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BYLAWS
OF
PARADISE LAKE ESTATES HOMEOWNERS ASSOCIATION

ARTICLE I.

Name and Location

The name of the corporation is PARADISE LAKE ESTATES HOMEOWNERS ASSOCIATION, hereinafter referred to as the "Association." The principal office of the Association shall be located at:

205 Lake Street South
Kirkland, WA 98083

but meetings of members and trustees may be held at such places within the State of Washington as may be designated by the Board of Trustees.

ARTICLE II.

Definitions

Section 1. "Association" shall mean the PARADISE LAKE ESTATES HOMEOWNERS ASSOCIATION, its successors and assigns.

Section 2. "Developer" shall mean CHAFFEY CORPORATION, a Washington corporation and any successors or assigns engaged in land development and/or wholesale land sales activities which are the same as, or similar to, those of CHAFFEY CORPORATION.

Section 3. "Subdivision" shall mean that certain real property described in the Plat of Paradise Lake Estates, records of King County, Washington, and such additions thereto as may be hereafter brought within the jurisdiction of Association.

Section 4. "Common Properties" shall mean open areas, entry landscaping, irrigation and lighting, planter islands and fencing as designated on the Plat of Paradise Lake Estates, per plat recorded in King County, Washington.

Section 5. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Plat of Paradise Lake Estates, with the exception of common properties described above.

Section 6. "Member" shall mean every person or entity who holds a membership in the Association.

Section 7. "Owner" shall mean the record owner, whether one or more persons or entities and specifically including the developer, of the fee simple title to any lot or lots which are a part of the Subdivision, but shall not include a contract seller or a mortgagee.

Section 8. The term "real estate contract" shall not include an earnest money receipt and agreement and the terms "contract seller" and "contract purchaser" shall not include the parties to any such earnest money receipt and agreement.

Section 9. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Subdivision recorded or to be recorded in the office of the King County Auditor.

Section 10. "Declarant" shall mean and refer to CHAPFEY CORPORATION, its successors and assigns.

ARTICLE III.

Membership and Voting Rights

Section 1. Membership: Every person or entity who is the contract purchaser or record owner of a fee interest in any lot or lots which are subject by covenants of record to assessment by the Developer named in the Declaration or by the Association, shall be a member of the Association, provided, however, that if any lot is held jointly by two (2) or more persons, the several owners of such interest shall designate one (1) of their number as the "member". The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. No lot shall have more than one (1) membership. Membership shall be appurtenant to and may not be separated from ownership of or the contract purchaser's interest in any lot which is subject to assessment by the Developer or the Association. Upon transfer of the fee interest to, or upon the execution and delivery of a contract for the sale of (or of an assignment of a contract purchaser's interest in) any lot, the membership and certificate of membership in the Association shall ipso facto be deemed to be transferred to the grantee contract purchaser, or new contract purchaser as the case may be. Ownership of or a contract purchaser's interest in any such lot shall be the sole qualification for membership.

Section 2. Suspension of Membership: During any period in

which a member shall be in default in the payment of any monthly or special assessment, the voting rights and right to use of the common properties and recreational facilities by such member may be suspended by the Board of Trustees until such assessment has been paid. During the developmental period, the Board of Trustees shall be required to exercise such right upon the request of the Developer. Such rights of a member may also be suspended after notice and hearing, for a period not to exceed one hundred eighty (180) days, for any and each violation of any rules and regulations established by the Board of Trustees governing the use of the common properties and facilities. In the event the suspension, such member shall continue to incur and remain liable for any and all monthly, annual and special assessments.

Section 3. Voting Rights: The Association shall have two (2) classes of voting membership.

Class A: Class A members shall be all those owners, with the exception of the Declarant, as set forth in Article III, Section 1 hereof. Class A members shall be entitled to one (1) vote for each lot in which they hold the interest required for membership by Article III, Section 1 hereof. The vote for such lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any lot.

Class B: Class B members shall be the Declarant (as defined in the Declaration) and three memberships shall exist for each lot in which Declarant has an interest. The Class B members shall be entitled to three (3) votes for each lot in which Declarant holds the interest required for membership by Article III, Section 1 hereof, provided that the Class B membership shall cease and be converted to Class A membership in the happening of either of the following events, whichever occurs earlier:

(a) When the total votes outstanding in the Class A membership equals the total votes outstanding in the Class B membership; or

(b) On the 1st of January, 2000.

ARTICLE IV.

Property Rights; Rights of Enjoyment

Section 1. Number: The affairs of this Association shall be managed by a Board of three (3) Directors/Trustees, who need not be members of the Association, or such other number as may be designated by majority vote of the members at a meeting called for that purpose.

