business of the meeting.

4.8.4 Voting Procedure. Unless otherwise required under the Condominium Instruments, the vote of Owners holding a majority of the votes present at any meeting of the Association shall be sufficient to decide any item of business at that meeting. During the Declarant Control Period, including the meeting of the Association described in Section 5.2.1 hereof, the vote of Owners holding a majority of the votes actually cast for any candidate or other item of business at any meeting of the Association (a "plurality vote") shall be sufficient to decide any such election or other item of business at that meeting. In the event that the Board desires to prepare a written ballot for use at a meeting, copies thereof may be served with the Notices of such meeting, or may be distributed at the meeting.

4.8.5. Additional Procedures for Voting.

The Board may by resolution adopt additional procedures, not inconsistent herewith, to assist the Board in maintaining the integrity of the voting process at meetings of the Association.

4.8.6. Quorums. A quorum is present throughout any meeting of the Association if the Owners of Units to which at least one-third of the votes in the Association are allocated are present in person, by proxy or written ballot at the beginning of the meeting.

4.8.7. Order of Business. The order of business at a general or annual meeting of the Association shall be as follows: (i) proof of notice of meeting; (ii) determination of the presence of a quorum; (iii) approval of the Agenda for the meeting; (iv) approval of minutes of the previous meeting of the Association; (v) appointment of inspectors of election if applicable; (vi) election of Directors, if applicable; (vii) reports of the Board of Directors, Officers and committees; (viii) unfinished business; and (ix) new business - new business should include discussion of annual audit requirements under Section 8.5 hereof. Items (iv), (viii) and (ix) shall be omitted from the order of business of a special meeting held for the sole purpose of electing a Director.

4.8.8. Conduct of Meeting. The President shall preside at meetings of the Association and the Secretary shall keep the minutes of meetings, for inclusion in the Association's permanent Minute Book. Roberts Rules of Order shall govern the conduct of all meetings of the Association when not in conflict with the Condominium Act, the Declaration or these Bylaws.

5. BOARD OF DIRECTORS.

5.1. Declarant Control Period.

The Declarant has reserved the rights to (a) appoint and remove the Officers and members of the Board of Directors of the Association, and (b) veto or approve a proposed action of the Board or the Association, for a period of time known as the "Declarant Control Period," which shall persist

for a period of time not to exceed three (3) years, subject to the following limitations:

5.1.1. Not later than sixty days after conveyance of twenty-five percent of the Units which may be created to Owners other than the Declarant, at least one member and not less than twenty-five percent of the members of the Board of Directors must be elected by Owners other than the Declarant. Not later than sixty days after conveyance of fifty percent of the Units which may be created to Owners other than the Declarant, not less than thirty-three and one-third percent of the members of the Board of Directors must be elected by Owners other than the Declarant.

5.1.2. Notwithstanding the provisions of subpart 5.1.1 of this Section, the Declarant Control Period shall terminate no later than the earlier of: (a) Sixty days after conveyance of seventy-five percent of the Units which may be created in the Condominium to Owners other than the Declarant, or (b) two years after the last conveyance or transfer of record of a Unit except as security for a debt.

5.1.3. The Declarant Control Period is established in order to assure that the property and Condominium will be adequately administered in the initial phases of development, and to assure an orderly transition of Association operations.

5.2 Management by Owners' Board, Qualifications.

5.2.1. Number of Directors. Within thirty days after the termination of the Declarant Control Period, the Owners shall hold a special meeting of the Association to elect a Board of Directors of at least three five members. The number of Directors on the Board may thereafter be increased or decreased as provided in these Bylaws. Newly elected Board members shall take office upon adjournment of the meeting at which they were elected. Promptly following such election, the Board shall elect or appoint the Officers of the Association described in Article 6 hereof.

5.2.2. Qualifications. At least a majority of the Directors shall be Unit Owners. The term "Owner" in such context shall, pursuant to RCW 64.34.324(3), be deemed to include any director, officer, partner in, or trustee of any entity which is, either alone or in conjunction with another person or persons, an Owner. Any Officer or Director of the Association who would not be eligible to serve as such if he or she were not a director, officer, partner in, or trustee of such an entity shall be disqualified from continuing in office if he or she ceases to have any such affiliation with that entity.

5.2.3. Term. A Director shall serve for a term of one year, and until his or her successor is elected. The Board may by resolution prescribe longer terms for one or more Directors' positions, and/or for staggered terms, to provide for continuity of management.

5.3. Meetings.

5.3.1. Annual Meeting. An annual organizational meeting of the Board of Directors shall be held within 10 days after each annual meeting of the Association. No notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, providing a majority of the entire Board is present at the meeting.

5.3.2. Regular Meetings. Regular meetings of the Board of Directors shall be held at such time and place as shall be determined from time to time by the Board of Directors, but at least one meeting shall be held in each quarter of each fiscal year. Any lawful business may be transacted at a regular meeting at which a quorum is present.

5.3.3. Special Meetings. Special meetings of the Board of Directors may be called by the President and shall be called by the President or Secretary on the written request of at least two Directors. Unless all sitting Directors are present at a special meeting, no business other than that stated as the purpose for such special meeting may be conducted at a special meeting.

