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**BYLAWS
OF
RESORT SEMIAHMOO ZONE 3 HOMEOWNERS' ASSOCIATION**

1. IDENTIFICATION OF THE RESIDENTIAL COMMUNITY AND CORPORATION

Declaration: The name of the residential community is Resort Semiahmoo Zone 3, which will be referred to herein as the "**Community**." The name of the corporation is: Resort Semiahmoo Zone 3 Homeowners' Association, which will hereinafter be referred to as the "**Association**."

2. DEFINITIONS

All terms used in these Bylaws that are not specifically defined herein shall have the same meanings ascribed to them in the Washington Homeowners' Association Act, Chapter 64.38 RCW (the "**Act**"), and/or in the recorded Declaration of Covenants, Conditions and Restrictions of Resort Semiahmoo Zone 3 (hereinafter the "**Covenants**") recorded in the office of the Auditor of Whatcom County, Washington, and/or the Articles of Incorporation for the Association.

(a) "**Appurtenant**" means belonging to or associated with lot ownership. A right or privilege granted with lot ownership, such as Membership as defined in the Governing Documents. Also, in law, buildings, improvements and rights belonging to a house or lot, such as outbuildings, landscaping or easements.

(b) "**Assessment**" means any payment required of a member by the governing documents, membership vote or ordered by the Board of Directors.

(c) "**Association**" means the Corporation of Resort Semiahmoo Zone 3 Homeowners' Association.

(d) "**Building**" means any building comprising single or multi-family residential dwelling units, and commercial or multi-use buildings constructed on any Parcel.

(e) "**Community**" means the residential community of Resort Semiahmoo Zone 3.

(f) "**Covenants**" means the Declaration of Covenants, Conditions, and Restrictions of Resort Semiahmoo Zone 3 recorded in the office of the Auditor, Whatcom County, Washington.

(g) "**Common Area**" means property owned, maintained and administrated by the Association for the benefit of the owners. Common areas include, but are not limited to:

1. Tract XXX

unless and until responsibility for one or more of such areas are transferred to [the Semiahmoo Resort Association](#), the City of Blaine (or similar government or quasi-government organization);

(Note: The relationship between the Property and the Resort Semiahmoo Community Association has not been resolved as of the filing of the Resort Semiahmoo Zone 3 Preliminary Plat. Upon resolution of that relationship, this Draft Declaration of Covenants, Conditions and

Restrictions will be edited to reflect that resolution. All references to the Resort Semiahmoo Community Association in this document are highlighted in blue and are included for reference only.)

(h) **“Cumulative Voting”** means a system of voting for directors under which an Owner, who is normally entitled to cast one vote for each director's position open for election, is permitted to cast all such votes for a single director, or to distribute all the possible votes among fewer than all the positions up for election. Cumulative voting is not permitted under these Bylaws.

(i) **“XXX Section”** means...;

(j) **“Dwelling”** means a residential structure for which the City of Blaine has issued an occupancy permit.

(k) **“Governing Documents”** as used herein, means the Covenants, the Articles of Incorporation for the Association, the Plat of Resort Semiahmoo Zone 3 filed under Auditor's File No. _____ records of Whatcom County, Washington (the "**Resort Semiahmoo Zone 3 Plat**"), *the Declaration of Conditions, Covenants and Restrictions for the Semiahmoo Resort Community recorded under auditor's file #1492055*, these Bylaws, any Rules and Regulations adopted by the Board of Directors, and any lawful amendments to any and all such documents.

(l) **“Member in Good Standing”** see section 4.7;

(m) **“YYY Section”** means...;

(n) **“Owner/Member”** as used herein, are synonymous terms for owner whether one or more persons or entities, of fee simple title to any Unit in the Community or any Parcel if the Lot or Tract is unimproved with a Building. Members shall consist exclusively of owners of real property, both developed and undeveloped, over which the Association has jurisdiction. (RCW 64.38.015).

(o) **“Parcel”** means any Lot or Tract as shown upon the Resort Semiahmoo Zone 3 Plat.

(p) **“Unit”** means any individual residential dwelling unit located in a Building.

(q) **“Unit/Parcel”** when used herein is meant to describe either an individual Unit within a building or, if the Lot or Tract is unimproved with a Building, it refers to that unimproved Lot or Tract, as the context so requires.

3. PURPOSE AND APPLICABILITY OF BYLAWS

These Bylaws are promulgated to provide for the self-government of the Community and to promote the safety, health, well-being and enjoyment of its Members. The administration and management of the Community 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 Common Areas of the Community shall be subject to these Bylaws and to the Rules and Regulations of the Association. Acquisition, rental or occupancy of a

Parcel 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 Covenants and all Rules and Regulations now existent or hereafter adopted.

4. INCORPORATION OF THE ASSOCIATION

4.1 Form of Corporation

The Association has been incorporated as a non-profit corporation under the laws of the state of Washington under the provisions of the Washington Nonprofit Corporation Act, Chapter 24.03 RCW, the Homeowners' Association Act, Chapter 64.38 RCW, and the Governing Documents. The Association shall remain organized as a nonprofit corporation.

4.2 Law Governing Association

In case of any conflict between Chapter 23A RCW, the Business Corporation Act, Chapter 24.03 RCW, the Nonprofit Corporation Act, or the Homeowners' Association Act, Chapter 64.38 RCW, the Homeowners' Association Act shall control.

4.3 Registered Office and Registered Agent

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 resolution of the Board of Directors, and upon filing of such notices as may be required by the applicable Corporation law. The registered agent shall have a business office identical with such registered office.

4.4 XXX YYY ZZZ Sections The owners in all of the separate Sections within the Association (the "**Sections**") shall form a separate section within the Association.

4.5 Powers of the Association

Subject to the provisions of the Covenants and Bylaw provisions dealing with the "separate sections", the Association may, through its Board of Directors:

- (a) Adopt and amend Bylaws and Rules and Regulations;
- (b) Adopt and amend budgets for revenues, expenditures and reserves; and impose and collect Assessments for Common Expenses from Owners;
- (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 Community or the Association, but not on behalf of Owners involved in disputes that are not the responsibility of the Association;
- (e) Make contracts and incur liabilities;
- (f) Regulate the use, maintenance, repair, replacement and modification of Common Areas;

- (g) Cause additional improvements to be made as a part of the Common Areas;
- (h) Acquire, hold, encumber and convey in its own name any right, title or interest to real or personal property, but Common Areas 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 Areas 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 Areas, and for services provided to Owners;
- (k) 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 Covenants or Bylaws or Rules and Regulations adopted by the Board of Directors, levy reasonable fines in accordance with a previously established schedule thereof adopted by the Board of Directors and furnished to the Owners for violations of the Governing Documents of the Association;
- (l) Impose and collect reasonable charges for the preparation and recording of amendments to the Governing Documents, or for statements of unpaid Assessments;
- (m) Provide for the indemnification of its Officers and Board of Directors; and maintain Directors' and Officers' liability insurance;
- (n) Assign its right to future income, including the right to receive Common Expense Assessments, upon a finding of reasonable necessity for such action by the Board;
- (o) Exercise any other powers conferred by the Covenants or Bylaws;
- (p) Exercise all other powers that may be exercised in this state by the same type of corporation as the Association; and
- (q) Exercise any other powers necessary and proper for the governance and operation of the Association.