Section 2. Election: At the first annual meeting, the members shall elect one (1) Trustee for a term of one year; one (1) Trustee for a term of two years; and one (1) Trustee for a term of three years; and at each annual meeting thereafter, the members shall elect one (1) Trustee for a term of three years.

Section 3. Removal: Any Trustee may be removed from the Board, with or without cause, by a majority vote of the members of the Association. In the event of death resignation or removal of a trustee, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4. Compensation: No Trustee shall receive compensation for any service he may render to the Association. However, any Trustee may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. Action Taken Without a Meeting: The Trustees shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the Trustees. Any action so approved shall have the same effect as though taken at a meeting of the Trustees.

ARTICLE V.

Meetings of Trustees

Section 1. Regular Meetings: Regular meetings of the Board of Trustees shall be held quarterly without notice, in the event business of the Association requires attention, at such place and hour as may be fixed from time to time by resolution of the Board.

Section 2. Special Meetings: Special meetings of the Board of Trustees shall be held when called by the President of the Association or by any two Trustees, after not less than three (3) days notice to each Trustee. The Trustee may waive, in writing, the three (3) day notice requirement.

Section 3. Quorum: A majority of the number of Trustees shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Trustees present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VI.

Nomination and Election of Trustees

Section 1. Nomination: Nomination for election to the Board

of Trustees may be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Trustees, and two or more members of the Association. The Nominating Committee may be appointed by the Board of Trustees prior to each annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nomination Committee shall make as many nominations for election to the Board of Trustees as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members or non-members.

Section 2. Election: Election to the Board of Trustees shall be by secret ballot. As such election, the members or their proxies may each cast their vote in accordance with the voting rights provisions herein. The names receiving the largest number of votes shall be elected. There shall be no cumulative voting.

ARTICLE VII.

Powers and Duties of the Board of Trustees

Section 1. Powers: The Board of Trustees shall have the power:

(a) To adopt and publish rules and regulations governing the use of the common properties and facilities, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof;

(b) To exercise for the Association all powers, duties and authority vested in or delegated to this Association not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration;

(c) To declare the office of a member of the Board of Trustees to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Trustees; and

(d) To employ managers, independent contractors, professional advisors or such other employees as they deem necessary, and to prescribe their duties.

Section 2. Duties: It shall be the duty of the Board of Trustees:

(a) To cause to be kept a complete record of all acts and corporate affairs and to present a statement thereof to the

members at the annual meeting of the members or at any special meeting, when such statement is requested in writing by one-fourth (1/4) of the members who are entitled to vote;

(b) To supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) As more fully provided herein and in the Declaration:

(1) to establish, levy, assess, and collect the assessments or charges referred to in the Declaration, as applicable to the Association; and

(2) to send written notice of each assessment to every owner or contract purchaser subject thereto at least thirty (30) days in advance of each annual assessment period;

(d) To issue, or to cause an appropriate officer to issue, upon demand by any person, a statement or certificate setting forth whether any assessment has been paid. A reasonable charge may be made by the Board of Trustees for the issuance of these certificates. Such certificate shall be conclusive evidence of any assessment therein stated to have been paid;

(e) To procure and maintain adequate liability insurance, and to procure adequate hazard insurance on property owned by the Association;

(f) To cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate; and

(g) To cause any common properties owned by the Association to be maintained.

ARTICLE VIII.

Committees

Section 1. The Board of Trustees shall appoint a Nominating Committee, as provided by these Bylaws, and upon termination of the developmental period, shall appoint an Architectural Control Committee to perform the duties and functions described in the Declaration. In addition, the Board of Trustees may appoint other committees as deemed appropriate in carrying out its purposes, such as:

(a) A Recreation Committee which shall advise the Board of Trustees on all matters pertaining to the recreational program and activities of the Association and shall perform such other functions as the Board, in its discretion, determines;

(b) A Maintenance Committee which shall advise the Board of Trustees on all matters pertaining to the maintenance, repair or improvement of the common properties, including the entry landscaping, irrigation and lighting, and the planter islands, and shall perform such other functions as the Board, in its discretion, determines;

(c) A Publicity Committee which shall inform the members of all activities and functions of the Association and shall, after consulting with the Board of Trustees, make such public releases and announcements as are in the best interest of the Association; and

(d) An Audit Committee which shall supervise the annual audit of the Association's books and approve the annual budget and statement of income and expenditures to be presented to the membership at its regular annual meeting as provided in Article XI, Section 8(c). The Treasurer shall be an ex officio member of the Committee.

Section 2. It shall be the duty of each committee to receive complaints from members on any matter involving the Association's functions, duties and activities within its field of responsibility. It shall dispose of such complaints as it deems appropriate, or refer them to such other committee, Trustee, or office of the Association as is further concerned with the matter presented.