5.3.4. Notice and Waiver of Notice. Notice of regular or special meetings of the Board of Directors shall be given to each Director, by

mail, receipted e-mail, receipted telefacsimile or hand delivery at least 72 hours prior to the time of the meeting, and shall state the date and place and hour of the meeting. Notice of regular meetings may also be given by providing each Board member with a written schedule of regular meetings adopted for the ensuing year at any time after the annual meeting and at least seven days prior to the next succeeding regular meeting. Notice of a special meeting should state the purpose of the meeting. Notice of a meeting of the Board of Directors may be waived in writing by a Director either before or after the meeting. Attendance at a meeting constitutes waiver of notice of that meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of business because the meeting is not lawfully called or convened. In a *bona fide* emergency, and if all of the Board members are present and so consent, no notice shall be required and matters relating to the subject of the emergency may be considered at the meeting.

5.3.5. Quorum, Participation and Voting. A quorum is deemed present throughout any meeting of the Board of Directors if persons entitled to cast at least majority of the votes on the Board of Directors are present at the beginning of the meeting. Any one or more Directors may participate in a meeting thereof by means of a conference telephone or similar communication equipment, allowing all persons participating in the meeting to hear each other at the same time. Each Director shall have one vote, which must be cast in person; proxy voting is not permitted. The votes of a majority of the members present at a meeting at which a quorum is present shall constitute the decision or act of the Board of Directors. If less than a quorum is present at a meeting, the majority of those present may recess the meeting to a designated time and place. A recessed meeting may be held as designated upon such further notice as may be necessary to assure attendance and to satisfy the "open meetings" requirements of Section 5.3.7 hereof; when a quorum is present any business may be transacted which might have been transacted at the meeting as originally called.

5.3.6. Conduct of Meeting. The President shall preside at meetings of the Board of Directors and the Secretary shall keep the minutes of

the proceedings. Following proof of notice, or waiver thereof, and determination of the presence of a quorum, any lawful business may be transacted.

5.3.7. Open Meetings. Except as otherwise provided herein, all meetings of the Board of Directors shall be open for observation by all Owners of record and their authorized agents. Upon the affirmative vote in open meeting to assemble in closed session, the Board may convene in closed executive session to consider personnel matters, to consult with legal counsel or consider communications with legal counsel, or to discuss likely or pending litigation, matters involving possible violations of the Condominium Instruments, or matters involving the possible liability of an Owner to the Association. The motion shall state specifically the purpose for the closed session. Reference to the motion and the stated purpose for the closed session shall be included in the minutes. The Board shall restrict its consideration of matters during the closed portions of the meeting to only those purposes specifically exempted and stated in the motion. No motion, or other action adopted, passed, or agreed to in closed session may become effective unless the Board, following the closed session, reconvenes in open meeting, reasonably identifies the motion or other action considered in executive session, and votes again in the open meeting on such motion or other action. The requirements of this Section shall not require the disclosure of information in violation of law or which is otherwise exempt from disclosure.

5.3.8. Action by Directors Without a Meeting. In a *bona fide* emergency, or to accomplish purely ministerial objectives (such as the signing of banking resolutions) any action required or permitted to be taken may be taken without a meeting if all of the members of the Board of Directors unanimously consent to such action and such consent is evidenced in writing either prior to or subsequent to the taking of such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors.

5.4 Vacancies.

Except as provided in Section 5.1, a vacancy on the Board of Directors caused by any reason, other than removal of a Director by a vote of the Association, shall be filled by a vote of the majority of the remaining Directors, even though they may constitute less than a quorum. Each person so elected shall serve until the next annual meeting of the Association and until his or her successor is elected. A vacancy occurring on the Board of Directors by reason of an increase in the number of Directors constituting the entire Board of Directors or by reason of the removal of a Director by a vote of the Association shall be filled by the Association at an annual meeting or at a special meeting called for that purpose.

5.5 Removal of Directors.

The Owners, by a two-thirds vote of the voting power in the Association present and entitled to vote at any meeting of the Owners at which a quorum is present, may remove any member of the Board of Directors with or without cause, other than a member appointed by the Declarant. The Declarant may not remove any member of the Board of Directors elected by the Owners. Prior to the termination of the period of Declarant control, the Owners, other than the Declarant, may remove by a two-thirds vote, any Director elected by the Owners.

5.6 Compensation.

A Director shall not receive compensation from the Association for serving on the Board of Directors, but a Director may be reimbursed for reasonable out-of-pocket expenses incurred by him or her in the proper performance of his or her duties.

5.7 Annual Report of the Board of Directors.

The Board of Directors shall present at each annual meeting of the Association a complete statement of the operative and financial condition of the Condominium, containing at minimum the information required in Section 4.7.2 of these Bylaws. Such information may also be required to be presented at a Special Meeting of the Association, pursuant to Section 4.7.4 hereof.

5.8 Fidelity Insurance.

The Board of Directors shall obtain for any Director, Officer, trustee, volunteer, agent (excluding a Manager, which shall acquire its Own fidelity coverage), or employee of the Association handling or responsible for Association funds, adequate fidelity insurance. The fidelity bond or insurance shall designate the Association as a named insured and shall be written in an amount sufficient to provide the protection required by Schedule 11.2.5 to Exhibit C to the Declaration.

5.9 Duty of Care.

A Director shall perform the duties of a Director, including 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 (a) one or more officers or employees of the Association whom the Director reasonably believes to be reliable and competent in the matter presented; (b) legal counsel, public accountants, or other persons as to matters which the director reasonably believes to be within such person's professional or expert competence; or (c) a Committee of the Board upon which the Director does not serve, duly designated in accordance with a provision in the 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.