4.6 Powers of Separate Sections of the Association

4.6.1 Each separate section of the Association may, subject to the review and approval of both the Board and, [if the context requires, the Semiahmoo Resort Association](#):

- (a) purchase, hire or otherwise acquire personal property for use by owners in the separate section in connection with their enjoyment of the limited common elements appurtenant to, and common elements to be controlled, managed and administered by the separate section, facilities common to the separate section or other assets of the separate section;
- (b) make an agreement with any owner or occupier of a Unit within the separate section for the provision of amenities or services by it to the Units or to the owners or occupiers thereof;

(c) make such rules and regulations as it may consider necessary or desirable from time to time in relation to the enjoyment, safety and cleanliness of the limited common elements appurtenant to and common elements relevant to the separate section, facilities common to the separate section, or other assets of the separate section; and

(d) do all things necessary for the enforcement of the rules and regulations of the separate section, and for the control, management and administration of the limited common elements appurtenant to and common elements relevant to the separate section, facilities, and to the separate section, or other assets of the separate section, generally, including removing privileges in use of certain facilities or fixing and collecting fines for contravention of the rules or regulations.

4.6.2 Resolutions Pertaining to the Separate Sections Any resolutions passed by the Board dealing with separate sections shall clearly state the particular Units or common elements or limited common elements to which such resolution applies.

4.7 Membership

4.7.1 Qualifications

Each fee Owner or real estate contract vendee of a Unit/Parcel in the Community shall be a Member of the Association. Ownership of a Unit/Parcel 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/Parcel solely as security for the performance of an obligation does not entitle the owner of such interest to membership in the Association. A Member shall be considered a "Member in Good Standing" when such Member has paid all required dues, charges and assessments owing by such Member, and has not been found to have violated other provisions of the Governing Documents.

4.7.2 Rights and Privileges - Conditioned on Compliance with Governing Documents

Rights and privileges of membership are set forth in the Governing Documents. Such rights and privileges are subject to the payment of all dues, charges or assessments as may be lawfully levied against the Unit/Parcel to which such membership is appurtenant. Rights and privileges of membership, including the right to use Common Areas, facilities or amenities owned or maintained by the Association, or to vote, may be suspended during any period in which dues, charges or assessments owing to the Association remain unpaid, or when the Member has been found to have violated provisions of the Governing Documents. With respect to violations of the Governing Documents other than a failure to pay dues, charges and assessments, a suspension may be authorized only upon the affirmative vote of not less than two-thirds (2/3) of the Directors present at any duly constituted meeting of the Board, and only after the Owner has been afforded an opportunity for a hearing under Section 7.10 of these Bylaws. A Member who has failed to pay any lawfully levied dues, charges or assessments, or whose membership rights and privileges have been suspended ceases to be a Member in Good Standing for the duration of the period that dues, charges or assessments remain delinquent, or for the period of time specified in the Association's decision authorizing such suspension, as appropriate.

4.7.3 Evidence of Membership

Evidence of membership in the Association may be issued to the membership of the Association in such form as the Board shall from time to time designate. Each Member shall provide the Secretary of the Association with the name and address of each owner. No membership or evidence of membership may be transferred or loaned to another by any individual, except as provided in these Bylaws. All such evidence of membership remains the property of the Association and must be surrendered to the Association upon termination of membership or upon request of the Association.

4.8 Transfer of Membership

The Association membership of each Owner shall be Appurtenant to the Unit/Parcel 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/Parcel and then only to the transferee of title to such Unit/Parcel. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Unit/Parcel shall operate automatically to transfer the membership in the Association Appurtenant thereto to the new Owner thereof. Following such a transfer, each new Member shall be entitled to receive copies of the Governing Documents from the Association. The Board may impose a transfer fee upon each new Member in order to cover the administrative costs associated with the transfer. Also see section 11.1 for other limitations.

4.9 Meetings

4.9.1 Place of Meetings

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

4.9.2 Annual Meeting

An annual meeting of the Association shall be held on the first Saturday in the month of June of each year at the hour of nine o'clock AM (9:00 AM). 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) 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, which shall be available to the Association no later than thirty (30) days prior to the annual meeting;

(b) 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;

(c) A statement of any anticipated repair or replacement cost in excess of five (5) percent of the annual budget of the Association that has been approved by the Board of Directors;

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

(e) A balance sheet and a revenue and expense statement of the Association prepared on an accrual basis, which shall be current to ninety (90) days.

4.9.3 Regular Meeting

A regular meeting of the Association shall be held on the second Saturday in the month of November in each year, at the hour of nine o'clock AM (9:00 AM) to review the annual budget for the next fiscal year and to approve the assessment and/or special assessments for the next fiscal year and to conduct such other business as may be properly brought before the meeting.

4.9.4 Notices of Annual Meeting and Regular Meetings

Not less than thirty (30) nor more than forty-five (45) days in advance of the Annual June Meeting and the regular November 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 Parcel 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. Along with the Notice of any meeting of the Owners, the Secretary shall include Ballot materials consistent with the provisions of Sections 5.1.4, 8.7 or 8.10 hereof, and any other information concerning the candidates seeking election or concerning any resolutions proposed for adoption by the Membership, as the Board may reasonably deem necessary or advisable. (Ref. 4.9.6 & 4.9.7)

4.7.5 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 Covenants or applicable law require the approval of all or some of the Owners, or for any other reasonable purpose. Such meetings shall be called by written notice upon the decision of the President, or after a request signed by a majority of the Board, or by written request by Owners having at least 10% of the total votes in the Association.

4.9.6 Notices of Special Meetings

Except as provided in Section 5.4.1 hereof, 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/Parcel or to any other mailing address designated in writing by the Owner not less than fourteen (14) nor more than sixty (60) calendar days in advance of any special meeting. 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 Covenants, Articles of Incorporation, Bylaws, any budget or changes in the previously approved budget that result in a change of assessment obligations, or a proposal to remove a Director or Officer.

4.9.7 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.

4.10 Voting

4.10.1 Voting Rights

Subject to the provisions of Section 4.10.7 hereof, each Owner shall have a right to vote at meetings of the Association on such matters as may lawfully come before the meeting. Each Owner of a Parcel that is unimproved shall be entitled to one (1) vote for each such unimproved Parcel owned by such Owner on each matter submitted to a vote of the Owners. However, for each Parcel that is improved with a Building, an Owner of a Unit shall be entitled to one vote for each Unit. In the event that a Parcel is owned by the Association, the Semiahmoo Resort Association or a government entity, no votes allocated to such Unit/Parcel may be cast, and in determining the percentage of votes required to act on any matter, the votes allocated to such Parcel shall be disregarded. In any case, no unimproved Parcel shall be allotted more than one (1) vote. (Ref. section 4.10.2)

4.10.2 Joint Ownership

The vote for a Unit/Parcel must be cast as a single vote and fractional votes shall not be allowed. If only one of the multiple Owners of a Unit/Parcel is present at a meeting of the Association, in person, by proxy or written ballot, that Owner is entitled to cast the vote allocated to that Unit/Parcel. If more than one of the multiple Owners is so present, the vote allocated to that Unit/Parcel may be cast only in accordance with the agreement of a majority in interest of the multiple Owners. There is majority agreement if anyone of the multiple Owners casts the vote allocated to that Unit/Parcel without protest being made promptly to the person presiding over the meeting by any of the other Owners of the Unit/Parcel. In the absence of majority agreement, the conflicting vote shall be deemed an abstention of the vote for such Unit/Parcel. The Board may prescribe supplemental procedures designed to protect the integrity of the voting process.

4.10.3 Voting by Written Ballot/Electronic Voting

The vote allocated to a Unit/Parcel may be cast by an official written ballot executed by the Owner. An official written ballot or proxy shall not be valid unless it is signed by the Owner and received by the Association on or before the date and time designated therein as the deadline. A written ballot shall be deemed the equivalent of a directed proxy designating an individual, either by name or by general description (e.g., "any Officer of the Association"), and instructing such person how to vote on the matters to be decided at the meeting for which the ballot is prepared. In the event that the Association elects to prepare a written ballot for use at a meeting, copies thereof shall be served with the notices of such meeting. The Board may make provision for voting by mail, including electronic mail.

