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1/23/2001 Page 1 of 34 11:30:34AM

**BYLAWS OF
MADDOX HIGHLANDS CONDOMINIUM I ASSOCIATION,
A WASHINGTON NONPROFIT CORPORATION**

ISLAND TITLE CO.
QB2065 ✓

GRANTOR: Maddox Highlands Condominium I Association, a Washington
Nonprofit Corporation

GRANTEE(S): The Public

LEGAL DESCRIPTION: Lots B-9, B-10 and B-11 Maddox Creek P.U.D. Phase 3,
Records of Skagit County, Washington

ASSESSOR'S PARCEL #: 4756-002-010-0000
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BYLAWS OF MADDOX HIGHLANDS CONDOMINIUM I ASSOCIATION

ARTICLE 1 PLAN OF CONDOMINIUM OWNERSHIP

- 1.5. Name and Location. These are the Bylaws of Maddox Highlands Condominium I Association (the "Association"). Maddox Highlands Condominium I (the "Condominium") is located in Skagit County, Washington, and has been submitted to the Washington Condominium Act by a declaration recorded simultaneously with these Bylaws and by supplemental declarations, if any, annexing property to the Condominium collectively the "Declaration". The location of the Condominium is more specifically described in the Declaration. These Bylaws apply to the entire Condominium, each Unit therein, and all common elements and facilities. Each owner of a Unit automatically, by virtue of such ownership, becomes a member of the Association. All present and future owners, mortgagees and holders of other encumbrances, lessees, tenants, licensees, and occupants of Units, and their guests and employees, and any other person who may use the facilities of the Condominium are subject to these Bylaws, the Declaration for the Condominium, and the rules and regulations pertaining to use and operation of the Condominium.
- 1.2. Principal Office. The principal office of the Manager of the Association shall be located at: c/o Windermere Real Estate/James Scott & Associates, 1030 E. College Way, Mount Vernon, Washington 98273, (Attention: Walt Meagher), or such other address as may be designated by the Board of Directors from time to time.
- 1.3. Purposes. This Association is formed under the provisions of the Washington Condominium Act to serve as the means through which the Unit Owners may take action with regard to the administration, management and operation of the Condominium.
- 1.4. Applicability of Bylaws. The Association, all Unit Owners, and all persons using the Condominium property shall be subject to these Bylaws and to all rules and regulations which may be adopted pursuant to these Bylaws.
- 1.5. Composition of Association. The Association shall be composed of all the Unit Owners of the Condominium, including InterWest Properties, Inc. ("the Declarant"), and its successors and assigns, and the Association, itself, to the extent any of these own any Unit or Units of the Condominium.
- 1.6. Incorporation. The Association shall be incorporated under the Washington Non-Profit Corporation Law. The Articles of Incorporation of the Association shall be consistent with the Declaration and these Bylaws, and these Bylaws shall constitute the Bylaws of the incorporated association.



- 1.7. Definitions. The definitions contained in or adopted by the Declaration shall be applicable to these Bylaws.

ARTICLE 2 MEETINGS OF ASSOCIATION

- 2.1. Place of Meetings. The Association shall hold meetings at such suitable place convenient to the Unit Owners as may be designated by the Board of Directors from time to time.
- 2.2. Organizational and Turnover Meeting. Within seven years after the date of conveyance of the first Unit to a person other than the Declarant, or within sixty (60) days after the termination of the period of Declarant control provided in RCW 64.34.308(4) the Declarant shall call the first meeting of the Unit Owners to organize the Association and to elect directors. Notice of such meeting shall be given to all Owners as provided in Section 2.5. If Declarant fails to call the meeting, the meeting may be called and notice given by any Unit Owner or Mortgagee of a Unit. The expense of giving notice shall be paid or reimbursed by the Association. At the meeting, Declarant shall deliver to the Association such information and documents as may be required by the Washington Condominium Act. In the event of lack of quorum at such organizational and turnover meeting, it may be adjourned to the time of the next annual meeting. Nothing in this section shall be construed as preventing the Declarant from calling the organizational and turnover meeting prior to such date, or from calling informal, informational meetings of the Unit Owners.
- 2.3. Annual Meetings. The annual meetings of the Association shall be held in the month of May or June at such hour and on such date as the Chairperson may designate, or if the Chairperson should fail to designate such date by the first day of May, then on the last Tuesday in June. The annual meetings shall be for the purpose of electing directors and for the transaction of such other business as may properly come before the meeting.
- 2.4. Special Meetings. Special meetings of the Association may be called by the Chairperson or secretary or by a majority of the Board of Directors, and must be called by such officers upon receipt of a written request from at least thirty percent (30%) of the Unit Owners stating the purpose of the meeting. Business transacted at a special meeting shall be confined to the purposes stated in the notice.
- 2.5. Notice of Meetings. Notice of all meetings of the Association stating the time and place and the objects for which the meeting is being called shall be given by the Chairperson or secretary. Such notice shall be in writing and mailed to each Unit Owner at his address as it appears on the books of the Association, and to any Eligible Mortgage Holder requesting such notice, not less than ten (10) days nor more than fifty (50) days prior to the date of the meeting. Proof of such mailing shall be given by the affidavit of the person giving the notice. Notice of meeting may be waived by any Unit Owner before



or after meetings. When a meeting is adjourned for less than 30 days, no notice of the adjourned meeting need be given other than by announcement at the meeting at which such adjournment takes place.

- 2.6. Voting. Each Unit Owner shall have one vote for each Unit of the Condominium owned by such Unit Owner. The Declarant shall be entitled to vote as the Unit Owner of any then existing Units retained by the Declarant, and the Board of Directors shall be entitled to vote on behalf of any Unit which has been acquired by or on behalf of the Association; provided, however, that the Board of Directors shall not be entitled to vote such Units in any election of directors.
- 2.7. Proxies. A vote may be cast in person or by proxy. A proxy given by a Unit Owner to any person who represents such Owner at meetings of the Association shall be in writing and signed by such Owner, and shall be filed with the secretary, at any time prior to the meeting. The presence of an Owner at a meeting shall automatically revoke such Owner's proxy for all matters which come before the meeting while the Owner is present. No proxy shall be valid after the meeting for which it was solicited, unless otherwise expressly stated in the proxy, and every proxy shall automatically cease upon sale of the Unit by its Owner. A Unit Owner may pledge or assign such Owner's voting rights to a Mortgagee. In such a case, the Mortgagee or its designated representative shall be entitled to receive all notices to which the Unit Owner is entitled under these Bylaws and to exercise the Unit Owner's voting rights from and after the time that the Mortgagee shall give written notice of such pledge or assignment to the Board of Directors. Any first Mortgagee may designate a representative to attend all or any meetings of the Association.
- 2.8. Fiduciaries and Joint Owners. An executor, administrator, guardian or trustee may vote, in person or by proxy, at any meeting of the Association with respect to any Unit owned or held in such capacity, whether or not the same shall have been transferred to his or her name; provided, that such person shall satisfy the secretary that he or she is the executor, administrator, guardian or trustee, holding such Unit in such capacity. Whenever any Unit is owned by two or more persons jointly, according to the records of the Association, the vote or proxy of such Unit may be exercised by any one of the Owners then present, in the absence of protest by a co-owner. In the event of such protest, no one co-owner shall be entitled to vote without the approval of all co-owners. In the event of disagreement among the co-owners, the vote of such Unit shall be disregarded completely in determining the proportion of votes given with respect to such matter.
- 2.9. Landlords and Contract Vendors. Unless otherwise expressly stated in the rental agreement or lease, all voting rights allocated to a Unit shall be exercised by the landlord if the rental agreement or lease has an original term of ten (10) years or less, or by the tenant if the rental agreement or lease has an original term of more than ten (10) years.