5.10 Duty of Loyalty - Conflict of Interest.

The Directors shall exercise their powers and duties in good faith and with a view to the interests of the Association and consistent with the purposes

set forth in these Bylaws. No contract or other transaction between the Association and any Director, or between the Association and any corporation, firm entity or association in which the Director is an officer or director or is pecuniarily or otherwise interested, shall be either void or voidable because such Director is present at the meeting of the Board of Directors which authorizes or approves the contract or transaction, if the fact of the common directorate or other interest is disclosed or known to the Board of Directors or a majority thereof and noted in the minutes, and the Board of Directors authorizes, approves or ratifies such contract or transaction in good faith by a vote sufficient for the purpose. Directors who have financial interest or other personal interest in the transaction may be counted in determining the presence of a quorum at any meeting of the Board of Directors or committee thereof which authorizes, approves or ratifies any contract or transaction, but such Directors must abstain from voting. If disclosures and decisions are not made as required by this Subsection, the contract or transaction may be voidable at the instance of the Association, and the affected Director may not be insulated from liability for any harm suffered by the Association as a result of entering into the contract or transaction.

5.11 Right to Indemnification.

The Association shall indemnify and hold harmless each of the Directors and Officers from and against all contractual liability to others arising out of contracts made by the Board of Directors or Officers on behalf of the Association or the Owners unless such contract was made in bad faith or contrary to the provisions of the Condominium Instruments. The Directors and Officers shall not be personally liable for contracts made by them on behalf of the Association. 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 by reason of the fact that (s)he is or was a Director or Officer of the Association against amounts paid in settlement incurred by him or her in connection with such action, suit or proceeding if (s)he acted in good faith and in a manner (s)he reasonably believed to be in, or not opposed to, the best interests of the Condominium or the Association, to the fullest extent authorized by RCW 23B.08.320, and 23B.08.500 through 23B.08.600, and any amendments thereto, irrespective

of the fact that the Association is not incorporated under RCW 23B. See RCW 23B.17.030.

5.12 Board of Directors as Attorney-In-Fact.

The Board of Directors is hereby irrevocably appointed as attorney-in-fact for the Owners of all of the Units and for each of them, to manage, control and deal with the interests of such Owners as to all matters affecting the Condominium other than those as to which Owners' direct participation is required under the Act, so as to permit the Board of Directors to fulfill all of its powers, functions and duties under the provisions of the Act, the Declaration and these Bylaws, and to exercise all of its powers thereunder and to deal with the Property upon its destruction or condemnation and with the proceeds payable under any insurance policy benefitting the Association. This power shall include, but shall not be limited to, the power to grant easements and licenses from time to time affecting the Common Elements, telephone cables, gas lines, storm drains, underground conduits, or such other purposes related to the provision of public utilities or as may be considered necessary or appropriate by the Board of Directors for the preservation of the health, safety, convenience, or welfare of the Owners, or any of them. The foregoing shall be deemed to be a power coupled with an interest, and the acceptance by any person or entity of any interest in any Unit shall constitute an appointment of the Board of Directors as such attorney-in-fact. This power shall be in addition to any authority to grant easements or licenses given to the Board of Directors by the Act, the Declaration or these Bylaws.

5.13 Change in Size of Board.

The number of Directors may at any time be increased or decreased by amendment of these Bylaws. If the Owners at any time elect a greater or lesser number of Directors than the number previously constituting the whole Board, then election of the new number shall automatically amend these Bylaws to increase or decrease the size of the Board to the number actually elected, but no decrease shall have the effect of shortening the term of any incumbent Director, nor shall the number of Directors ever be less than three (3) persons.

5.14 Committees of the Board.

The Board of Directors may by resolution establish and appoint the members of one or more committees each of which shall consist of two or more Directors and, if desired, one or more Owners who are not members of the Board, which committees, to the extent provided in such resolution, in the Articles of Incorporation, or in the Bylaws of the Association, shall have and exercise the authority of the Board of Directors in the management of the Association: Provided, that no such committee shall have the authority of the Board of Directors in reference to:

- (a) Amending, altering or repealing the Bylaws;
- (b) Electing, appointing, or removing any member of any such committee or any Director or Officer of the Association;
- (c) Amending the Articles of Incorporation;
- (d) Authorizing the sale, lease, exchange or mortgage, of all or substantially all of the property and assets of the Association;
- (e) Authorizing the voluntary dissolution of the Association or revoking proceedings therefor;
- (f) Amending, altering or repealing any resolution of the Board of Directors which by its terms provides that it shall not be amended, altered or repealed by such committee.

The designation and appointment of any such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors or any individual Director of any responsibility imposed upon it or him or her by law. Any decision of any committee may be appealed to the Board of Directors by any Unit Owner affected by a decision of such committee.

5.15 Advisory Committees.

The Board of Directors may by resolution establish and appoint the members of one or more committees intended to obtain information for and provide advice to the Board, but not to exercise any of the powers of the Board, with respect to such matters as from time to time may be deemed useful by the Board. The members of any such committee may be Board members, or Unit Owners, or other persons whose participation is deemed useful by the Board, in its discretion.

6 OFFICERS.

6.1 Principal Officers.

The principal Officers of the Association are a President, a Vice President, a Secretary and a Treasurer. All the principal Officers of the Association must be members of the Board of Directors. Two or more offices may be held by the same person, except the offices of President and Secretary. The Board of Directors may, in its discretion, also elect or appoint such other Officers and assistant Officers as may be deemed necessary. Officers are charged, in general, with responsibility for implementing policy decisions formulated or adopted by the Board of Directors.