4.10.4 Quorums

A quorum is present throughout any meeting of the Association if the Owners of Unit/Parcel to which at least ten (10%) percent of the votes in the Association are allocated are present in person or by written ballot at the beginning of the meeting.

4.10.5 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; (iv) approval of minutes of the previous meeting of the Association; (v)

election of Directors, if applicable; (vi) reports of the Board of Directors, Officers and committees; (vii) unfinished business; and (viii) new business. Items (iv), (vii) and (viii) shall be omitted from the order of business of a special meeting held for the sole purpose of electing a Director. 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. (Ref. section 5.1.4 and/or 6.0).

4.10.6 Rules of Procedure for Meetings of the Association

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. Robert's Rules of Order, as its provisions may be adopted, modified or revised by administrative resolution of the Board, shall govern the conduct of all meetings of the Association when not in conflict with the Act or the Governing Documents.

4.10.7 Overriding Declarant Rights

Notwithstanding anything to the contrary contained herein, the "Declarant" under the Covenants shall initially control the Association by appointing all of the directors to serve on the Board of Directors of the Association, and such Board of Directors shall be fully authorized to exercise the powers of the Association until such time as all of the Units/Parcels within the Community have been sold by Declarant, Declarant turns over such control to the Owners as provided below, or the expiration of fifteen (15) years after the date of final approval of the Resort Semiahmoo Zone 3 Plat, whichever occurs sooner. Should the Declarant elect to turn over control of the Association before the expiration of such fifteen (15) year period, the Declarant shall provide notice to each record owner within the Community, which notice shall provide thirty (30) days prior notice of a meeting of the Association for the purpose of election of new directors and appointment of new officers all as provided in these Bylaws. Notwithstanding anything contained herein to the contrary, Declarant shall have the right at any time to turn over control of the Association to the Owners for the limited purpose of matters relating only to ministerial administration of the Community, retaining to itself any and all decisions which in Declarant's reasonable judgment affect development or marketing of Parcels or Units within the Community. Examples of matters relating only to ministerial administration may be levying and collection of assessments, election of directors, amendment of Association Rules, etc. Examples of matters which may affect development or marketing of Unit/Parcels within the Community would be maintenance and upkeep of the Common Areas, amendments to the Covenants, revisions to access roads within the Community, capital improvements to the Community, etc. until such time as full control of the Association has been turned over to the Owners, Declarant shall retain the authority to veto any decision of the Association which, in Declarant's reasonable judgment has a material adverse impact on the Property or the development or marketing of those Unit/Parcels still owned by Declarant.

4.11 Procedures for Election of Directors

See Section 5.1.4 hereof.

5. BOARD OF DIRECTORS

5.1 Number. Qualifications. Term of Office

5.1.1 Number of Directors

Except as hereinafter provided, the affairs of the Association shall be managed by a Board of seven (7) directors. One Director will be elected to represent each of the Sections and the remaining Directors will be elected at large. Such members of the Board of Directors shall take office upon election and, at the annual organizational meeting described in Section 5.2.1 hereof, shall elect or appoint the Officers of the Association described in Section 6 hereof.

5.1.2 Qualifications

(a) Each member of the Board of Directors must be and remain a Member of the Association in good standing. After the first year of operation of the Association, each member of the Board of Directors must also have been a member for not less than one (1) year. The term "Member" in such context shall be deemed to include any director, officer, partner in, or trustee of any person, who, either alone or in conjunction with another person or persons, is a Member. 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 a person shall be disqualified from continuing in office if he or she ceases to have any such affiliation with that person, or if that person would have been disqualified from continuing in such office as a natural person.

(b) No person shall be eligible to be appointed to the Board if such person is a co-owner with an existing Board member.

5.1.3 Term

A Director shall serve for a term of two years, and until his or her successor is elected. No Director shall be eligible to serve on the Board for more than two (2) consecutive terms and shall not be eligible for election thereafter until the lapse of at least one (1) year. Any Director who has served for more than half of a term shall be deemed to have served a full term.

5.1.4 Procedures for Election of Directors

Prior to April 30 of each year, the President with input and approval of the Board shall appoint a three (3) member Election Committee composed of voting Members in good standing. No member of the Election Committee shall be a candidate or be related to a candidate for the office of director (committee members so affected must resign.) This Committee shall serve until the day following the annual meeting. The Secretary of the Association shall serve as the liaison to the Committee. It shall be the duty of the Election Committee:

- (a)
- (1) to receive and validate all statements of candidacy for election as a director;
 - (2) to contact each individual candidate and explain the duties and responsibilities of a director;
 - (3) to cause ballots to be mailed to all voting Members, and under the direction of the Secretary of the Association, to receive, store and validate the ballots and tabulate the votes.

(b) Each year between January 31 and February 28 at five o'clock. (5:00 P.M.), inclusive, any voting Member in good standing and having been a member for not less than one

(1) year may file with the Election Committee a statement of his/her candidacy for election as a director of the Association for the term beginning immediately following the: annual meeting of the Association held after the filing of the such statement candidate shall be required to submit a biographical statement, including any facts that might be considered a conflict of interest, and a statement of objectives. Said statements shall be subject to verification by the Election Committee.

(c) On or before the 15th day of March, the Election Committee shall provide to the Secretary of the Association a list of all candidates who have submitted valid statements of candidacy and shall certify that such has been verified by the Election Committee and that each candidate has been informed of the duties and responsibilities of a Director.

(d) The Secretary of the Association shall cause notice of each candidacy, including the biographical statement and statement of objectives, to be mailed to each voting Member along with a ballot form and the notice of the annual meeting. Such notice shall be mailed at least thirty (30) days in advance, but not more than forty-five (45) days in advance, of the annual meeting. (also see section 4.9.4)

(e) In each election of Directors, members who are declared "not in good standing" at the time of the vote, shall be denied the right to vote.

(f) Written ballots for the election of directors shall (1) describe the vacancies to be filled; and (2) set forth the names of persons who have duly become candidates for the office of director.

(g) Each voting Member shall receive one (1) ballot for each Unit/Parcel for which (s)he is a voting Member as provided in accordance with section 4.10.1. Cumulative voting is not permitted. Candidates shall be elected by a plurality of the votes where a majority is not possible. The candidate receiving greatest number of votes shall win the election with no runoff required. In case of a tie, the winner will be determined in the manner provided in subsection (j) hereof and in accordance with sections 4.10.1 and 4.10.2.

(h) The completed ballot, which each voting Member is entitled to cast, shall be placed in a sealed envelope marked "Ballot Only," but not marked in any other way. Such "Ballot" envelope shall be placed in another sealed envelope which shall bear on its reverse the name of the voting Member, the proper designation of the member's division and Parcel number, the signature of the voting Member and such other information as the Board may determine will serve to validate the right to cast the ballot contained therein. Only one (1) ballot and "Ballot" envelope shall be contained in each envelope and more than one ballot and/or "Ballot" envelope shall disqualify all ballots contained therein. All ballots must be returned to the Secretary of the Association no later than nine-thirty AM (9:30 AM) at the annual meeting to be counted in the election of directors. The Secretary of the Association will cause to be determined from the external unopened envelope whether a valid ballot, in accordance with Section 4.10.1 and 4.10.2 and the above provision, is contained therein. The valid envelopes shall be placed unopened in a safe or other locked place in the custody of the Secretary of the Association until turned over to the Election Committee for counting.

(i) Beginning after nine o'clock (9:00 A.M.) on the day preceding the annual meeting, the Election Committee shall open the outside envelopes and remove the "Ballot" envelopes. All procedures shall be taken in such manner that the vote of any Member shall not

be disclosed to anyone, including the Election Committee. The Election Committee shall then open the "Ballot" envelopes and count the votes. The result of the above count shall remain secret until after the committee has received and counted any proxy votes received at the meeting. The chairperson of the Election Committee shall notify the Secretary of the Association and all candidates of the results of the balloting immediately after the Election Committee has certified the results of the count. The results of the balloting shall be announced at the annual meeting, and the term of office of the directors declared elected shall commence immediately following said annual meeting.