Unless otherwise stated in the contract, all voting rights allocated to a Unit shall be exercised by the vendee of any recorded real estate contract on the Unit.

- 2.10. Quorum of Unit Owners. At any meeting of the Association, Owners holding fifty percent (50%) of the voting rights, present in person or by proxy, shall constitute a quorum. The subsequent joinder of a Unit Owner in the action taken at a meeting by signing and concurring in the minutes of the meeting shall constitute the presence of such person for the purpose of determining a quorum. When a quorum is once present to organize a meeting, it cannot be broken by the subsequent withdrawal of a Unit Owner or Owners. If any meeting of Owners cannot be organized because of a lack of quorum, the Owners who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present.
- 2.11. Majority Vote. The vote of the holders of more than fifty percent (50%) of the voting rights, present in person or by proxy at a meeting at which a quorum is constituted, shall be binding upon all Unit Owners for all purposes except where a higher percentage vote is required by law, by the Declaration or by these Bylaws.
- 2.12. Order of Business. The order of business at annual meetings of the Association shall be:
- (a) Calling of the roll and certifying of proxies;
 - (b) Proof of notice of meeting or waiver of notice;
 - (c) Reading of minutes of preceding meeting;
 - (d) Reports of officers;
 - (e) Reports of committees, if any;
 - (f) Election of directors;
 - (g) Unfinished business;
 - (h) New business; and
 - (i) Adjournment.
- 2.13. Ballot Meetings. At the discretion of the Board of Directors, any matter which might come before the Association at a meeting, including election of directors, may be determined by proxy ballot, rather than at a formal gathering. Ballots shall be sent to all Unit Owners in the same manner as notice of meetings, with a specified deadline for



return of ballots. Ballots for such meetings must be properly executed and returned in sufficient quantity to constitute a quorum, and determination of the matter presented shall be based upon the required percentage of ballots returned, unless approval of a specified percentage of all voting rights is required by law, the Declaration or these Bylaws. The vote of a ballot meeting shall be determined by the Board of Directors within 48 hours of the deadline for return of ballots. Within 10 days after the ballots have been counted, each Unit Owner shall be notified by mail or other delivery of written notice of the results of the ballot meeting or that a quorum of ballots was not returned.

ARTICLE 3 BOARD OF DIRECTORS

- 3.1. Number and Qualification. The affairs of the Association shall be governed by a Board of Directors composed of three (3) to five (5) persons, as provided in Sections 3.2 and 3.4 of this Article. All directors, other than interim directors appointed by Declarant, shall be Owners or co-owners of Units of the Condominium. For purposes of this section, the officers or directors of any corporate owner and the partners of any partnership shall be considered co-owners of any Units owned by such corporation or partnership.
- 3.2. Interim Directors. Upon the recording of the Declaration submitting the Condominium to the Washington Condominium Act the Declarant shall appoint an interim board of three (3) directors, who shall serve until replaced by Declarant or their successors have been elected by the Unit Owners as provided below.
- 3.3. Transitional Committee. Unless the organizational and turnover meeting described in Section 2.2 above has already been held, Declarant shall call a meeting of the Unit Owners for the purpose of forming a transitional committee. The meeting shall be called within sixty (60) days of the termination of the period of Declarant control provided in RCW 64.34.308(4). Declarant shall give notice of the meeting as provided in Section 2.5 above. The committee shall consist of two or more members elected by the Unit Owners other than Declarant and not more than one representative of Declarant. The committee members shall serve until the organizational and turnover meeting. The transitional committee shall be advisory only and its purpose shall be to enable ease of transition from control of the administration of the Association by the Declarant to control by the Unit Owners. The committee shall have access to the information, documents and records which Declarant must turn over to the Unit Owners at the time of the organizational and turnover meeting. If Declarant fails to call the meeting to elect a transitional committee within the time specified, the meeting may be called and notice given by any Unit Owner.
- 3.4. Election and Term of Office. At the first organizational and turnover meeting called by Declarant pursuant to Section 2.2 of these Bylaws, the interim directors shall resign and three (3) successors shall be elected, one to serve until the next annual meeting and two to serve until the second annual meeting after their election. Thereafter, at the expiration



of the initial term of office of each respective director, his or her successor shall be elected to serve for a term of two years, so that the term of not less than one-third of the directors shall expire annually. Directors shall hold office until their respective successors have been elected by the Unit Owners. Election shall be by plurality. Upon a majority vote of the Unit Owners present in person or by proxy at a meeting called for such purpose, the number of directors may be increased to five (5) directors. Upon such increase, two additional directors shall be elected, one to serve until the next annual meeting and the other to serve until the second annual meeting after their election. Thereafter, each successor shall be elected to serve for a two-year term.

- 3.5. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a director by a vote of the Association shall be filled by vote of the majority of the remaining directors, even though they may constitute less than a quorum, or by a sole remaining director. Each person so elected shall be a director until a successor is elected to fill the unexpired term at the next annual meeting of the Association or the next special meeting of the Association called for that purpose. Vacancies in interim directors shall be filled by Declarant.
- 3.6. Removal of Directors. At any regular or special meeting of the Association duly called, any one or more of the directors, other than interim directors, may be removed with or without cause by a majority vote of the Unit Owners present in person or by proxy, and a successor shall be elected at that meeting to fill the vacancy thus created. The notice of any such meeting shall state that such removal is to be considered, and any director whose removal has been proposed shall be given an opportunity to be heard at that meeting.
- 3.7. Powers and Duties. The Board of Directors shall have all of the powers and duties necessary for the administration of the affairs of the Association, except such powers and duties as by law or by the Declaration or by these Bylaws may not be delegated to the Board of Directors by the Unit Owners. The powers and duties to be exercised by the Board of Directors shall include, but shall not be limited to the following:
- (a) Operation, care, upkeep, maintenance, repair and replacement of the general and limited common elements.
 - (b) Determination of the amounts required for operation, maintenance and other affairs of the Association, and the making of such expenditures.
 - (c) Adoption of a budget for the Association, and assessment and collection of the common expenses.



(d) Employment and dismissal of such personnel as necessary for the efficient maintenance, upkeep and repair of the common elements.

(e) Employment of legal, accounting or other personnel for reasonable compensation to perform such services as may be required for the proper administration of the Association; provided, however, the board may not incur or commit the Association to incur legal fees in excess of \$2,500 for any specific matter unless the Unit Owners have enacted a resolution authorizing the incurring of such fees by a vote of seventy-five percent (75%) of the voting rights present in person or by proxy at a meeting at which a quorum is constituted. This limitation shall not be applicable to legal fees incurred in defending the Association and/or the Board of Directors from claims or litigation brought against them.

(f) Opening of bank accounts on behalf of the Association and designating the signatories required therefor.

(g) Preparing or causing to be prepared and filed any required income tax returns or forms for the Association.

(h) Purchasing Units of the Condominium at foreclosure or other judicial sales in the name of the Association, or its designee, on behalf of all the Unit Owners as provided in these Bylaws.

(i) Selling, leasing, mortgaging, voting the votes appurtenant to (other than for the election of directors), or otherwise dealing with Units of the Condominium acquired by the Association or its designee on behalf of all the Unit Owners.

(j) Obtaining insurance or bonds pursuant to the provisions of these Bylaws.

(k) Making additions and improvements to, or alterations of, the common elements; provided, however, that no such project may be undertaken by the board if the total cost will exceed the amount of \$2,500 unless the Unit Owners have enacted a resolution authorizing the project by a vote of sixty-seven percent (67%) of the voting rights present in person or by proxy at a meeting at which a quorum is constituted. This limitation shall not be applicable to maintenance, repairs or replacement undertaken pursuant to paragraph (a) above. The limitation set forth in this paragraph shall increase by \$1,000 on each fifth anniversary of the recording of the Declaration.