ARTICLE IX.

Meeting of Members

Section 1. Annual Meeting: The first annual meeting of the members shall be held at such time as designated by the Developer, the Board of Trustees, or upon a majority vote of the members. In the event of an affirmative vote of the members, the Board of Trustees shall be responsible for giving proper notice of the time and place of the meeting. Each subsequent regular annual meeting of the members shall be held on the same day of the same month of each year thereafter, at the hour of 7:00 p.m. If the day for the annual meeting of the members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 2. Special Meetings: Special meetings of the members may be called at any time by the President or by the Board of Trustees, or upon written request of the members who are entitled to vote one-fourth (1/4) of all of the votes of the entire membership.

Section 3. Notice of Meetings: Written notice of each meeting of the members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by personally delivering or mailing a copy of such notice, postage prepaid, not less than ten (10) and not more than fifty (50) days before such meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting and in the case of a special meeting, the purpose of the meeting.

Section 4. Quorum: The presence at the meeting of members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of the entire membership shall constitute a quorum for any action except as otherwise provided in the articles of Incorporation, the Declaration, or these Bylaws. If, however, such quorum shall not be represented at any meeting, the members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than an announcement at the meeting, until a quorum, as aforesaid, shall be present or represented.

Section 5. Proxies: At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon the conveyance by the member of his lot.

ARTICLE X.

Officers and Their Duties

Section 1. Enumeration of Officers: The officers of this Association shall be a President and Vice-President, who shall at all times be members of the Board of Trustees, a Secretary and a Treasurer, and such other officers as the Board may from time to time by resolution create. Any two or more offices may be held by the same person, except the offices of the Secretary and President.

Section 2. Election of Officers: The election of officers shall take place at the first meeting of the Board of Trustees following each annual meeting of the members.

Section 3. Term: The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year, unless he shall sooner resign or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments: The Board may elect such other officers as the affairs of the association may require, each of whom shall hold office for such period, have authority, and perform such duties as the Board may, from time to time determine.

Section 5. Resignation and Removal: Any officer may be removed from office, with or without cause, by the Board. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of receipt of such notice or any later time specified therein, and unless otherwise specified therein, he acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies: A vacancy in any office may be filled in the manner prescribed for regular elections. The officer elected to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Multiple Offices: Multiple offices may be held by the same person; however, no one person shall simultaneously hold the offices of Secretary and President.

Section 8. Duties: The duties of this officers are as follows:

(a) **President:** The President shall preside at all meetings of the Board of Trustees, shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall sign all checks or promissory notes.

(b) **Vice-President:** The Vice-President shall act in the place and stead of the President in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

(c) **Secretary:** The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association, together with their addresses, and shall perform such other duties as required by the Board.

(d) **Treasurer:** The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Trustees; shall sign all checks and promissory notes of the Association; shall keep proper books of account; shall cause an annual audit of the Association's books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the members.

ARTICLE XI.

Assessments

Section 1. Creation of the Lien and Personal Obligations of Assessments: By the Declaration, each member is deemed to covenant and agree to pay to the Developer during the developmental period, and thereafter to the Association:

- (a) annual or monthly assessments or charges; and
- (b) special assessments for capital improvements and other purposes as set forth in the Declaration.

The assessments, together with such interest thereon and cost of collection thereof, as hereinafter provided, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with such interest and costs of collection thereof (including reasonable attorney's fees) shall also be the personal obligation of the person who was the owner or contract purchaser of such property at the time when the assessment fell due. Any such lien or assessment runs with the property. The Association may file or record a lien or take any other action deemed appropriate to effectuate collection of unpaid assessments.

Section 2. Purpose of Assessments: The assessments shall be used exclusively for the purpose of promoting the recreation, health, and welfare of the residents in the properties, including without limitation, the construction, establishment, improvement, repair, maintenance and other expenses of the common properties, services, and facilities related to the use and enjoyment of the common properties, the payment of taxes and insurance on the common properties, maintenance of Enhanced Wetlands and other obligations related to Enhanced Wetlands as set forth in the Covenants, Conditions and Restrictions or otherwise required by King County, and the installation and maintenance of the entry planting areas on streets located within the Subdivision. Assessments may also be levied to pay for any professional services, advice or consultation

incurred by the Association in carrying out its duties.

Section 3. Special Assessments for Capital Improvements: In addition to the assessments authorized above, the Association may levy special assessments for capital improvements upon the common properties. Any such levy by the Association shall be for the purpose of defraying in whole or in part, the cost of any construction, reconstruction, or replacement of a described capital improvements upon the common properties, including the necessary fixtures and personal property related thereto; provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of members of each class of membership voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be sent to all members not less than ten (10) days, nor more than fifty (50) days in advance of the meeting, setting forth the purpose of the meeting.