6.2 Election of Officers.

The Officers of the Association shall be elected annually by the Board of Directors at its annual organizational meeting.

6.3 Removal of Officers; Vacancies.

An Officer may be removed by the Board of Directors with or without cause by the affirmative vote of a majority of the entire Board of Directors. A successor may be elected at any regular meeting of the Board of Directors or at any special meeting called for that purpose.

6.4 President.

The President is the chief executive Officer of the Association; (s)he shall preside at meetings of the Association and shall serve as Chair of the

Board of Directors; (s)he shall oversee the business of the Association such that the orders and resolutions of the Board of Directors may be carried into effect. The President shall be the Officer authorized and empowered to prepare, execute, certify, and record amendments to the Declaration and Survey Map and Plans on behalf of the Association.

6.5 Vice President.

The Vice President shall perform the duties and exercise the powers of the President in the absence or disability of the President and shall perform such other duties as the Board of Directors may prescribe.

6.6 Secretary.

The Secretary shall attend all meetings of the Board of Directors and the Association, and shall record the voting and the minutes of all proceedings in a book to be kept for that purpose. (S)he shall give notice of meetings of the Association and the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or the President. The Secretary, with the assistance of the Treasurer, shall compile and keep current at the principal office of the Association all records required by Section 8.4 hereof. The Secretary shall keep current and retain custody of the minute books of the proceedings of the Association and the Board of Directors, and should maintain a separate Book of Resolutions containing copies of resolutions of the Board intended to have ongoing or permanent effect. An Assistant Secretary may perform the duties and exercise the powers of the Secretary in the absence or disability of the Secretary and shall perform such other duties as the Board of Directors may prescribe.

6.7 Treasurer.

The Treasurer shall exercise control over all funds and securities of the Association except those which are placed under the control of a Manager. The Treasurer shall deposit all funds of the Association in such federally insured financial institution(s) as may be designated by the Board of Directors. (S)he shall disburse funds in accordance with the Association's Budget and as ordered by the Board of Directors. With the assistance of any accountant or Manager employed by the Association, the Treasurer

shall keep the books of the Association on an accrual basis, with detailed accounts of the receipts and expenditures affecting the Association, in at least the detail required by Section 8.4 hereof. The books and supporting vouchers and records shall be available for examination by the Owners, Mortgagees and their duly authorized agents or accountants or attorneys, during regular business hours in the manner set by the Board of Directors. All books and records shall be kept in accordance with generally accepted accounting principles and shall be sufficiently detailed to enable the Association to comply with Article 9 of these Bylaws.

6.8 Compensation of Officers.

No Officer shall receive any compensation from the Association for acting as such unless such compensation is approved by a vote of Owners entitled to cast at least 75% of the votes in the Association. An Officer shall be reimbursed for reasonable out-of-pocket expenses incurred in the performance of duties on behalf of the Association.

6.9 Liability of Officers and Indemnification.

See Sections 5.9, 5.10 and 5.11 of these Bylaws.

7 ENFORCEMENT OF COVENANTS.

7.1 Authority of the Board.

The Board of Directors shall have primary responsibility for maintaining and enforcing compliance with the covenants, conditions and restrictions contained in the Condominium Declaration. Without limiting the authority and powers conferred upon the Board by the Act, the Board shall have the power and authority specified in this Section of these Bylaws.

7.2 Abatement of Violations.

No violation of any of the Rules and Regulations adopted by the Board of Directors, the breach of any provision of the Condominium Instruments or the Condominium Act shall give the Association the right to enter a Unit or

any Limited Common Element in which, or as to which, a violation or breach exists or may exist, except in the case of a *bona fide* emergency caused by such violation, and provided that such entry is otherwise conducted in accordance with the provisions of Section 8.4 of the Declaration. FURTHER PROVIDED, that this remedy shall not be utilized when a breach of the peace may ensue or if any items of construction within the Unit or any of the Common Elements will be altered or demolished.

7.3 Legal Proceedings.

Failure to comply with any of the terms of the Condominium Instruments, the Rules and Regulations, or published resolutions of the Board shall be grounds for legal relief, including without limitation, actions to recover any sums due for money damages, injunctive relief, foreclosure of the lien for payment of Assessments, any other relief provided for in these Bylaws or any combination thereof and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Association, the Board of Directors, the Manager or, if appropriate, by any aggrieved Owner, and shall not constitute an election of remedies.

7.4 Costs and Attorney's Fees.

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 such collection activities result in suit being commenced or prosecuted to judgment. In addition, the Association shall be entitled to recover costs and reasonable attorneys' fees if it prevails on appeal, and/or in the enforcement of a judgment. In any other proceeding arising out of an alleged default by an Owner in compliance with any provision of the Condominium Instruments, the prevailing party shall be entitled to recover the costs of the proceeding, and such reasonable attorney's fees as may be determined by the court. In the event that the prevailing party is the Association, the costs and attorney's fees so awarded shall constitute a Limited Special Assessment against the Owner's Unit.

7.5 Late Charges and Interest.

The Board may impose and collect reasonable late charges to encourage prompt payment of Assessments. Until changed by resolution of the Board with advice of counsel, the Board may collect a late charge: (a) when any Assessment or installment thereof is received by the Association more than ten (10) days beyond the due date of such Assessment or installment: (b) in an amount not to exceed the greater of \$25.00 or ten percent (10%) of the amount of said Assessment or installment. A delinquent Assessment shall bear interest from the date on which it was due at the rate of 12% per annum, or the maximum rate permitted under RCW 19.52.020 on the date on which the Assessment was due.