(l) Designating one or more committees which, to the extent provided in the resolution designating the committee, shall have the powers of the Board of Directors in the management of the affairs of the Association. At least one member of each committee shall be a member of the Board of Directors.



(m) Enforcement by legal means of the provisions of the Washington Condominium Act, the Declaration, these Bylaws and any rules and regulations adopted hereunder.

- 3.8. Managing Agent or Manager. On behalf of the Association, the Board of Directors may employ or contract for a managing agent or a manager at a compensation to be established by the Board of Directors. Any such management agreement shall be terminable by the Association without cause upon 30 days' written notice thereof, and the term of any such agreement may not exceed one year, renewable by agreement of the parties for successive one-year periods. The Board of Directors may delegate to the managing agent or manager such duties and powers as the Board of Directors may authorize. In the absence of such appointment, the Board of Directors shall act as manager; provided, however, that the Board of Directors may not terminate professional management and assume self-management unless the decision to do so is approved by at least fifty-one percent (51%) of the total voting power of the Association.
- 3.9. Contracts Entered into by Declarant or Interim Board. Notwithstanding any other provision of these Bylaws, any leases or contracts (including management contracts, service contracts and employment contracts) entered into by the Declarant or the interim board on behalf of the Association shall have a term not in excess of three years. In addition, any such lease or contract shall provide that it may be terminated without cause or penalty by the Association or Board of Directors upon not less than 30 days' notice to the other party given at any time after election of the permanent board at the organizational and turnover meeting described in Section 2.2 of these Bylaws.
- 3.10. Organizational Meeting. Within fourteen (14) days following the annual meeting of the Association or following any meeting at which an election of directors has been held, the Board of Directors shall hold an organization meeting at such place and time as shall have been fixed by the directors at the meeting at which the election was held.
- 3.11. Regular and Special Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the directors. Special meetings of the Board of Directors may be called by the Chairperson and must be called by the Secretary at the written request of at least two directors. Notice of any special meeting shall be given to each director, personally or by mail, telephone or telegraph at least three (3) days prior to the day named for such meeting, and shall state the time, place and purpose of such meeting.
- 3.12. Open Meetings. All meetings of the Board of Directors shall be open to Unit Owners. Such meetings may be conducted by telephonic communication, except that if a majority of the Units are principal residences of the occupants, then: (a) for other than emergency meetings, notice of each Board of Directors' meeting shall be posted at a place or places on the property at least three (3) days prior to the meeting, or notice shall be provided by



a method otherwise reasonably calculated to inform the Unit Owners of such meeting; and
(b) only emergency meetings of the Board of Directors may be conducted by telephonic communication.

- 3.13. Waiver of Notice. Any director may, at any time, waive notice of any meeting of the Board of Directors in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the board shall constitute a waiver of notice by such director, except where the director attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. If all of the directors are present at any meeting of the board, no notice to directors shall be required and any business may be transacted at such meeting.
- 3.14. Quorum of Board of Directors. At all meetings of the Board of Directors, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors. If at any meeting of the Board of Directors less than a quorum should be present, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice to directors. At any meeting in which there is a quorum at the outset, but which falls below by a director leaving prior to adjournment, may still transact business, provided that to constitute a decision, the number of votes required for a majority of a minimum quorum at the outset of a meeting shall be required and not merely the majority of the remaining directors.
- 3.15. Compensation. No director shall receive any compensation from the Association for acting as such.
- 3.16. Liability and Indemnification of Directors, Officers, Manager or Managing Agent. A member of the Board of Directors or an officer of the Association shall not be liable to the Association or any member thereof for any damage, loss or prejudice suffered or claimed on account of any action or failure to act in the performance of his or her duties, except for acts of gross negligence or intentionally damaging acts. In the event any member of the Board of Directors or any officer of the Association is made a party to any proceeding because the individual is or was a director or officer of the Association, the Association shall indemnify such individual against liability and expenses incurred to the maximum extent permitted by law.
- 3.17. Insurance. The Board of Directors shall obtain the insurance and fidelity bonds required in Article 8 of these Bylaws. In addition, the Board of Directors, in its discretion, may obtain such other insurance as it deems necessary to protect the interests of the



Association or Unit Owners. The Board of Directors shall conduct an annual insurance review which, if appropriate, shall include an appraisal of all improvements contained in the Condominium.

ARTICLE 4 OFFICERS

- 4.1. Designation. The principal officers of the Association shall be the Chairperson, the Secretary and the Treasurer, all of whom shall be elected by the Board of Directors. The directors may appoint a vice Chairperson, an assistant treasurer, an assistant secretary, and such other officers as in their judgment may be necessary. The Chairperson shall be a member of the Board of Directors, but the other officers need not be directors or Unit Owners.
- 4.2. Election of Officers. The officers of the Association shall be elected annually, by the Board of Directors at the organization meeting of each new board and shall hold office at the pleasure of the board. If any office shall become vacant, the Board of Directors shall elect a successor to fill the unexpired term at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose.
- 4.3. Removal of Officers. Upon the affirmative vote of a majority of the directors or upon a petition signed by the majority of unit-owners, any officer may be removed either with or without cause, and a successor may be elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose.
- 4.4. Chairperson. The Chairperson shall be the chief executive officer of the Association. He or she shall preside at all meetings of the Association and of the Board of Directors. The Chairperson shall have all of the general powers and duties which are usually vested in the chief executive officer of an association, including but not limited to the power to appoint committees from among the Unit Owners from time to time as the Chairperson may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Association.
- 4.5. Secretary. The Secretary shall keep the minutes of all proceedings of the Board of Directors and the minutes of all meetings of the Association. He or she shall attend to the giving and serving of all notices to the Unit Owners and directors and other notices required by law. The Secretary shall keep the records of the Association, except for those of the Treasurer, and shall perform all other duties incident to the office of Secretary of an association and as may be required by the directors or the Chairperson. In addition, the Secretary shall act as vice Chairperson, taking the place of the Chairperson and performing the Chairperson's duties whenever the Chairperson is absent or unable to act, unless the directors have appointed another vice Chairperson.



4.6. Treasurer. The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of required financial statements. He or she shall be responsible for the deposit of all moneys and other valuable effects in such depositories as may from time to time be designated by the Board of Directors, and shall disburse funds of the Association upon properly authorized vouchers. The Treasurer shall perform all other duties incident to the office of Treasurer of an association and such other duties as may be assigned to him or her by the Board of Directors.

4.7. Execution of Instruments. All agreements, contracts, deeds, leases and other instruments of the Association, except checks, shall be executed by such person or persons as may be designated by general or special resolution of the Board of Directors and, in the absence of any general or special resolution applicable to any such instrument, then such instrument shall be signed by the Chairperson. All checks shall be signed by the Treasurer, or in the absence or disability of the Treasurer, by the Chairperson or any duly elected assistant treasurer. Any reserve funds shall be kept in a segregated account and all checks written thereon shall require the signature of at least two persons who are officers or directors of the Association. The Chairperson and Secretary may prepare, execute, certify and record approved amendments to the Declaration on behalf of the Association.

4.8. Compensation of Officers. No officer who is a member of the Board of Directors shall receive any compensation from the Association for acting as an officer, unless such compensation is authorized by a resolution duly adopted by the Unit Owners. The Board of Directors may fix any compensation to be paid to any officers who are not also directors.

ARTICLE 5 BUDGET, EXPENSES AND ASSESSMENTS

5.1. Budget. The Board of Directors shall from time to time, and at least annually, prepare a budget for the Association, estimate the common expenses expected to be incurred, less any previous over assessment, and assess the common expenses to each Unit Owner in the proportion set forth in the Declaration. The budget shall provide for an adequate reserve fund for maintenance, repairs and replacement of those common elements which must be replaced on a periodic basis.