(j) In the event of a tie vote in an election for a position on the Board of Directors, the Election Committee shall conduct a recount. If after the recount a tie still exists, the winning candidate shall be determined by the flip of a coin by the Chairman of the Election Committee, in the presence of said committee and of the affected candidates if possible.

(k) In the event that the number of candidates verified by the Election Committee as qualified to stand for office is less than or equal to the number of positions open for election, the Board of Directors may declare said candidate(s) elected, in which case the balloting procedures provided for in the Article shall be dispensed with. In such a case the notice for the June meeting shall inform the members of this action and shall provide a copy of the candidates' profiles submitted pursuant to subsection (b) hereof. In the event there are no candidates verified as qualified for an open position on the Board, such position shall be deemed a Vacancy which shall be filled in accordance with Section 5.3 hereof. Write-in candidates are prohibited in all cases.

(l) All ballots shall be retained in the custody of the Secretary of the Association for a period of three (3) years, after which they shall be destroyed.

5.2 Meetings of the Board of Directors

5.2.1 Organizational Meeting

An organizational meeting of the Board of Directors shall be held within two (2) weeks after each annual meeting of the Association. At this meeting, the Board shall elect or appoint the Officers of the Association described in Article 6 hereof and in compliance with Section 5.2.4 and 5.1.1 hereof.

5.2.2 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.

5.2.3 Special Meetings

Special meetings of the Board of Directors may be called by the President at his or her reasonable discretion. A Special meeting of the Board of Directors shall be called by the President, or Secretary, with the written request of at least two Directors.

5.2.4 Notice and Waiver of Notice

Notice of regular or special meetings of the Board of Directors shall be given to each Director, by mail, e-mail, facsimile or hand-delivery at least forty-eight (48) 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 (7) days prior to the next succeeding regular meeting. Notice of a special meeting shall state the purposes of the meeting. The Secretary shall provide notice to the Owners of Regular Meetings of the Board by posting notice at the office and other such publications that may become available, and shall provide notice of Special Meetings of the Board by posting such notice at the business office of the Association not less than forty-eight (48) hours in advance 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 the event of a bona fide emergency, and if all of the Directors are present, no notice shall be required and any business may be transacted at such meeting.

5.2.5 Quorum and Voting

A quorum is deemed present throughout any meeting of the Board of Directors if persons entitled to cast at least fifty (50%) percent of the votes on the Board of Directors are present. Each Director shall have one vote, and proxy voting shall not be 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, notice of which shall be duly provided to the remaining Board Members and Owners. A recessed meeting may be held as designated with required notice, and when a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called.

5.2.6 Rules of Procedure for Meetings of the Board

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. Robert's Rules of Order, as its provisions may be adopted, modified or revised by administrative resolution of the Board, shall govern the conduct of all meetings of the Board of Directors when not in conflict with the Act or the Governing Documents.

5.2.7 Action by Directors without a Meeting

In a bona fide emergency, any action required or permitted to be taken may be taken without a meeting if all of the members of the Board of Directors consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors.

5.2.8 Open Meetings

Except as herein provided, 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 Governing Documents, 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.

5.2.9 Arbitration in Event of Deadlock

In the event that the Board of Directors becomes deadlocked for any reason, or shall be unable or unwilling to act with respect to any matter within its powers and authority, in addition to any other remedies which may be available under applicable law, such matter may be resolved by arbitration under the procedures hereinafter described. Any Director or Owner may initiate such arbitration proceedings in the name of the Association, which arbitration shall be conducted substantially in accordance with the procedures established for Mandatory Arbitration under the Superior Court Mandatory Arbitration Rules, irrespective of whether the dispute is one which is subject to Mandatory Arbitration under law, and without the necessity of actually filing formal proceedings in Superior Court. If the parties cannot agree upon the identity of the arbitrator within thirty (30) days of notice by such Director or Owner to the other Directors and Unit/Parcel Owners that a dispute requiring arbitration hereunder is to be arbitrated, any such party may apply to any Judge of the Superior Court for Whatcom County, sitting in Chambers, and the Judge is hereby authorized to select an arbitrator from the Court's master list of potential arbitrators. Unless the Arbitrator determines otherwise, all costs, fees and expenses of the Arbitrator, including an advance retainer if requested by the Arbitrator, shall constitute a Common Expense and shall be payable as the Arbitrator may determine; provided, however, that the decision of the Arbitrator may include an award to a prevailing party of those sums previously paid and/or incurred by such prevailing party for such costs. The decision of the Arbitrator shall be binding upon the parties and the Association, and may be enforced in the manner provided in RCW 7.04, as well as through any other means provided in the Covenants or these Bylaws.

5.3 Vacancies

A vacancy on the Board of Directors caused by any reason, 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 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.

5.4 Removal or Suspension of Directors

5.4.1 Removal by Action of Owners

The Owners, by majority vote of the voting power in the Association present in person or by written ballot and entitled to vote at any duly constituted meeting of the Owners at which a quorum is present, may remove any member of the Board of Directors with or without cause. Said director shall be given an opportunity to be heard at the meeting. (Ref. RCW 65.38.025) (Ref. 5.3)

5.4.2 Removal or Suspension by Action of Board of Directors

A Director who has been determined to have substantially violated the Governing Documents, or who has failed to pay any annual dues, assessments, special assessments, fines or charges associated therewith within thirty (30) days of their due date may be either (i) removed from the Board or (ii) suspended from attendance and voting for the duration of the period of noncompliance, by a vote of the majority of the remaining Board members. (also see section 4.5.2)

5.4.3 Automatic Removal

Any Director who has been absent without excuse by the Board for three (3) consecutive regular Board meetings or who has been absent without excuse by the Board from four (4) regular Board meetings during a calendar year shall be automatically removed from the Board.

5.5 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.

5.6 Annual Report of the Board of Directors

The Board of Directors shall present at each annual meeting of the Association, and when called for by vote of the Association at any special meeting of the Association, a complete statement of the operating and financial condition of the Association, containing at minimum the information required in Section 4.9.2 of these Bylaws.

5.7 Fidelity Insurance

The Board of Directors shall obtain for any Director, Officer, trustee, volunteer, agent (excluding a Property Managing Agent, which shall acquire its own fidelity coverage), or employee of the Association handling or responsible for Association funds, adequate fidelity insurance. The policy shall name the Association as the insured and must include a provision that calls for ten (10) days' written notice to the Association before the policy can be canceled or substantially modified for any reason. The policy should cover the maximum funds that will be in the custody of the Association or its Manager at any time while the policy is in force. A Manager that handles funds for the Association shall be covered by its own fidelity insurance policy and must provide the same coverage required of the Association.

5.8 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 therefore is indicated by the circumstances, and without knowledge that would cause such reliance to be unwarranted.

5.9 Conflict of Interest -Duty of Loyalty

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 one or more of its Directors, or between the Association and any corporation, firm, entity or Association in which one or more of the Directors are Directors or Officers or are pecuniary or otherwise interested, shall be either void or voidable because such Director or Directors are present at the meeting of the Board of Directors or any committee thereof which authorizes or approves the contract or transaction, if the fact of the common directorate or 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. Common or interested Directors 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. Such Directors should consider abstaining from voting, but may be permitted to vote thereat and authorize any contract or transaction with like force and effect as if they were not common or interested Directors or Officers of such other corporation or were not so interested, provided that the disclosures required earlier in this Section have been duly made, and that the contract or transaction be approved by at least a majority of the disinterested Directors present at the meeting. If disclosures are not made as required by this Section, the contract or transaction may be voidable at the insistence of the Association, and the interested Director may not be insulated from liability for any harm suffered by the Association as a result of the contract or transaction.