7.6 Fines.

The Board may impose and collect reasonable fines against Owners or tenants for violations of the Act, the Condominium Instruments, or the Rules and Regulations of the Association. PROVIDED, however, that no fine may be levied unless (1) the Board has by resolution established a schedule of fines which has been furnished to all Owners prior to the alleged violation, and (2) the allegedly offending Owner has been provided with notice of and an opportunity to be heard at a hearing to be conducted pursuant to Section 7.10 of these Bylaws. Until changed by resolution of the Board with advice of counsel, the amount of any fine so assessed shall not exceed fifty dollars for a single offense or ten dollars per diem for any offense of a continuing nature, and shall be treated as a Limited Special Assessment against such Owner's Unit.

7.7 Liability for Conduct Causing Common Expense.

Each Owner shall be liable for the cost of all maintenance, repair or replacement rendered necessary by his or her act, neglect or carelessness, or the act, neglect or carelessness of any member of his or her family or his or her employees, agents, tenants or licensees, but only to the extent that such cost is not covered by the proceeds of insurance carried by the Association. Such liability shall include the amount of the deductible payable under the Association's insurance policy, along with any increase in insurance rates occasioned by use, misuse, occupancy or abandonment

of any Unit or its appurtenances. To the extent that any Common Expense is caused by the misconduct of any Owner, the Association may specially assess that expense against the Owner's Unit, PROVIDED that no such Limited Special Assessment may be levied unless the allegedly offending Owner has been provided with notice of and an opportunity to be heard at a hearing to be conducted pursuant to Section 7.10 of these Bylaws.

7.8 No Waiver of Rights.

The failure of the Association, the Board of Directors or of an Owner to enforce any right, provision, covenant or condition which may be granted by the Condominium Instruments or the Condominium Act, shall not constitute a waiver of the right of the Association, the Board or the Owner to enforce such right, provision, covenant or condition in the future.

7.9 Remedies Cumulative.

A suit to recover a money judgment for unpaid Assessments may be maintained without foreclosing or waiving the lien securing the same, and a foreclosure may be maintained notwithstanding the pendency of any suit to recover a money judgment. All rights, remedies and privileges granted to the Association, the Board of Directors or any Owner pursuant to any term, provision, covenant or condition of the Condominium Instruments or the Condominium Act shall be deemed to be cumulative, and the exercise of any one or more thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such other privileges as may be granted to such party by the Condominium Instruments or the Condominium Act or at law or in equity.

7.10 Pre-Sanction Hearings.

In any cases under Section 7.6 or 7.7 of these Bylaws, where a fine or Limited Special Assessment for misconduct is proposed, or where the Board proposes to suspend an Owner's Membership in Good Standing status, or in any other case where the Board, in its discretion, deems necessary or advisable, an allegedly offending Owner shall be afforded the opportunity for a hearing by the Board to determine the appropriateness of

the action proposed to be taken, in accordance with the following procedures:

7.10.1. Notice of Violation.

A written Notice of Violation shall be prepared and hand-delivered or mailed by registered or certified mail, return receipt requested, to such Owner at his or her last known mailing address. The Notice of Violation shall include:

- (a) A statement, in reasonable detail, of the factual nature of any alleged violations, along with the Section number of any portion of the Condominium Instruments allegedly violated;
- (b) The nature of the action proposed to be taken against such Owner, including the dollar amount of any fine which could be imposed under the Schedule of Fines;
- (c) A date by which the Owner must mail or deliver a written Request For Hearing to the Association to contest the imposition of the proposed sanction (which date must be not less than 14 days following the delivery of the Notice of Violation) along with the address to which such Request For Hearing must be sent; and
- (d) A date, which is not less than 30 days following the delivery of the Notice of Violation, upon which the sanction would be imposed in the event that no hearing is requested by the Owner.

7.10.2. Form and Contents of Request for Hearing.

The Request for Hearing shall be made in writing, shall be signed by or on behalf of the Owner, and shall contain a brief statement of any reasons known to the Owner that the proposed sanction should not be imposed.

7.10.3. Establishment of a Hearing Date.

In the event that a hearing is requested by an Owner, no sanction may be imposed until the requested hearing is held. Upon receipt from an Owner of a Request For Hearing, a Notice of Hearing shall be prepared and hand-delivered, or mailed to such Owner by registered or certified mail, return receipt requested. The Notice of Hearing shall include the location, date and time of the hearing.

7.10.4. Hearing Procedures.

At the hearing, the President, or his or her designee, shall preside. The hearing shall be conducted generally in accordance with the requirements for Meetings of the Board as provided in Section 5.3 of these Bylaws. Any Director who feels that it would be impossible to be fair, objective and unbiased in the proceedings shall disqualify himself or herself prior to the commencement of the hearing. Both the Owner who is the subject of the hearing and the Association may be represented by counsel. Minutes shall be taken and, if requested by either the Association or the Owner, the hearing may be recorded either stenographically, or by audio or video tape or equivalent means. After receiving proof of the giving of the two Notices required by Sections 7.10.1 and 7.10.3 of these Bylaws, factual evidence in support of the allegation that a violation has occurred will be received. Live testimony from witnesses with personal knowledge shall be received where practicable. Affidavits or declarations in the form required by RCW 9A.72.085 may, however, be received in lieu of live testimony as the interests of justice may require, and formal adherence to legal rules of evidence shall not be required. Thereafter, evidence from the Owner, in defense or toward mitigation, shall be received. Any rebutting evidence may then be received. Legible copies of all documentary evidence received shall be attached to the minutes of the hearing. At the close of the evidence, both sides shall have the opportunity for legal argument.