5.2. Determination of Common Expenses. Common expenses shall include:

(a) Expenses of administration.

(b) Expenses of maintenance, repair or replacement of common elements or any other portions of the Condominium required to be maintained by the Association pursuant to the Declaration or these Bylaws.

(c) Cost of insurance or bonds obtained in accordance with these Bylaws.

(d) A general operating reserve, including an amount sufficient to cover the deductible under the property damage insurance policy.

(e) Reserve for replacements and deferred maintenance.

(f) Any deficit in common expenses for any prior period.

(g) Utilities for the common elements and other utilities with a common meter or commonly billed, such as trash collection.

(h) Any other items properly chargeable as an expense of the Association.

5.3. Assessment of Common Expenses.

(a) Obligation to pay. All Unit Owners shall be obligated to pay common expenses assessed to them by the Board of Directors on behalf of the Association pursuant to these Bylaws and the Declaration. Assessments may not be waived due to limited or nonuse of the common elements, and no Unit Owner may offset amounts owing or claimed to be owing by the Association or Declarant to the Unit Owner against such Unit Owner's obligation to pay assessments. Subject to paragraph (c) below, Declarant shall be assessed as the Unit Owner of any unsold Unit, but such assessments shall be prorated to the date of sale of the Unit. The Board of Directors, on behalf of the Association shall assess the common expenses against the Unit Owners from time to time, and at least annually, and shall take prompt action to collect from a Unit Owner any common expense due which remains unpaid for more than thirty (30) days from the due date for its payment.

(b) Initial contribution to working capital. At the time of closing of the initial sale of each Unit, the buyer shall make an initial contribution to the working capital of the Association equal to two months' regular association assessments for the Unit, plus a prorated assessment for the month of closing. At the time of the organizational and turnover meeting, the Declarant shall pay the contribution for all unsold Units, but may obtain reimbursement for such sums from the buyer upon the sale of each such Unit. Such initial contribution shall be in addition to the regular monthly common expense assessment. Such sum shall be paid to the Association and placed in a segregated account for the purpose of insuring that the Association will have cash to meet unforeseen expenditures, or to acquire additional equipment or services deemed necessary or



desirable by the Board of Directors. At any time following the organizational and turnover meeting described in Section 2.2 above, the Board of Directors may elect to pay the remaining balance of the working capital account, or any portion of that account, to any other account or accounts maintained by the Association free of any restrictions imposed by this paragraph.

(c) Commencement of regular operating expense assessments. Regular monthly assessments for common operating expenses for Units in each Phase of the Condominium shall commence upon closing of the first sale of a Unit in such Phase of the Condominium, except that Declarant may elect to defer commencement of common operating expense assessments as to all Units in such Phase until the sale of fifty percent (50%) of the Units in such Phase of the Condominium have closed. If Declarant so elects to defer commencement of assessments for operating expenses, Declarant shall pay and be responsible for all common operating expenses attributable to such Phase as they accrue, without cost or operating expense assessment to the other Unit Owners, until regular operating expense assessments commence. Declarant shall give 10 days' written notice to individual Unit Owners prior to the commencement of regular operating expense assessments.

(d) Commencement of assessment for replacement reserves. Regular monthly assessments for replacement reserves as described in Section 5.5 shall commence upon the closing of the sale of the first Unit in the Condominium, except that Declarant may elect to defer payment of such assessments to the Association for each Unit owned by Declarant until the closing of the sale of such Unit.

(e) Annexation of additional phases. If additional Units are annexed to the Condominium and become subject to assessment, the Board of Directors shall promptly prepare a new budget reflecting the addition to the Condominium and shall recompute any previous assessment covering any period after the Units in the new Phase become subject to assessment.

5.4. Special or Extraordinary Assessments.

(a) Special assessments for capital improvements. In the case of any duly authorized capital improvement to the common elements, the Board of Directors may by resolution establish separate assessments for the same, which may be treated as capital contributions by the Unit Owners, and the proceeds of which shall be used only for the specific capital improvements described in the resolution. The Association shall not assess Units owned by the Declarant for additional capital improvements to the Condominium without the written consent of Declarant as long as Declarant owns more than three Units or the time specified in the Declaration for annexing additional Phases has not expired.



(b) Other special or extraordinary assessments. In the event the Board of Directors determines that the assessments established upon adoption of the budget as provided in Section 5.1 above will be insufficient to pay the common expenses, or the Board of Directors determines that additional funds will be needed to meet unexpected or unbudgeted common expenses, the board may levy an additional special or extraordinary assessment. Such assessment shall be allocated to each Unit in the same proportion set forth in the Declaration, and may be payable in installments over a specified period, in a lump sum, or in a lump sum with option to pay in installments with interest, as determined by the Board of Directors.

5.5. Replacement Reserves. The Board of Directors shall establish a reserve account for replacement of those common elements all or a part of which will normally require replacement in more than three and less than 30 years. Such reserve account shall be funded by assessments against the individual Unit assessed for maintenance of the items for which the reserve account is being established, which sums shall be included in the regular monthly assessment for the Unit, except as otherwise provided in Section 5.3(b). The amount assessed shall take into account the estimated remaining life of the items for which the reserve is created and the current replacement cost of such items. The reserve account shall be established in the name of the Association and shall be adjusted at regular intervals to recognize changes in current replacement costs over time. The reserve account shall be used only for replacement of common elements and shall be kept separate from assessments for maintenance and operating expenses. After the organizational and turnover meeting described in Section 2.2, however, the Board of Directors may borrow funds from the reserve account to meet high seasonal demands on the regular operating funds or to meet other temporary expenses which will later be paid from special assessments or maintenance fees. Nothing in this section shall prohibit prudent investment of the reserve account. Following the second year after the organizational and turnover meeting, future assessments for the reserve account may be reduced, eliminated or decreased by an affirmative vote of not less than eighty percent (80%) of all voting rights in the Condominium. Assessments paid into the reserve account are the property of the Association and are not refundable to sellers of Units.

5.6. Default in Payment of Assessments. In the event of default by any Unit Owner in paying any assessments to the Association, including assessed common expenses and any other charge imposed or levied by the Association pursuant to the provisions of the Declaration, these Bylaws or the Washington Condominium Act, such Unit Owner shall be obligated to pay interest at the rate of twelve percent (12%) per annum on such assessment from the due date thereof, or at such greater rate as may be established by the Board of Directors from time to time, not to exceed the maximum lawful rate, if any. In addition, the defaulting Unit Owner shall pay a late charge for any assessment not paid within ten (10) days of its due date in the amount of five percent (5%) of the delinquent payment, or such other reasonable late charge as may be established by the Board of Directors from time



to time, together with all expenses incurred by the Association in collecting such unpaid assessments, including attorneys' fees (whether or not suit is instituted, and at trial or any appeal or petition for review therefrom). If the assessment is not paid within thirty (30) days of its due date, the Board of Directors may declare any remaining installments of assessments for the balance of the fiscal year immediately due and payable. The Board of Directors shall have the right and duty to recover for the Association such assessments, together with such charges, interest and expense of the proceeding, including attorneys' fees, by an action brought against such Unit Owner or by foreclosure of the lien upon the Unit granted by the Washington Condominium Act. The Board of Directors shall notify the Eligible Mortgage Holder of a Mortgage upon a Unit and any Eligible Mortgage Insurer or Guarantor thereof of any default not cured within sixty (60) days of the date of default.