5.10 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 Governing Documents. 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 Association, to the fullest extent authorized by RCW 238.08.320, and 238.08.500 through

238.08.600, and any amendments thereto, irrespective of the fact that the Association is not incorporated under RCW 238.17.030.

5.11 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 Unit/Parcel and for each of them, to manage, control and deal with the interests of such Owners in the Common Areas of the Community so as to permit the Board of Directors to fulfill all of its powers, functions and duties under the provisions of the Act, the Covenants 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 of any insurance indemnity. This power shall include, but shall not be limited to, the power to grant easements and licenses from time to time affecting the Common Areas, 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/Parcel 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 Covenants or these Bylaws.

5.12 Change in Size of Board

The number of Directors may at any time be increased or decreased by amendment of these Bylaws. No decrease shall have the effect of shortening the term of any incumbent Director, nor shall the number of Directors ever be less than five (5) persons.

5.13 Special Committees – General Authority

The Board of Directors, by resolution adopted by a majority of the Directors in office, may designate and appoint one or more special committees to assist the Board in discharging its duties. Any such Committee that will have the power and authority to exercise any of the lawful functions of the Board shall consist of at least two or more Directors and, if desired, one or more Owners who are not members of the Board. 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, him or her by law.

5.14 Standing Committees

(a) The Board may, as required, create or dissolve Standing Committees and Ad hoc/advisory committees to serve specified purposes and duties by resolution of the Board. Such Standing Committees shall operate within the guidelines established by the Board and as provided In the Declaration, the Articles, these Bylaws and the published Rules and Regulations of the Association. Ad hoc/advisory Committees may have, but will not require a Board member liaison.

(b) Each Committee shall have one member whose role shall be that of liaison to the Board, who shall periodically provide reports to the Board of the activities of the Committee at such times or with such frequency as may be established by resolution of the Board.

(c) Committees not considered permanent shall be established and dissolved by resolution of the Board.

(d) Members of Permanent Committees shall serve for a term of two (2) years. The Board may by resolution prescribe longer or shorter terms for one or more Member positions for maintaining staggered terms to provide for continuity of management. No Member shall be eligible for appointment to a committee for more than two (2) consecutive terms and shall not be eligible for appointment thereafter until the lapse of at least one (1) year, however, the Board may by a majority vote extend the term of one or more committee member(s) as needed to preserve continuity or for any other purpose deemed by the Board. Any Member who has served for more than half of a term shall be deemed to have served a full term.

(e) Members of Permanent Committees appointment terms will begin and end at the Regular November meeting.

(f) Committee members shall, at the first committee meeting held following each Regular November meeting, elect a chairperson to serve for a one (1) year term. A chairperson shall be eligible to serve as chairperson for not more than two (2) years. The Board will fill committee vacancies by soliciting applications from interested Association members in good standing and allow the committee to nominate candidates to the Board.

(g) The following standing committees shall be permanent committees and shall have a member of the Board designated as a liaison. The size of the following committees (5.14 (g) 1 and 2) shall be not less than three and not more than five (5) unless otherwise directed by a resolution of the Board or as otherwise directed in the Bylaws.

(1) The Storm Water Control Committee shall serve in an advisory capacity to the Board on matters concerning the operation of the storm water retention and treatment facility primarily located on Tracts H and I, including without limitation, the stormwater infiltration trenches located on any Parcel within the Resort Semiahmoo Zone 3 Plat. The Committee shall consist of members in good standing who shall be appointed/approved by the Board. The Committee shall adopt written rules and regulations governing its procedures, which shall be subject to approval of the Board. The Committee shall advise the Board regarding the recommendations of the Committee.

(2) The Common Areas Committee shall serve in an advisory capacity to the Board on matters concerning the operation of the open space, parks, trails, pet areas and other public or private facilities located within the Resort Semiahmoo Zone 3 Plat and its amenities (other than the Common Areas within the purview of the Storm Water Control Committee). Without limiting the generality of the foregoing, the Common Areas Committee will make recommendations to the Board for the annual inspection and maintenance of beach stabilization works, vegetation control and maintenance of the trail areas and viewing stations. The Committee shall consist of members in good standing who shall be appointed/approved by the Board. The Committee shall adopt written rules and regulations governing its procedures, which shall be subject to approval of the Board. The Committee shall advise the Board regarding the recommendations of the Committee.

5.15 Rules of Procedure for Standing Committees

Subject to the approval of the Board, each committee may adopt its own rules of procedure or may use one provided by the Board, provided that

(a) a minimum of two (2) meetings are held each year, unless otherwise provided in these Bylaws or the resolution of the Board creating such committee;

(b) notice of a meeting shall be posted at the designated location at least forty- eight (48) hours before and whenever possible, published by the Association;

(c) no business shall be conducted in private unless otherwise stated in the Bylaws or with less than a quorum of appointed members, who shall be the only voting members. Minutes of each meeting shall be filed with the Secretary of the Association;

(d) meetings shall be open to all members of the Association in good standing.

5.16 Appeal of a Committee Decision

Any decision of any Committee may be appealed to the Board of Directors by any Owner affected by a decision of such Committee.

6. OFFICERS AND OTHER PERSONNEL

6.1 Principal Officers

The principal Officers of the Association are a President, a Vice President, a Secretary, a Treasurer and the Executive of each separate section. The President shall also serve as Chairman of the Board. All the principal Officers of the Association must be members of the Board of Directors. Accordingly, the Executive of each separate section will be the Director elected to the Board from such separate sections. 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 overseeing implementation of policy decisions adopted by the Board of Directors.

6.2 Election of Officers

The Officers of the Association shall be elected or appointed annually by the Board of Directors at the Board's annual organizational meeting. (Ref. Section 5.2.1)

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 the Board of Directors; (s)he shall oversee the business of the Association, subject to the control of the Board of Directors.

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 8.0 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 may 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 be responsible for ensuring that all Association funds are properly deposited in federally insured depositories designated by the Board of Directors, and that all receipts and disbursements are accurately documented. The Treasurer shall present quarterly financial reports to the Board of Directors consistent with the requirements of Section 8.4.1. Financial statements shall be compiled in accordance with generally accepted accounting principles, and consistent with homeowners association auditing guidelines. Subject to the provisions of Section 8.4.3 hereof, all financial records shall be available for examination by the Owners, Mortgagees, and their duly authorized agents during regular business hours.

6.8 Executive of Separate Section

The power of each separate section shall, subject to any restriction imposed or any direction given at a general meeting of the separate section, be exercised and performed by the Executive of the separate section elected by the owners of Unit/Parcels within that separate section to be the representative of the separate section on the Board of Directors. The members of the separate section may pursuant to these Bylaws elect one Executive, call and hold meetings and pass resolutions in the same manner as the Association. The Declarant under the Declarations shall exercise the powers and duties of the Executive of each separate section until an Executive for each separate section is elected by the owners within the separate section at the first general meeting called for such purpose.

6.9 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 by him or her in the performance of his or her duties.

6.10 Liability of Officers and Indemnification

See Section 5.10 of these Bylaws.

6.11 Other Personnel

The Board may appoint, employ, terminate, discharge, fix the compensation and provide for the duties and powers of such other agents and employees as, in the judgment of the Board, shall be advisable, subject to the requirements and provisions of these Bylaws. Any such person shall perform and discharge such duties, other than those enumerated in these Bylaws, as the Board may from time to time require. Notwithstanding the above, the Board may by resolution delegate any of these duties to a manager and/or Managing Agent, subject to the requirements of Section 8.2 hereof.