7.10.5. Default.

In the event that the Owner fails to appear at the hearing, (s)he may be deemed to be in default, and upon receipt of proof of delivery of

both of the Notices required under Sections 7.10.1 and 7.10.3 of these Bylaws, and upon receipt of any satisfactory evidence that establishes the existence of the violation, the Board may render its decision forthwith.

7.10.6. Continuances.

In its discretion, if the interests of justice appear to require, the Board may continue the hearing at the request of either the Owner or any other affected party, for such reasonable period not to exceed thirty (30) days, as may be deemed necessary.

7.10.7. Decision.

The Board may issue its decision at the close of the hearing, or may adjourn and render its decision at a later date, not to exceed thirty (30) days following the date of the hearing or any continuation thereof. The decision shall be in writing, but need not contain detailed findings of fact or conclusions of law, and shall be delivered or mailed to the Owner and his or her attorney on the date of issuance. The original copy of the decision shall be dated and signed by the presiding Officer, and filed among the minutes of the Board of Directors.

7.10.8. Assurance of Voluntary Compliance in Lieu of Hearing.

The Board may, with or without holding a hearing and at any time prior to rendering its Decision, accept from the Owner an Assurance of Voluntary Compliance in lieu of further proceedings, subject to such terms and conditions as may appear reasonable.

7.10.9 Alternative Forms of Dispute Resolution Authorized.

In addition to the rights, remedies and procedures described above, the Association may, with the consent of an affected Owner and/or any other interested party, agree to resolve any dispute through mediation, binding or non-binding arbitration, or such other alternative

dispute resolution mechanism as may be deemed appropriate, at the discretion of the Board.

8. MANAGEMENT OF CONDOMINIUM.

8.1 Management by Board of Directors.

The Board of Directors shall have all of the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by the Condominium Act or the Condominium Instruments required to be exercised and done by the Association through a vote of the Owners. The Board of Directors is charged with the responsibility for formulating and adopting all policy decisions affecting the Condominium, and may be regarded as the functional equivalent of the town council of a small municipality.

8.2 Professional Management.

8.2.1. Manager. The Board of Directors should employ or otherwise engage the services of a "Managing Agent" or "Manager" (which terms shall be synonymous herein) at a compensation to be established by the Board.

(a) Requirements. Following termination of the Declarant Control Period, any Manager shall be a *bona fide* business enterprise unaffiliated with the Declarant, which manages common interest residential communities. Such firm or its principals shall have a minimum of two years experience in real estate community management and shall employ persons possessing a high level of competence in the technical skills necessary to proper management of the Condominium and the Property. The Manager must be able to advise the Board of Directors regarding the corporate and administrative operations of the Association and shall employ or retain personnel knowledgeable in the areas of condominium insurance and accounting, contract negotiations, and maintenance of corporate records.

(b) Duties. The Manager shall perform such duties and services as the Board of Directors shall direct. The Manager shall perform all such duties and services relating to the management of the Property, maintaining the Association's records and finances, observing the rights of Mortgagees, administering reserve funds and any and all other management obligations, in compliance with the provisions of the Declaration and these Bylaws.

8.2.2. Management Standards. The Board of Directors shall impose appropriate standards of performance upon the Manager. Unless the Manager is instructed otherwise by the Board of Directors:

- (a) the accrual method of accounting shall be employed, and expenses required by the Declaration or these Bylaws to be charged to one or more, but fewer than all Owners, shall be accounted for separately;
- (b) two or more persons shall be responsible for handling cash to maintain adequate financial control procedures;
- (c) cash accounts of the Association shall be maintained in insured accounts and shall not be commingled with any other accounts;
- (d) no remuneration shall be accepted by the Manager from vendors, independent contractors or others providing goods or services to the Association whether in the form of commissions, finders fees, service fees or otherwise; any discounts received shall benefit the Association;
- (e) any financial or other interest which the Manager may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board of Directors; and
- (f) a quarterly financial report shall be prepared for the Association containing the information required under Section 8.4.1 of these Bylaws.

(g) the Manager shall maintain separate records and bank accounts for each condominium association or other common interest community owners' association that uses its services, and shall not have the authority to draw checks upon or to transfer funds from this Association's reserve accounts, except as provided in Section 8.3.3 hereof.

(h) the Manager shall assist the Board in preparation of its Annual Budget for operating expenses and reserves, and shall periodically advise the Board on the adequacy of the Association's reserves for repair, renovation and replacement of the Common Elements and other capital expenditures.

8.2.3 Scope of Delegation.

The Board of Directors may delegate to the Managing Agent all of the powers granted to the Board of Directors of the Association by this Declaration other than the powers to amend the Condominium Instruments or Rules and Regulations, to make Assessments against Unit Owners or determine the manner for doing so, to open bank accounts for the Association or to designate the signatories thereon, to borrow money on behalf of the Association, or to acquire any real property or any personal property with a value in excess of Five Hundred Dollars in absence of a special resolution of the Board.