- 5.7. Foreclosure of Liens for Unpaid Assessments. In any suit brought by the Association to foreclose a lien on a Unit because of unpaid assessments, the Unit Owner shall be required to pay a reasonable rental for the use of the Unit during the pendency of the suit, and the plaintiff in such foreclosure suit shall be entitled to the appointment of a receiver to collect such rental. The Board of Directors, acting on behalf of the Association, shall have the power to purchase such Unit at the foreclosure sale and to acquire, hold, lease, Mortgage, vote the votes appurtenant to, convey, or otherwise deal with the Unit. A suit or action to recover a money judgment for unpaid assessments shall be maintainable without foreclosing the liens securing the same.
- 5.8. Statement of Assessments. The Board of Directors shall advise each Unit Owner in writing of the amount of assessments payable by such Owner, and furnish copies of each budget on which such assessments are based to all Unit Owners and, if requested, to their Mortgagees. The Board of Directors shall promptly provide any Unit Owner who makes a request in writing with a written statement of the Owner's unpaid assessments.
- 5.9. Priority of Lien; First Mortgages. Any lien of the Association against a Unit for assessments shall be subordinate to tax and assessment liens and any prior Mortgage of record. Where the buyer or Mortgagee of a Unit obtains title to the Unit as a result of foreclosure of a first Mortgage, such buyer or Mortgagee, its successors and assigns, shall not be liable for any of the assessments chargeable to such Unit which became due prior to the acquisition of title to such Unit by such buyer or Mortgagee. Such unpaid share of assessments shall be a common expense and reallocated on a pro rata basis for all Units, including the Mortgaged Unit. A deed in lieu of foreclosure accepted by the holder of a first Mortgage shall extinguish a lien of the Association to secure unpaid assessments under the circumstances described in RCW 64.34.364(3) and RCW 64.34.020(19).



- 5.10. Voluntary Conveyance. In a voluntary conveyance of a Unit, the buyer shall be jointly and severally liable with the seller for all unpaid assessments against the seller of the Unit up to the time of the grant or conveyance, without prejudice to the buyer's right to recover from the seller the amounts paid by the buyer therefor. However, upon request of a prospective buyer the Board of Directors shall make, certify and deliver a statement of the unpaid assessments against the prospective seller or the Unit, and the buyer in that case shall not be liable for, nor shall the Unit when conveyed be subject to, a lien filed thereafter for any unpaid assessments against the seller in excess of the amount set forth in the statement.

ARTICLE 6 RECORDS AND AUDITS

- 6.1. General Records. The Board of Directors and the managing agent or manager, if any, shall keep detailed records of the actions of the Board of Directors and the managing agent or manager, minutes of the meetings of the Board of Directors and minutes of the meetings of the Association. The Board of Directors shall maintain a Book of Resolutions containing the rules, regulations and policies adopted by the Association, Board of Directors and the manager. The Board of Directors shall maintain a list of Owners entitled to vote at meetings of the Association and a list of all Mortgagees of Units.
- 6.2. Financial Records. The Board of Directors or its designee shall keep financial records sufficient for proper accounting purposes.
- 6.3. Assessment Roll. The assessment roll shall be maintained in a set of accounting books in which there shall be an account for each Unit. Such account shall designate the name and address of the Owner or Owners, the amount of each assessment against the Owners, the dates and amounts in which the assessment comes due, the amounts paid upon the account and the balance due on the assessments.
- 6.4. Payment of Vouchers. The Treasurer shall pay all vouchers for all budgeted items and for any nonbudgeted items up to \$1,000 signed by the Chairperson, managing agent, manager or other person authorized by the Board of Directors. Any voucher for nonbudgeted items in excess of \$1,000 shall require the authorization of the Chairperson. Any checks written on reserve accounts must be signed by two members of the Board of Directors.
- 6.5. Reports and Audits. An annual financial statement consisting of a balance sheet and income and expense statement for the preceding fiscal year shall be rendered by the Board of Directors to all Unit Owners and to all Mortgagees of Units who have requested the same within 90 days after the end of each fiscal year. From time to time the Board of Directors, at the expense of the Association, may obtain an audit or review of the books

and records pertaining to the Association and furnish copies thereof to the Owners and such Mortgagees. Upon written request, any holder, insurer or Guarantor of a first Mortgage shall be entitled to an audited financial statement for the immediately preceding fiscal year at the expense of the party making such request.

- 6.6. Notice of Sale, Mortgage, Rental or Lease. Immediately upon the sale, Mortgage, rental or lease of any Unit, the Unit Owner shall promptly inform the Secretary or manager of the name and address of said buyer, Mortgagee, lessee, or tenant.
- 6.7. Availability of Records. During normal business hours or under other reasonable circumstances, the Association shall make available to Unit Owners, prospective buyers and lenders, and to holders, insurers, or Guarantors of any first Mortgage, current copies of the Declaration, Bylaws, other rules concerning the Condominium, amendments or supplements to such documents, and the books, records, financial statements and current operating budget of the Association. Upon written request, the Association shall make such documents, information and records available to such persons for duplication during reasonable hours. The Association may charge a reasonable fee for furnishing copies of such documents, information or records.

ARTICLE 7 MAINTENANCE AND USE OF CONDOMINIUM PROPERTY

- 7.1. Maintenance and Repair. Except as otherwise provided in Section 7.3 for damage or destruction caused by casualty:

(a) Units. All maintenance of and repairs to any Unit shall be made by the Owner of such Unit, who shall keep the same in good order, condition and repair and shall do all redecorating, painting and staining which at any time may be necessary to maintain the good appearance and condition of his Unit. In addition, each Unit Owner shall be responsible for the maintenance, repair, or replacement of windows and doors and any plumbing, heating or air conditioning fixtures, telephones, water heaters, fans, lighting fixtures and lamps, fireplaces, refrigerators, dishwashers, ranges, or other appliances and accessories that may be in or connected with such Owner's Unit.

(b) Common elements. All maintenance, repairs and replacements to the general and limited common elements shall be made by the Association and shall be charged to all the Unit Owners as a common expense. Each Unit Owner, however, shall keep the limited common elements which pertain to such Owner's Unit in a neat, clean and sanitary condition.



7.2. Additions, Alterations or Improvements.

(a) A Unit Owner may make any improvements or alterations to such Owner's Unit that do not impair the structural integrity or mechanical systems of the Condominium or lessen the support of any portion of the Condominium.

(b) After acquiring an adjoining Unit or an adjoining part of an adjoining Unit, a Unit Owner may submit a written request to the Board of Directors for permission to remove or alter any intervening partition or to create apertures therein, even if the partition in whole or in part is a common element. The Board of Directors shall approve the change unless it determines within forty-five (45) days that the proposed change will impair the structural integrity or mechanical systems of the Condominium or lessen the support of any portion of the Condominium. The Board of Directors may require the Unit Owner, at such Owner's own expense, to submit an opinion of a registered architect or registered professional engineer that the proposed change will not impair the structural integrity or mechanical systems of the Condominium or lessen the support of any portion of the Condominium. Removal of partitions or creation of apertures under this paragraph is not an alteration of boundaries.

(c) A Unit Owner shall make no repair or alteration or perform any other work on such Owner's Unit which would jeopardize the soundness or safety of the property, reduce its value, impair any easement or hereditament or increase the common expenses of the Association unless the consent of all the other Unit Owners affected is first obtained.

(d) A Unit Owner may not change the appearance of the common elements or the exterior appearance of a Unit without permission of the Board of Directors.

7.3. Damage or Destruction by Casualty of Condominium Property. In the case of damage or destruction which affects a material portion of the project, timely written notice shall be given to the Unit Owners and their Mortgagees and any Eligible Mortgage Insurer or Guarantor and the following provisions shall apply:

(a) In the event of damage or destruction by casualty of Condominium property, the damage or destruction shall be repaired, reconstructed or rebuilt unless, within fourteen (14) days of such damage or destruction, the Board of Directors or more than ten percent (10%) of the Unit Owners shall have requested a special meeting of the Association. Such special meeting must be held within sixty (60) days of the date of damage or destruction. At the time of such meeting, unless Unit Owners holding ninety percent (90%) of the voting power, whether in person, by writing or by proxy, with the approval of Mortgagees as required by the Declaration, vote not to repair, reconstruct or rebuild the damaged property, the damage or destruction shall be repaired, reconstructed or rebuilt. If the damage or destruction is not repaired, reconstructed or rebuilt, then the property



shall be removed from Condominium ownership in the manner provided in the Washington Condominium Act.