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 Covenants. 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 Legal Proceedings

Failure to comply with any of the terms of the Governing Documents shall be grounds for legal relief. Such relief may include, without limitation, actions to recover any sums due for money damages, injunctive relief, foreclosure of the lien for payment of Assessments and any other relief provided for in The Governing Documents or afforded by a court of competent jurisdiction. Such 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.

7.3 Costs and Attorney's Fees

The Association shall be entitled to recover any costs and reasonable attorney's 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 attorney's fees if it prevails on appeal and in the enforcement of a judgment. In any other proceeding arising out of an alleged default by an Owner, 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 Special Assessment against the Owner's Parcel.

7.4 Late Charges

The Board may impose and collect reasonable late charges to encourage prompt payment of Assessments.

7.5 Fines

The Board may impose and collect reasonable fines against Owners for violations of the Act or the Governing Documents: PROVIDED, however, that no fine may be levied unless (1) the Board has by resolution established a schedule of fines furnished to all Owners prior to the alleged violation, and (2) the alleged offending Owner has been provided with notice of an opportunity to be heard at a hearing conducted pursuant to Section 7.9 of these Bylaws. Until changed by resolution of the Board with advice of counsel, the amount of any fine so assessed shall not exceed the amount established by the Board for a single offense or for any continuing offense. Such fine shall be treated as a Special Assessment against the Owner's Parcel.

7.6 Liability for Conduct Causing Common Expense

Each Owner shall be liable for the cost of all maintenance, repair or replacement necessitated by the act, neglect or carelessness, of the owner or the owner's family, or employees, agents, tenants or licensees, but only to the extent that such cost is not covered by the proceeds of insurance carried by the Board of Directors. Such liability shall include any increase in fire insurance rates occasioned by use, misuse, occupancy or abandonment of any Parcel or its appurtenances. The Association may specially assess against the owner's Parcel any Common Expense caused by the owner(s) misconduct, PROVIDED that no such Special Assessment may be levied unless the alleged offending Owner has been provided with notice of and an opportunity to be heard at a hearing to be conducted pursuant to Section 7.9 of these Bylaws.

7.7 No Waiver of Rights

The failure of the Association, the Board of Directors or an Owner to enforce any right or condition which may be granted by the Governing Documents or the Act (RCW 64.38), 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.

7.8 Remedies Cumulative

A suit to recover a money judgment for unpaid Assessments may be maintained without foreclosing or waiving the lien securing the same, 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 condition of the Governing Documents or the Act (RCW 64.38) shall be cumulative. The exercise of any of these rights shall not constitute an election of remedies, nor preclude the party (Association) from exercising other privileges as may be granted by the Governing Documents or the Act (RCW 64.38) or law.

7.9 Pre-Sanction Hearing

When the Board proposes suspension of membership rights (declaring a member "not in good standing"), a fine, or Special Assessment for misconduct under sections 4.5.2, 7.5, 7.6 or any other section of these Bylaws, the alleged offending Owner shall be afforded the opportunity for a hearing by the Board to determine the appropriateness of the action proposed to be taken. A hearing will be governed by the procedure set forth below:

7.9.1 Notice of Hearing

At least fourteen (14) days in advance of the hearing, written notice of such hearing shall be hand-delivered or mailed by registered or certified mail, return receipt requested, to the Owner at the Owner's last known mailing address. The notice shall include

- (a) The place, day and hour of the hearing;
- (b) A statement, in reasonable detail, of the factual nature of any alleged violations, along with the section number of any portion of the Act or Governing Documents allegedly violated; and
- (c) The nature of the action proposed to be taken against such Owner.

7.9.2 Hearing Procedures

The President, or designee, shall preside at the hearing, which shall be conducted generally in accordance with the requirements for Meetings of the Board as provided in Section 5 and/or 5.2.6 of these Bylaws. Any Director who feels that it would be impossible to be fair, objective and unbiased in the proceedings shall disqualify him/herself prior to the commencement of the hearing. Both the subject Owner 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 and/or by audio or videotape or equivalent means. After receiving proof of the notice required by Section 7.9.1 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.

7.9.3 Default

If the Owner fails to appear at the hearing, (s)he may be found in default if there is proof that the Owner received proper notice of the hearing. In such case, the Board may render an immediate decision based upon receipt of evidence supporting the existence of a violation.

7.9.4 Continuances

In the interests of justice, the Board may continue the hearing at the request of either the Owner or the Association, for such reasonable period not to exceed thirty (30) days.

7.9.5 Decision

The Board may issue its decision at the close of the hearing or at a later date, not to exceed thirty (30) days following the date of the hearing or any continuation. 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 owner's 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.

7.9.6 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 reasonable terms and conditions.

7.10 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 COMMON PROPERTY-BUDGETS. ASSESSMENTS & RECORDS

8.1 Management by Board of Directors

The Board of Directors shall have all of the powers necessary to manage the property and affairs of the Association, subject to the limitations imposed by the Act or Governing Documents or those matters required of the Association by a vote of the members.

8.2 Professional Management

8.2.1 Employment of Manager

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

(a) Requirements. The Manager shall be a qualified individual or be a bona fide business enterprise which manages common interest residential communities. The Manager shall have experience in property management or equivalent and shall employ persons possessing a high level of competence in the technical skills necessary to proper management of the Common Areas of the Community. 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 common interest community insurance and accounting, contract negotiations, and maintenance of Association 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 Covenants 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 or modified accrual method of accounting shall be employed and expenses required by the Covenants or these Bylaws to be charged to more than one 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.

(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 Managing Agent shall maintain separate records and bank accounts for each 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 Areas and other capital expenditures.

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 Parcels 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 Principal Officers of the Association as defined in section 6.1.

8.4 Association Records

8.4.1 Financial Records

The Treasurer shall be responsible for overseeing the Association's financial reporting; and ensuring that financial records are accurate, current, and sufficiently detailed to document the Association's true financial status. The accrual or modified accrual method of accounting should be employed. At minimum, such records shall be provided quarterly and shall include

- (a) a "balance sheet" reflecting cash balances in all Association accounts;
- (b) a "transactions report" reflecting all cash receipts and disbursements;
- (c) an "income statement" reporting all revenue and expenses by budget line item;
- (d) a "budget report" identifying any actual or pending obligations which exceed budgeted amounts by more than ten percent (10%);
- (e) a "delinquency report" listing all Owners who are delinquent in paying Common Expense assessments, and the status of related collection.

8.4.2 Other Records

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

- (a) The original or a photocopy of the recorded Covenants and each amendment to the Covenants;
- (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, recordings or tapes and the separate Book of Resolutions described in 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) If reasonably available, a copy of the Developer's plans and specifications utilized in the construction of the Community's Common Area improvements;
- (h) Insurance policies or copies thereof for the Common Areas of the Community and the Association;
- (i) Any other permits issued by governmental bodies applicable to the Community;

(j) All written warranties that are still in effect for the Common Areas, 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 owner's manuals or instructions furnished with respect to installed equipment or building systems;

(k) A roster of Owners and Mortgagees and their addresses and telephone numbers, if known;

(l) Any leases of the Common Areas or areas and other leases to which the Association is a party;

(m) 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

(n) 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 shall be made reasonably available for examination and copying by the Association's Manager, any Owner, or the Owner's authorized agents. However, the Association shall not release the unlisted telephone number of any Owner without such Owner's consent. The Association may impose and collect a reasonable charge for copies and any reasonable costs incurred by the Association in providing access to records.