8.2.4 Management Agreement.

In the event the Declarant or the Board enters into a management agreement with a professional Manager or Managing Agent, said agreement shall be in writing and shall contain provisions authorizing termination of the agreement without penalty by the Owners' Association for cause upon thirty (30) days' written notice or without cause upon ninety (90) days' written notice and shall not exceed a term of one (1) year, renewable by agreement of the parties for successive one-year periods.

8.2.5 Termination.

A decision to terminate professional management, once established, and assume self-management by the Association may first require the prior written approval of that percentage of Eligible Mortgagees specified in Article XV of the Declaration.

8.3 Bank Accounts for Operations and Reserves.

8.3.1. Insured Accounts. The Board of Directors shall promptly deposit all sums collected for operating expenses or reserves in insured accounts with reputable financial institutions.

8.3.2. Commingling Prohibited. Amounts collected by the Board of Directors as Assessments against the Units for operating expenses or Reserves shall not be commingled with funds of any other common interest community owners' association, nor with the funds of any Manager or any other person responsible for the custody of such funds.

8.3.3. Reserve Accounts. Any reserve funds shall be kept in one or more segregated, interest bearing accounts, and any transaction affecting such funds, including the issuance of checks, shall require the signatures of at least two persons who are Officers or Directors of the Association.

8.4 Association Records.

8.4.1. Financial Records. The Treasurer, with the assistance of the Association's Manager and accountant, shall keep financial records in accordance with generally accepted accounting principles, sufficiently detailed to enable the Association to fully satisfy its obligations to provide standard "resale certificates" to prospective purchasers of Units in the Condominium as required by the Condominium Act, and to comply with Section 9.1 of these Bylaws. The accrual method of accounting shall be employed, and any expenses required by the Declaration to be charged to more than one but fewer than all Owners shall be accounted for separately. At minimum, such records shall include:

- (a) an "income statement" reflecting all income and expense activity for the preceding quarter on an accrual basis;
- (b) an "account activity statement" reflecting all receipt and disbursement activity for the preceding quarter on a cash basis;
- (c) an "account status report" reflecting the status of all accounts in a "budget versus "actual" format;
- (d) a "balance sheet" reflecting the financial condition of the Association on an unaudited basis;
- (e) a "budget report" reflecting any actual or pending obligations which are in excess of budgeted amounts by an amount exceeding the operating reserve or ten percent of a major budget category (as distinct from a specific line item in an expanded chart of accounts);
- (f) a "delinquency report" listing all Owners who are delinquent in paying Common Expense assessments and describing the status of any actions to collect such assessments;
- (g) all canceled checks, bank statements, federal income tax returns, receipts and vouchers for expenses and other source documents for income and expenses, for up to seven years; and
- (h) the annual financial statements described in Section 8.5 hereof.

8.4.2 Other Records.

The Secretary, with the assistance of the Association's Manager, shall compile and maintain the following records, documents and things:

- (a) The original or a photocopy of the recorded Declaration and each amendment to the Declaration;

- (b) The Certificate of Incorporation and a copy or duplicate original of the Articles of Incorporation of the Association as filed with the Secretary of State;
- (c) The Bylaws of the Association, and all amendments thereto;
- (d) The minute books, including all minutes, and the separate Book of Resolutions required by Section 6.6 hereof;
- (e) Any Rules and Regulations that have been adopted;
- (f) An inventory of all tangible personal property of the Association;
- (g) A copy of the Declarant's plans and specifications utilized in the construction or remodeling of the Condominium;
- (h) Insurance policies or copies thereof for the Condominium and Association;
- (i) Copies of any certificates of occupancy that may have been issued for the Condominium;
- (j) Any other permits issued by governmental bodies applicable to the Condominium;
- (k) All written warranties that are still in effect for the Common Elements, or any other areas or facilities which the Association has the responsibility to maintain and repair, from the contractor, subcontractors, suppliers, and manufacturers and all owners' manuals or instructions furnished with respect to installed equipment or building systems;
- (l) A roster of Owners and Eligible Mortgagees and their addresses and telephone numbers, if known;
- (m) Any leases of the Common Elements or areas and other leases to which the Association is a party;

- (n) Any employment contracts or service contracts in which the Association is one of the contracting parties or service contracts in which the Association or the Owners have an obligation or a responsibility, directly or indirectly, to pay some or all of the fee or charge of the person performing the service; and
- (o) All other contracts to which the Association is a party.

8.4.3 Ownership of Records, Inspection.

All financial records and other books, records and documents of the Association are and shall remain the property of the Association, but except as otherwise provided herein shall be made reasonably available for examination and copying during normal business hours by any Owner or the Association's Manager, or by holders, insurers and guarantors of first mortgages of units in the project, or an Owner's authorized agents. The unlisted number of any Owner shall not be released without the consent of such Owner. Materials constituting confidential communications between attorneys employed by the Association and its Officers and Directors need not be disclosed until the matter constituting the subject of the attorney(s)' engagement has terminated.

8.5. Audit of Records Required.

8.5.1. Annual Audit. At least annually, the Association shall prepare, or cause to be prepared, a financial statement of the Association in accordance with generally accepted accounting principles. Under RCW 64.34.372(1), the annual financial statement of a condominium association must be audited annually by a certified public accountant. This annual audit may be waived annually by the vote or agreement of Unit Owners holding at least sixty percent of the votes in the Association, excluding the votes allocated to any Units owned by the Declarant. In the event the Unit Owners vote to waive the annual audit, the Association may employ an accountant or a committee of the Members to conduct a review of the Association's financial records.