(b) The Association shall be responsible for repairing, reconstructing or rebuilding all such damage or destruction to the common elements and, to the extent of the Association's insurance coverage and any deductible under such policies, all such damage or destruction to the Units. Each Unit Owner shall be responsible for such repairing, reconstructing or rebuilding of his Unit as is not so covered by the Association's insurance.

(c) If, due to the act or neglect of a Unit Owner, or of a member of such Owner's family or household pet or of a guest or other authorized occupant or visitor of such Unit Owner, damage shall be caused to the common elements or to a Unit owned by others, or maintenance, repairs or replacements shall be required which would otherwise be a common expense, then such Unit Owner shall pay for such damage and such maintenance, repairs and replacements as may be determined by the Association, to the extent not fully covered by the Association's insurance.

(d) In the event any portion of the insurance proceeds paid to the Association is not used to repair, reconstruct or rebuild the damaged or destroyed property, the Association shall distribute the proceeds among the Unit Owners and their Mortgagees (as their interests may appear) in the same proportion as common expenses are shared, unless the property is removed from Unit ownership. If the property is removed from Unit ownership, the insurance proceeds, together with the proceeds from the sale of the property, shall be distributed to the Unit Owners and their Mortgagees (as their interests may appear) in the manner described in the Washington Condominium Act.

7.4. Condemnation. If any portion of the Condominium is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, notice of the proceeding or proposed acquisition shall promptly be given to each Unit Owner and to each Mortgagee and any Eligible Mortgage Insurer or Guarantor. The Association shall represent the Unit Owners in any condemnation proceedings or in negotiations, settlements and agreements with the condemning authority for acquisition of any portion of the common elements, and each Unit Owner appoints the Association to act as his attorney-in-fact for such purposes. All compensation, damages or other proceeds of the taking, other than any award for moving expenses of specific Unit Owners, shall be payable to the Association and allocated and distributed as provided in this Section 7.4.

(a) Complete Taking. If the entire Condominium property is taken, or if Unit Owners holding ninety percent (90%) of the voting power agree that such substantial portion of the Condominium has been taken as to make the project obsolete, then the property shall



be deemed removed from Unit ownership. In such event, any proceeds of the condemnation paid to the Association, together with any other proceeds upon sale of the remaining Condominium property, shall be distributed among the Unit Owners and their Mortgagees, as their interests may appear, in accordance with the provisions of the Washington Condominium Act.

(b) Partial Taking. If less than the entire Condominium property is taken and the property is not determined to be obsolete as provided in paragraph (a) above, then as soon as practicable the Board of Directors shall, reasonably and in good faith, allocate the award among the Units in accordance with the reduction in the value of each Unit and its interest in the common elements, compared to the total reduction in value of all Units and their interest in the common elements. In the event any Unit Owner or Mortgagee objects to the allocation determined by the Board of Directors, the matter shall be submitted to arbitration in accordance with the rules of the American Arbitration Association. The cost of such determination shall be paid out of the proceeds of the condemnation. Any portion of the award allocated to a Unit Owner under this paragraph shall be paid first to all Mortgagees and holders of liens on the Unit Owner's interest in accordance with the existing priorities, and the balance to the Unit Owner. If any reconstruction or repair is undertaken as a result of the condemnation, the Board of Directors may retain and apply such portion of each Unit Owner's share of the award as is necessary to discharge the Owner's liability for any special assessment arising from such reconstruction or repair.

7.5. Restrictions and Requirements Respecting Use of Condominium Property. The following restrictions and requirements are in addition to all other restrictions and requirements contained in the Declaration and these Bylaws:

(a) Residential use. No commercial activities of any kind shall be carried on in any Unit or in any other portion of the Condominium without the consent of the Board of Directors of the Association or manager, except activities relating to the rental or sale of Units. This provision, however, shall not be construed so as to prevent or prohibit a Unit Owner from maintaining his or her professional personal library, keeping his or her personal business or professional records or accounts, handling his or her personal business or professional telephone calls, or conferring with business or professional associates, clients or customers, in such Owner's Unit.

(b) Use of common elements. The common elements shall be used for the furnishing of services and facilities for which the same are reasonably intended, for the enjoyment of the Units. The use, operation and maintenance of the common elements shall not be obstructed, damaged or unreasonably interfered with by any Unit Owner.

(c) Offensive or unlawful activities. No noxious or offensive activities shall be carried on in any Unit nor shall anything be done in or placed upon any Unit which interferes



with or jeopardizes the enjoyment of other Units or the common elements or which is a source of annoyance to residents. Unit occupants shall exercise extreme care not to make noises which may disturb other Unit occupants, including the use of musical instruments, radios, televisions and amplifiers. No unlawful use shall be made of the Condominium nor any part thereof, and all valid laws, zoning ordinances, and regulations of all governmental bodies having jurisdiction thereof shall be observed.

(d) Animals. No animals or fowls shall be raised, kept or permitted within the Condominium or any part thereof, except domestic dogs, cats, or other household pets kept within a Unit. No such dogs, cats or pets shall be permitted to run at large nor shall be kept, bred or raised for commercial purposes or in unreasonable numbers. Any inconvenience, damage or unpleasantness caused by such pets shall be the responsibility of the respective Owners thereof, and Owners shall be responsible for removal of wastes of their animals. All dogs shall be carried or kept on a leash while outside a Unit. No pet shall be permitted to cause or create a nuisance or unreasonable disturbance or noise. A Unit Owner may be required to remove a pet upon receipt of the third notice in writing from the Board of Directors of violations of any rule, regulation or restriction governing pets within the Condominium.

(e) Exterior lighting or noisemaking devices and antennas. Except with the consent of the Board of Directors of the Association or manager, no exterior lighting or noisemaking devices shall be installed or maintained on any Unit and no antennas or transmitting towers shall be affixed to the general or limited common elements.

(f) Windows, decks, and outside walls. In order to preserve the attractive appearance of the Condominium the Board of Directors of the Association or the manager may regulate the nature of items which may be placed in or on windows, decks, patios, and the outside walls so as to be visible from other Units, the common elements, or outside the Condominium. Garments, rugs, laundry and other similar items may not be hung from windows, facades, decks or patios.

(g) Trailers, campers and boats. Except with the consent of the Board of Directors of the Association or manager, no trailer, truck camper, motorcycle, boat or boat trailer, or other recreational vehicle shall be parked on any portion of the Condominium, except in areas designated for such purpose by the Board of Directors.

(h) Leasing and rental of Units. Except with the consent of the Board of Directors of the Association or the manager, no Unit Owner may lease or rent less than his or her entire Unit. The initial term of any lease must be at least 30 days. Other than the foregoing, there is no restriction on the right of any Unit Owner to lease or rent such Owner's Unit.



(i) Signs. Unless written approval is first obtained from the Board of Directors, no sign of any kind shall be displayed to the public view on or from any Unit or the common elements except signs used by the Declarant to advertise Units for sale or lease. Provided that any unit offered for sale may post one sign in a window and one sign near the entry to the condominium property. No such sign shall be greater than 600 square inches.

(j) Trash. No part of any Unit or any part of the common elements shall be used or maintained as a dumping ground for rubbish, trash, garbage or other waste. No garbage, trash or other waste shall be kept or maintained on any part of the property except in sanitary containers in the designated areas.

(k) Insurance. Nothing shall be done or kept in any Unit or in the common elements which will increase the cost of insurance on the common elements. No Owner shall permit anything to be done or kept in his or her Unit or in the common elements which will result in cancellation of insurance on any Unit or any part of the common elements.