8.5 Audit of Records Required

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. The annual financial statements of the Association with annual Assessments of fifty thousand dollars (\$50,000.00) or more are required by the Act to be audited at least annually by a certified public accountant. This annual audit may, however, be waived annually by Owners to which at least sixty-seven percent (67%) of the votes in the Association are allocated. See RCW 64.38.045(3)

8.6 Annual Budget

In sufficient time to meet the requirements of Section 8.7 hereof, the Board shall prepare an Annual Budget which shall estimate the Common Expenses, described generally in the Covenants, to be paid during such year and shall also take into account the concerns and requirements of the separate sections to the extent reasonably possible. The Budget shall contain provisions, broken down between the separate sections, as appropriate, for the Association's Routine Operating Expenses, current and future Major Repairs or Replacements of Common Property, and other significant Non-Recurring Expenditures, or Capital Improvements. The Executive of each separate section will be responsible to supply the budget information applicable to his or her respective separate section, to verify the allocations as described below and to report back to the separate sections.

Common Expenses shall be apportioned between the Duplex Section and the Multifamily Section and to individual Units in the following manner:

(a) Common Expenses attributable to either separate section shall be allocated to that separate section and shall be borne by the owners of the Units within that separate section in the proportion that each Unit in a separate section bears to the aggregate number of possible Units within that separate section. Each owner of an undeveloped Parcel within a separate section will bear a proportion that it has as its numerator the number of Units that could be built on each such undeveloped Parcel and, as the denominator, the maximum number of Units that could be built on all Parcels within the separate section (see section 3.02 of the Declaration);

(b) Common Expenses not attributable to either separate section, including the cost of maintaining the Common Areas listed in section 2(h) above, shall be allocated to all Units/Parcels and each owner of a Unit will bear an equal share of the total based on the maximum number of Units that could be built on all Parcels within the Resort Semiahmoo Zone 3 Plat. For greater certainty, each Owner of an undeveloped Parcel will bear a proportion that it has as its numerator the maximum number of Units that could be built on that Parcel (see section 3.02 of the Declaration) with the denominator being the maximum number of Units that could be built on all Parcels within the Resort Semiahmoo Zone 3 Plat; and

(c) Common Expenses attributable to any Unit/Parcel shall be allocated to such Unit or Parcel.

Notwithstanding the foregoing, in determining the fractional proportions as described above, no Units shall be deemed to exist with respect to a Parcel owned by the Declarant, the Association, the Semiahmoo Resort Association or any governmental or quasi governmental body.

Unless determined by the Executive of each of the Duplex Section and the Multifamily Section, acting reasonably and approved by the Board, the following Common Expenses shall be allocated between the separate sections as follows:

(a) expenses relating to the common areas in each separate section (such as recreation rooms, storage areas, entrances, lobbies, utility rooms and other common areas in each area) will be for the account of the owners of Units/Parcels in each respective section;

(b) the underground parking area located within each Parcel, together with the appurtenant common areas will be maintained by the Association and the cost of such maintenance will be shared between the users of such facilities within the respective separate sections.

8.7 Meeting of Association to Approve Budget

The meeting at which the Annual Budget is considered shall be the November Meeting of the Association provided at Section 4.7.3 hereof. Within thirty (30) days after adoption of any proposed budget for the Association, the Board of Directors shall provide a summary of the budget to all the Owners. The mailing of the summary budget to Parcel Owners for consideration for ratification, shall not be less than fourteen (14) nor more than sixty (60) days prior to the November meeting. Unless at such meeting the Owner of Parcels to which a majority of the votes in the Association are allocated reject the budget pursuant to RCW 64.38.025 (3) the budget is ratified, whether or not a quorum is present. In the event 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 of Directors.

8.8 Reserves for Capital Improvements, Replacements, Major Repairs & Insurance Deductibles

8.8.1 Establishment of Reserves

The Board of Directors shall establish and maintain reasonable reserves for Major Repairs or Replacements of Common Property, and to cover Association insurance policy deductibles. The Board may also establish and maintain reserve funds for future capital additions or improvements or for such other purposes as it may deem advisable. Such reserves shall be provided for in the Annual Budget, and maintained in segregated Association accounts. The Board of Directors shall promptly allocate and deposit in the segregated accounts, budgeted Reserve fund amounts upon receipt of adequate revenue from the current year Annual Budget assessments.

8.8.2 Expenditure Restrictions

The Board shall have no authority to pay for, initiate or acquire any capital improvements or new, assets having a total cost in excess of ten thousand dollars (\$10,000.00) without first obtaining the affirmative vote of Owners holding not less than fifty-one percent (51%) of the voting power in the Association. This Section's expenditure restrictions shall not apply to projects or acquisitions specified in the ratified Annual Budget, or to unanticipated repairs or replacements necessary to preserve Common Property, or to continue essential Association operations.

8.9 Assessments for Common Expenses

8.9.1 Liability of Unit/Parcels

The total amount of the estimated funds required to pay the Common Expenses of the Association set forth in the Annual Budget adopted by the Board of Directors for the fiscal year shall be assessed against the Unit/Parcel equally, except as provided in Sections 8.6 or 8.10.2 or 8.10.3 hereof.

8.9.2 Payment of Annual Assessment

Unless otherwise determined by the Board of Directors, the annual Assessment against each Parcel for its proportionate share of the Common Expenses shall be due and payable January 1 of each year and subject to a late fee if payment is received after January 31. If an Assessment is made payable on a monthly or other installment basis notice, shall be mailed or delivered upon the initial levy of the Assessment, but additional notices need not be sent as the individual installments thereof fall due.

8.10 Special Assessments

8.10.1 General Authority

The Board of Directors may levy a Special Assessment for the purpose of defraying the cost of any unexpected repair or other non-recurring contingency, or to meet any other deficiencies in operations or reserves occurring from time to time. The Board of Directors shall give notice to the Owners of any such Special Assessment by a notice in writing giving the

amount and reasons therefore, and setting a date for a special meeting of the Association not less than fourteen (14) nor more than sixty (60) days after mailing the notice. Unless at that meeting the Owners of Parcels to which a majority of the votes in the Association are allocated reject the Special Assessment, it shall be deemed ratified, whether or not a quorum is present. Such Special Assessments shall become due and payable, unless otherwise specified in the notice, with the next regularly scheduled Assessment payment which is due more than thirty (30) days after the date of the Association meeting approving the Special Assessment. All Owners shall be obligated to pay the adjusted regular installment amount or, if the Special Assessment is not payable in installments, the full amount of such Special Assessment. (Ref. 4.7.4)

8.10.2 Assessments Against Fewer than All Unit/Parcels

The Board may adopt a Budget in which the cost of any Common Expense or portion thereof which benefits fewer than all the Parcels is assessed only against the Parcels so benefited.

8.10.3 Special Assessment for Expense Caused by Negligence or Misconduct

To the extent that any Common Expense is caused by the negligence or misconduct of any Owner, the Association may, subject to the provisions of Section 7.9 hereof, levy a Special Assessment for that expense against the Owner's Unit/Parcel. In addition, and without limitation, the liability of an Owner to pay any payments, fees, charges or fines, along with any costs and attorney's fees incurred in foreclosing the lien for Assessments provided in Section 8.14 hereof, and interest on any delinquent account shall be deemed a Special Assessment.

8.10.4 Transfer Fee(s)

All Real Estate Sales and Rental transactions are subject to a Transfer Fee. The Board of Directors will establish such fees and establish a policy by which such fees are collected.

8.11 Owners Personally Liable for Common Expenses

Each Assessment shall be the joint and several obligation of the Owner or Owners of the Parcel to which the same are assessed as of the time the Assessment is due. Suit to recover a personal judgment for any delinquent Assessment shall be maintainable in any court of competent jurisdiction without foreclosing or waiving the lien securing such sums. No Owner may exempt himself or herself from liability with respect to the Common Expenses by waiver of the enjoyment of the right to use any of the Common Areas or by leasing rental or abandonment of his or her Parcel or otherwise. The failure or delay of Board of Directors to adopt the Annual Budget for any year shall not constitute a waiver or release in any manner of an Owner's obligation to pay his or her allocable share of the Common Expenses as herein provided, and in the absence of an Annual Budget or adjusted Annual Budget, each Owner shall continue to pay (with or without notice) a regular Assessment at the rate established for the preceding fiscal year until an Assessment is made under a current Annual Budget or adjusted Annual Budget and notice thereof has been sent to the Owner.