8.5.2. Audit Upon Transfer of Control. Upon the transfer of control to the Unit Owners following the Declarant Control Period, the records of the Association shall be audited as of the date of transfer by an independent certified public accountant in accordance with generally accepted auditing standards unless the Unit Owners, other than the Declarant, by two-thirds vote, elect to waive the audit. The cost of the Audit shall be a Common Expense.

9. RESALE OF UNITS.

9.1 Resale Certificate.

9.1.1. Information Required. The Association, within ten days after receipt of a written request by an Owner to facilitate resale of his or her Unit, shall furnish a resale certificate, for signature by both the Association and the Owner, containing all information required under RCW 64.34.425.

9.1.2. Liability for Errors. The Association, within ten days after a request by an Owner, shall furnish a certificate, signed by an Officer or authorized agent of the Association, containing the information necessary to enable the Owner to comply with this Section. An Owner providing a certificate pursuant to Subsection (1) of this Section is not liable to the purchaser for any erroneous information provided by the Association and included in the certificate unless and to the extent the Owner had actual knowledge thereof.

9.1.3. Limitation of Purchaser's Liability. A purchaser is not liable for any unpaid Assessment or fee greater than the amount set forth in the certificate prepared by the Association unless and to the extent such purchaser had actual knowledge thereof. An Owner is not liable to a purchaser for the failure or delay of the Association to provide the certificate in a timely manner, but the purchaser's contract is voidable by the purchaser until the certificate has been provided and for five days thereafter or until conveyance, whichever occurs first.

9.2. Fee for Preparation of Certificate.

The Board of Directors may impose a reasonable fee not to exceed \$150 to furnish all the information required in accordance with Section 9.1 and payment thereof shall be a prerequisite to the issuance of any such statement.

10. AMENDMENT OF BYLAWS.

10.1. Amendment of Bylaws.

Amendments to the Bylaws may be adopted by the vote of at least two-thirds of the Owners present, in person or by proxy, at a duly constituted meeting of the Association at which a quorum is present, or without any meeting if all Owners have been duly notified and Owners holding at least fifty-one percent (51%) of the total votes in the Association consent in writing to such amendment. All proposed amendments shall be submitted for consideration in writing. Amendments may be proposed by the Board of Directors or by petition signed by Owners representing at least 20% of the votes in the Association. PROVIDED, however, that Section 5.1 insofar as it relates to the selection of members of the Board of Directors by the Declarant, may not be amended without the consent in writing of the Declarant, so long as the Declarant shall be an Owner. Furthermore, so long as the Declarant is the Owner of one or more Units, no amendment to the Bylaws or Rules and Regulations may be adopted which could interfere with any special Declarant Rights reserved in the Declaration or provided to the Declarant under the Condominium Act. Amendments may be proposed by the Board of Directors or by petition signed by Owners representing at least 20% of the votes in the Association. The Declarant reserves the right to amend these Bylaws so long as there is no Owner other than the Declarant.

10.2. Consent of Mortgagees.

No amendment to these Bylaws, the object of which is to change any of the rights, obligations or duties of the Association or Owners as to any matters for which the consent of any Mortgagee is required under Article XV of the

Declaration, shall be valid absent the consent of such Mortgagees as may be required thereby.

11. NOTICE.

11.1. Manner of Notice.

Unless specified otherwise in other Sections of these Bylaws, whenever any notice is required to be given under the provisions of the Condominium Act or of the Condominium Instruments to any Mortgagee or Owner, it shall not be construed to require hand-delivered notice, but such notice may be given in writing, by first class mail, addressed to such Mortgagee or Owner at such address as appears on the books of the Association. With the consent of any Owner, e-mail may substitute for ordinary mail. Eligible Mortgagees may be entitled to notice by certified or registered mail pursuant to Schedule 15.2(d) to Exhibit C to the Declaration. Notice of Directors' meetings shall be given as prescribed in Section 5.3.4 hereof.

11.2. Waiver of Notice.

Whenever any notice is required to be given under the provisions of the Act, the Declaration or these Bylaws, a Waiver thereof, in writing, signed by the person or persons entitled to such notice, whether signed before or after the time stated therein, shall be deemed equivalent thereto.

12. MISCELLANEOUS.

12.1. Compliance with Law.

These Bylaws are set forth in compliance with the Condominium Act and the Declaration, and the provisions of RCW 24.06.

12.2. Conflict.

These Bylaws are subordinate and subject to the Act and the Declaration. In the event of any conflict between these Bylaws and the foregoing, per

RCW 64.34.208(3), the provisions of the foregoing shall control, in that order of priority.

12.3. Severability.

If any provision of these Bylaws or the application thereof in any circumstances is held invalid, the validity of the remainder of these Bylaws shall not be affected thereby, and to this end the provisions of these Bylaws are declared to be severable.

12.4. Captions.

The captions (Section headings) of these Bylaws are for convenience only and are not a part of these Bylaws and are not intended in any way to limit or enlarge the terms and provisions of these Bylaws.

12.5. Gender, Number.

Whenever in these Bylaws the context so permits, the use of the singular shall include the plural and the converse; and the use of any gender shall be deemed to include all genders.

IN WITNESS WHEREOF, the Unit Owners Association of Gleneagle Villas III, a Condominium, a Washington Nonprofit Miscellaneous and Mutual corporation, has caused this instrument to be adopted as the Association's Bylaws by resolution of its Board of Directors, as attested by its Secretary this 3rd day of October, 2006.

ATTEST:

Secretary