(l) Association rules and regulations. In addition, the Board of Directors from time to time may adopt, modify, or revoke such rules and regulations governing the conduct of persons and the operation and use of the Units and common elements as it may deem necessary or appropriate in order to assure the peaceful and orderly use and enjoyment of the Condominium property. Such action may be modified by vote of not less than sixty-seven percent (67%) of the voting rights present, in person or by proxy, at any Association meeting, the notice of which shall have stated that such modification or revocation or rules and regulations will be under consideration. A copy of the rules and regulations, upon adoption, and a copy of each amendment, modification or revocation thereof, shall be delivered by the Secretary promptly to each Unit Owner and shall be binding upon all Unit Owners and occupants of all Units from the date of delivery.

7.6. Abatement and Enjoining of Violations. The violation of any provision of the Declaration or these Bylaws, of any rule or regulation adopted pursuant to these Bylaws, or of any decision of the Association made pursuant to such documents, shall give the Board of Directors, acting on behalf of the Association, the right, in addition to any other rights set forth in these Bylaws, to do any or all of the following after giving notice and an opportunity to be heard:

(a) To enter the Unit in which or as to which such violation exists and to summarily abate and remove, at the expense of the defaulting Unit Owner, any structure, thing, or condition that may exist contrary to the intent and meaning of such provisions, and the Board of Directors shall not thereby be deemed guilty of any manner of trespass, provided, however, that judicial proceedings shall be instituted before any items of construction may be altered or demolished; or



- (b) To enjoin, abate, or remedy such thing or condition by appropriate legal proceedings;
- (c) To levy reasonable fines; or
- (d) To terminate the right to receive utility services paid for out of assessments or the right of access to and use of recreational and service facilities of the Condominium until the correction of the violation has occurred.

The offending Unit Owner shall be liable to the Association for all costs and attorneys' fees incurred by the Association, whether or not legal proceedings are instituted and including attorneys' fees on appeal or petition for review, together with any expense incurred by the Association in remedying the default, damage incurred by the Association or Unit Owners, or fines so levied. Such sums shall be assessed against the offending Unit as an assessment and enforced as provided in Article V. In addition, any aggrieved Unit Owner may bring an action against such other Unit Owner or the Association to recover damages or to enjoin, abate, or remedy such thing or condition by appropriate legal proceedings.

ARTICLE 8 INSURANCE

- 8.1. Types of Insurance. For the benefit of the Association and the Unit Owners, the Board of Directors shall obtain and maintain at all times, and shall pay for out of the common expense funds, the following insurance:

8.1.1. Property Damage Insurance.

- (a) The Association shall maintain a policy or policies of insurance covering loss or damage from fire, with standard extended coverage and "all risk" endorsements, and such other coverage as the Association may deem desirable.
- (b) The amount of the coverage shall be for not less than one hundred percent (100%) of the current replacement cost of the Units and common elements (exclusive of land, foundation, excavation and other items normally excluded from coverage), subject to a maximum deductible of the lesser of \$10,000 or one percent (1%) of the policy amount.
- (c) The policy or policies shall include all fixtures and building service equipment to the extent that they are part of the common elements and all personal property and supplies belonging to the Association; together with all fixtures, improvements and alterations comprising a part of each Unit and refrigerators, air conditioners, cooking ranges, dishwashers and clothes washers and dryers contained within Units and owned by the Unit Owners.



(d) Such policy or policies shall name the Association as insured, and shall provide for loss payable in favor of the Association, as a trustee for each Unit Owner and each such Unit Owner's Mortgagee, as their interests may appear. The policies shall contain the standard Mortgage clause, or equivalent endorsement (without contribution) which is commonly accepted by institutional Mortgage investors in Washington.

8.1.2. Liability Insurance.

(a) The Association shall maintain comprehensive general liability insurance coverage insuring the Declarant, the Association, the Board of Directors, the Unit Owners and the managing agent, against liability to the public or to the Owners of Units and of common elements, and their invitees or tenants, incident to the operation, maintenance, ownership or use of the property, including legal liability arising out of lawsuits related to employment contracts of the Association. There may be excluded from such policy or policies coverage of a Unit Owner (other than as a member of the Association or Board of Directors) for liability arising out of acts or omission of such Unit Owner and liability incident to the ownership and/or use of the part of the property as to which such Unit Owner has the exclusive use or occupancy.

(b) Limits of liability under such insurance shall not be less than One Million Dollars (\$1,000,000) on a combined single limit basis.

(c) Such policy or policies shall be issued on a comprehensive liability basis and shall provide a cross liability endorsement wherein the rights of named insured under the policy or policies shall not be prejudiced as respects his, her or their action against another named insured.

8.1.3. Workers' Compensation Insurance. The Association shall maintain workers' compensation insurance to the extent necessary to comply with any applicable laws.

8.1.4 Fidelity Bonds.

(a) The Association may maintain blanket fidelity bonds for all officers, directors, trustees and employees of the Association and all other persons handling or responsible for funds of or administered by the Association. In the event the Association has retained a management agent, such agent shall maintain fidelity bonds for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Association.



(b) The total amount of fidelity bond coverage required shall be based upon the best business judgment of the Board of Directors. In no event, however, may the aggregate amount of such bonds be less than the sum equal to three months' aggregate assessments on all Units plus reserve funds.

(c) Such fidelity bond shall name the Association as obligee and shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees" or similar terms or expressions. The bonds shall provide that they may not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least 10 days' prior written notice to the Association and each servicer on behalf of the Federal National Mortgage Association ("FNMA").

8.1.5. Directors' and Officers' Liability Insurance. The Association shall maintain a policy of directors' and officers' liability insurance with coverage in the amount of not less than One Million Dollars (\$1,000,000), subject to a reasonable deductible. Provided however, the Board of Directors may elect not to acquire such insurance.

8.1.6. Insurance by Unit Owners. Each Unit Owner shall be responsible for obtaining, at such Owner's own expense, insurance covering his or her property not insured under Section 8.1.1 above and against his or her liability not covered under Section 8.1.2 above, unless the Association agrees otherwise.

8.2. Other Insurance Requirements. Insurance obtained by the Association shall be governed by the following requirements:

(a) All policies shall be written with the State of Washington or a company licensed to do business in the State of Washington acceptable to FNMA which falls into a B or A general policyholder's rating and a Class III or better financial size category, as designated in Best's Key Rating Guide.

(b) Notwithstanding the provisions of 8.1 above, there may be named as an insured, on behalf of the Association, the Association's authorized representative, including any trustee with whom the Association may enter into any Insurance Trust Agreement, or any successor to such trustee. Such insurance trustee shall have exclusive authority to negotiate losses under any property or liability insurance policy. Each Unit Owner appoints the Association, or any insurance trustee or substitute trustee designated by the Association, as attorney-in-fact for the purpose of purchasing and maintaining such insurance including: the collection and appropriate disposition of the proceeds thereof, the negotiation of losses and execution of releases of liability, the execution of all documents, and the performance of all other acts necessary to accomplish such purchase.



The Association or insurance trustee shall receive, hold or otherwise properly dispose of any proceeds of insurance in trust for Unit Owners and their Mortgagees, as their interests may appear.

(c) All property insurance policies shall contain a "Special Condominium Endorsement" or its equivalent providing for the following: recognition of any Insurance Trust Agreement, a waiver of the right of subrogation against Unit Owners individually, that the insurance is not prejudiced by any act or neglect of individual Unit Owners which is not in the control of such Owners collectively, and that the policy is primary in the event the Unit Owner has other insurance covering the same loss.