8.12 Liability Following Conveyance of Unit/Parcel

A selling Owner shall not be liable for the payment of any part of the Common Expenses assessed against his or her Unit/Parcel subsequent to a sale, transfer or other conveyance by him of such Unit/Parcel. The purchaser of a Unit/Parcel shall be jointly and severally liable with the selling Owner for all unpaid Assessments against the Unit/Parcel up to the time of the conveyance without prejudice to the purchaser's right to recover from the selling Owner the amounts paid by the purchaser thereof. The holder of a mortgage or other purchaser of a Unit/Parcel who obtains the right of possession of the Unit/Parcel through foreclosure shall not be liable for Assessments that became due prior to such right of possession. Such unpaid Assessments shall be deemed to be Common Expenses collectible from all the Owners, including such mortgagee or other purchaser of the Unit/Parcel. Foreclosure of a mortgage does not relieve the prior Owner of personal liability for Assessments accruing against the Unit/Parcel prior to the date of such sales as provided above.

8.13 Statement of Unpaid Assessments

The Association, upon written request, shall furnish to an Owner or a mortgagee a statement signed by an officer or authorized agent of the Association setting forth the amount of unpaid Assessments against that Parcel. The statement shall be furnished within fifteen (15) days after receipt of the request and is binding on the Association, the Board of Directors, and every Owner, unless and to the extent known by the recipient to be false.

8.14 Lien for Assessments

The Association shall have a lien on each Unit/Parcel for any unpaid Assessments levied against a Unit/Parcel from the time the Assessment is due. If any Assessment is payable in installments, the Association has a lien for the full amount of the Assessment from the time the first installment thereof is due.

8.15 Enforcement of Lien

The lien arising under this section shall be enforced judicially by the Association or its authorized representative in the manner set forth in chapter 61.12 RCW. The Association or its authorized representative shall have the power, subject to the provisions of Section 8.8.2 hereof, to purchase the Unit/Parcel at the foreclosure sale and to acquire, hold, lease, mortgage or convey the same. Upon an express waiver in the complaint of any right to a deficiency judgment in a judicial foreclosure action, the period of redemption shall be two hundred and forty (240) calendar days. The Association may elect to take a deed in lieu of foreclosure in any such proceeding. No proceeding for the foreclosure of any such lien or liens shall be commenced except upon the expiration of one hundred and twenty (120) calendar days from and after the date upon which the charge or assessment giving rise to such lie or liens becomes due and payable.

8.16 Limitation on Lien Enforcement

A lien for unpaid Assessments and the personal liability for payment thereof is extinguished unless proceedings to enforce the lien are instituted within three years after the amount of the Assessments sought to be recovered becomes due.

8.17 Interest on Past Due Assessments

Pursuant to Section 11 of the Covenants, interest shall accrue on unpaid Assessments at the rate of eight percent (8%) per annum.

8.18 Fees for Use of Common Areas and Amenities

The Association may charge reasonable fees for the use and enjoyment of the various common areas, facilities and amenities owned and/or maintained by the Association.

9. AMENDMENT OF BYLAWS

9.1 Amendment of Bylaws

At a duly constituted meeting of the Association called for such purpose at which a quorum is present, these Bylaws may be amended by the affirmative vote of at least seventy-five (75%) percent of the eligible voting members present in person or by official ballot. Amendments may be proposed by the Board of Directors or by petition signed by Owners representing at least ten (10%) percent of the votes in the Association provided that any proposal submitted by Owners has been submitted in writing to the president no later than ninety (90) calendar days prior to the meeting. After review by the Board, the proposal shall be mailed to the membership no less than thirty (30) calendar days prior to the meeting.

9.2 Limitations on Right of Amendment

Any provisions of these Bylaws which are governed by the Articles of the Association may not be amended except as provided in the Articles of Incorporation. Any provisions of these Bylaws which are governed by the Covenants may not be amended except as provided in the Covenants.

9.3 Consent of Mortgagees

No amendment to these Bylaws which is intended to change any of the rights, obligations or duties of the Association or Owners as to any matter(s) for which the consent of any Mortgagee is required under any provision of the covenants, shall be valid absent the consent of such Mortgagees as may be required thereby.

10. NOTICE

10.1 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 Act or of the Governing Documents 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. Mortgagees may be entitled to notice by certified or registered mail pursuant to special provisions of the Covenants. Notice of Directors' meetings shall be given as prescribed in Section 5.2.4 hereof. (Ref. Section 4.9.4 & 4.9.6)

10.2 Waiver of Notice

Whenever any notice is required to be given under the provisions of the Act, the Covenants 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.

11. PROVISIONS AFFECTING USE AND OCCUPANCY

11.1 Renting and Leasing of Residences

A Member may rent, lease, or otherwise transfer use or occupancy of any home for residential purposes only for periods that exceed 1 year (?). A processing fee shall be assessed each time an Owner acquires a new tenant. Any Member renting, leasing or allowing another or others to occupy his/her residence shall be deemed to have assigned membership privileges to use the Common Areas to the tenant, and a copy of the lease/rental agreement shall be filed with the Association office. Once the owner assigns these membership privileges, such owner shall no longer be entitled to the use of the amenities or facilities. Such privileges are reinstated upon expiration of the lease/rental. Neither the lease nor the rental form shall relieve or release the Owner from his or her obligations and responsibilities incident to membership in the Association. If the Owner rents/leases to another Member, then the Owner is not deemed to have assigned his/her membership voting rights and privileges. By mere acceptance of the lease and/or occupancy of the premises, the tenant shall be deemed bound to abide by the Governing Documents of the Association. In addition to the foregoing, any member renting, leasing, or allowing another or others to occupy his/her residential unit shall be deemed to have assigned to the Associations Board of Directors an exclusive right to enforce those duties and obligations of the tenant arising by the virtue of the provisions of this Section as provided herein. The Association shall be deemed a real party in interest in any suit against a tenant seeking relief for violating any of the Governing Documents.

11.2 Right of Association to Enforce Covenants and Terminate Tenancy

In the event that any tenant shall fail to abide by the Governing Documents of the Association, the Association shall be entitled to bring an action to terminate the tenancy of the tenant provided that notice of the failure to abide by the Governing Documents of the Association has been given in writing to the tenant and to the landlord at the last known mailing address of each. If after the mailing of such notice, the tenant continues to engage in any activity which constitutes a violation of any of the provisions of the Governing Documents, then the Association shall be entitled to bring an action to terminate the tenancy of the tenant effective as of the end of the month in which such violation occurred. Nothing in this section shall impose a duty upon the Association to bring any such action, said decision resting solely within the discretion of the Board of Directors. Further, the Association shall not be liable to the landlord or Owner for any loss arising out of the exercise or failure exercise of the Association's right to terminate a tenancy, regardless of the circumstances, provided the decision to bring an action to so terminate the tenancy was arrived at in the exercise of good faith by the Board of Directors of the Association.

11.3 Right of Association to Regulate Use of Common Areas by Tenants and Guests

Members may allow their guests and/or tenants to use and enjoy the Common Areas subject to the provisions of the Governing Documents. The Association may, by resolution of the Board of Directors, limit the availability of certain Common Areas, facilities or amenities to guests or tenants, at its discretion.

12. MISCELLANEOUS

12.1 Compliance with Law

These Bylaws are set forth in compliance with the Act, the Covenants and the provisions of RCW 24.03

12.2 Conflict

These Bylaws are subordinate and subject to the Act, the applicable corporation law, the Covenants and the Articles of Incorporation. In the event of any conflict between these Bylaws and the foregoing, 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.