(d) For purposes of this article, insurance policies are unacceptable where (i) under the terms of the insurance carrier's charter, bylaws or policy, contributions or assessments may be made against FNMA, the designee of FNMA, or the Association or Unit Owners, or (ii) by the terms of the carrier's charter, bylaws or policy, loss payments are contingent upon action by the carrier's Board of Directors, policy holders or members, or (iii) policy includes any limiting clauses (other than insurance conditions) which could prevent FNMA or the Owners from collecting insurance proceeds.

(e) All policies required by this article shall provide that they may not be canceled or substantially modified without at least 10 days' prior written notice to the Association and to each holder of a first Mortgage which is listed as a scheduled holder of a first Mortgage in the insurance policy. Evidence of insurance shall be issued to each Unit Owner and Mortgagee upon request.

(f) Each Unit Owner shall be required to notify the Board of Directors of all improvements made by the Owner to his or her Unit, the value of which is in excess of Five Hundred Dollars (\$500). Nothing in this paragraph shall permit an Owner to make improvements without first obtaining the approval of the Board of Directors pursuant to Section 7.2.

(g) Any Unit Owner who obtains individual insurance policies covering any portion of the property other than such Owner's personal property and fixtures shall file a copy of such individual policy or policies with the Association within thirty (30) days after the purchase of such insurance.

8.3. Optional Provisions. The Board of Directors shall make every effort to secure insurance policies that will provide for the following:

(a) To the extent appropriate and available at reasonable cost, the Association shall maintain additional coverage against such other risks as are customarily covered with respect to projects similar in construction, location and use, including but not limited to,



host liquor liability, contractual and all-written contract insurance, employer's liability insurance, comprehensive automobile liability insurance, and an endorsement patterned after "use and occupancy" insurance providing relief from monthly assessments while a Unit is uninhabitable due to a covered loss.

(b) If reasonably available, the insurance policies shall include Inflation Guard Endorsement, and Construction Code Endorsements (such as a Demolition Cost Endorsement, a Contingent Liability from Operation of Building Laws Endorsement, and an Increased Cost of Construction Endorsement).

(c) A Steam Boiler and Machinery Coverage Endorsement if the Condominium has central heating or cooling, which coverage per accident shall at least equal the lesser of Two Million Dollars (\$2,000,000) or the insurable value of the building housing the boiler or machinery.

(d) Flood Insurance, if the Condominium is in a Special Flood Hazard Area.

- 8.4. FNMA and GNMA Requirements. Notwithstanding any other provisions of this article, the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the insurance and fidelity requirements for Condominium projects established by FNMA and Government National Mortgage Association (GNMA), so long as either is a Mortgagee or Owner of a Unit within the Condominium, except to the extent such coverage is not available or has been waived in writing by FNMA or GNMA. FNMA or FNMA's servicer, its successors and assigns, shall be named as a Mortgagee in the Association's policies.

ARTICLE 9 AMENDMENTS TO BYLAWS

- 9.1. How Proposed. Amendments to the Bylaws shall be proposed by either a majority of the Board of Directors or by Unit Owners holding thirty percent (30%) of the voting rights. The proposed amendment must be reduced to writing and shall be included in the notice of any meeting at which action is to be taken thereon or attached to any request for consent to the amendment.
- 9.2. Adoption. A resolution adopting a proposed amendment may be proposed by either the Board of Directors or by the Unit Owners and may be approved by the Unit Owners at a meeting called for this purpose or by ballot vote. Unit Owners not present at the meeting considering such amendment may express their approval in writing or by proxy. Any resolution must be approved by Unit Owners holding a majority of the voting rights and by Mortgagees to the extent required by the Declaration, except that any amendment relating to age restrictions, pet restrictions, limitations on the number of persons who may occupy Units, or limitations on the rental or leasing of Units must be approved by Unit

Owners holding sixty-seven percent (67%) of the voting rights. Declarant's consent shall also be required until the last Phase is annexed and so long as Declarant owns twenty-five percent (25%) or more of the Units in the last Phase of the Condominium. Such consent shall not be required after seven years from the date of conveyance of the first Unit to a person other than Declarant. Any amendment which would limit or diminish any special Declarant rights established in these Bylaws shall require the written consent of Declarant.

- 9.3. Execution and Recording. An amendment shall not be effective until certified by the Chairperson and Secretary of the Association as being adopted in accordance with these Bylaws and the provisions of the Washington Condominium Act. The Association may elect to record these Bylaws or any amendments thereto.

ARTICLE 10 MISCELLANEOUS

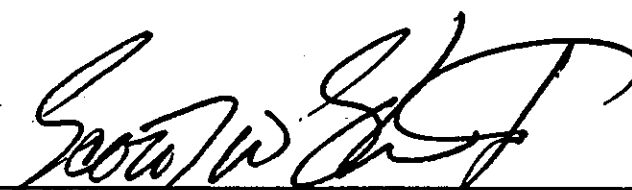
- 10.1. Notices. All notices to the Association or to the Board of Directors shall be sent care of the managing agent, or if there is no managing agent, to the principal office of the Association or to such other address as the Board of Directors may designate from time to time. All notices to any Unit Owner shall be sent to such address as may have been designated by him from time to time, in writing, to the Board of Directors, or, if no address has been designated, then to the Owner's Unit.
- 10.2. Waiver. No restriction, condition, obligation, or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.
- 10.3. Action Without a Meeting. Any action which the Washington Condominium Act, the Declaration or the Bylaws require or permit the Owners or directors to take at a meeting may be taken without a meeting if a consent in writing setting forth the action so taken is signed by all of the Owners or directors entitled to vote on the matter. The consent, which shall have the same effect as a unanimous vote of the Owners or directors, shall be filed in the records of minutes of the Association.
- 10.4. Invalidity: Number: Captions. The invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these Bylaws. As used in these Bylaws, the singular shall include the plural, and the plural the singular. The masculine and neuter shall each include the masculine, feminine and neuter, as the context requires. All captions are intended solely for convenience of reference and shall in no way limit any of the provisions of these Bylaws.



10.5. Conflicts. These Bylaws are intended to comply with the Washington Condominium Act and the Declaration. In case of any irreconcilable conflict, such statute and document shall control over these Bylaws or any rules and regulations adopted hereunder.

DATED this 17 day of JANUARY, 2001.

**MADDOX HIGHLANDS CONDOMINIUM I
ASSOCIATION:**

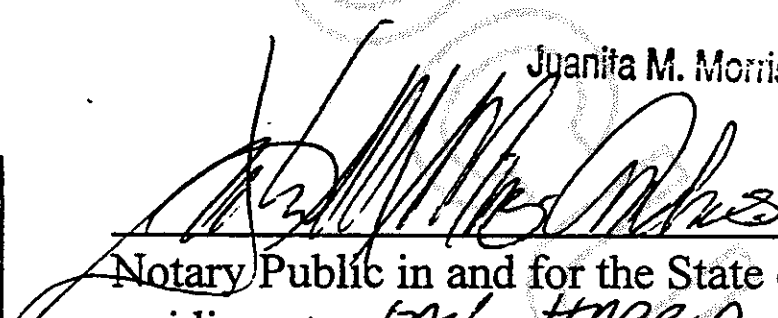
By: 
Its Chairman

STATE OF WASHINGTON)
County of ~~Skagit~~ ISLAND) ss.

On this day personally appeared before me, Scott W. Southwick, to me known to be the Chairman of Maddox Highlands Condominium I Association, a Washington nonprofit corporation, the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, ad on oath stated that he is authorized to execute the said instrument.

GIVEN under my hand and official seal this 17th day of JANUARY 2001, 2001.

JUANITA M MORRIS-ANDRES
STATE OF WASHINGTON
NOTARY --- PUBLIC
MY COMMISSION EXPIRES 5-10-02


Notary Public in and for the State of Washington,
residing at LAKE HARBOUR
My Appointment Expires: 5/10/2002