Section 4. Uniform Rate: All assessments shall be fixed at a uniform rate for all lots subject to assessment.

Section 5. Quorum for any Action Authorized Under Section 3: The presence at the meeting of members or of proxies entitled to cast sixty percent (60%) of all the votes shall constitute a quorum. If the required forum is not forthcoming at any meeting, another meeting may be called, subject to the notice requirement set forth in Article X, and the required quorum at any such subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than thirty (30) days following the preceding meeting.

Section 6. Date of Commencement of Assessments; Due Dates: As to each particular lot involved, the liability for the assessments shall begin on the first day of the calendar month following the date of any deed or contract of sale for the lot, or on the first day of the calendar month following occupancy of the premises, whichever is earlier. Said assessment shall be due and payable on such date and on the first day of each calendar month thereafter, or on an annual date designated by the Association. The due date of any special assessments under Section 3 hereof shall be fixed by the resolution authorizing such assessment.

Section 7. Effect of Non-Payment of Assessments; Remedies: If any assessment is not paid within thirty (3) days after it was first due and payable, the assessment shall bear interest from the date on which it was due at the rate of twelve percent (12%) per annum, and the Association may bring an action at law against the one personally obligated to pay the same and/or foreclose the lien against the property, and interest, costs and reasonable attorney's fees of any such action shall be included in any judgment or decree entered in such suit. No owner or contract purchaser shall be

relieved of liability for the assessments provided for herein by non-use of the common properties or abandonment of his lot.

Section 8. Subordination of the Lien to Mortgages: The lien of the assessment provided for herein shall be subordinate to the lien of any first mortgage (and to the lien of any second mortgage given to secure payment of the purchase price) now or hereafter placed on the lot, only in the event that the lien for delinquent assessments has not been recorded with the King County Auditor at the time of the recording of the mortgage lien. Notwithstanding any provision herein, the lien for delinquent assessments shall be subordinate to any first mortgage when said mortgage is FHA, VA or Fanny Mae mortgage, in which case this subordination shall only be to the extent required to satisfy the eligibility criteria of FHA, VA or Fanny Mae. Sale or transfer of any lot shall not affect the assessment lien. No sale or transfer shall relieve such lot from liability for any assessments thereafter becoming due or from the lien thereof.

ARTICLE XII.

Books and Records

The books, records and papers of the Association shall at all times during reasonable business hours, be subject to inspection by any member. The Declaration, Articles of Incorporation, and the Bylaws of the Association shall be available for inspection by any member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XIII.

Indemnification of Trustees and Officers

Trustees of this Association shall not be liable to the Association or its members for damages caused by an action taken by the Trustee in good faith. This provision may not limit a Trustee's liability for acts involving intentional misconduct such as a knowing violation of the law or a knowing breach of the Trustee's fiduciary duty to the Association.

Trustees and Officers of this Association shall be indemnified and held harmless from and against any damages, liabilities, judgments, penalties, fines, settlements and reasonable expenses (including attorney fees) actually incurred as a result of all actions undertaken by said Officer or Trustee in good faith, and (a) in the case of conduct in his own official capacity with the Association, he reasonably believed his conduct to be in the Association's best interests, or (b) in all other cases, he reasonably believed his conduct to be at least not opposed to the

Association's best interests, and (c) in the case of any criminal proceedings, he had no reasonable cause to believe his conduct was unlawful. Said Officers and Trustees shall be indemnified and held harmless to the full extent permissible under Washington law, including the provisions contained in RCW 24.03.043 and RCW 23A.08.025, and amendments thereto.

The foregoing right of indemnification shall not be exclusive of other rights to which such Trustee or Officer may be entitled to as a matter of law. The Board of Trustees may obtain insurance on behalf of any person who is or was a Trustee, Officer, employee, or agent against any liability arising out of his status as such, whether or not the Association would have power to indemnify him against such liability.

ARTICLE XIV.

Corporate Seal

The Association may obtain a seal in circular form, having within its circumference the words "PARADISE LAKE ESTATES HOMEOWNERS ASSOCIATION" in the form and style as affixed in these Bylaws by the impression of such seal.

ARTICLE XV.

Miscellaneous

Section 1. Amendment: These Bylaws may be amended at a regular or special meeting of the members, by a vote of a majority of a quorum of members present in person or by proxy, except that during the developmental period, the Developer shall have the right to veto amendments.

Section 2: Conflict; Control: In case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

ARTICLE XVI.

Fiscal Year

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

ARTICLE XVII.

Date of Adoption

These Bylaws were duly adopted by the Association on the 19th
day of April, 1991.

BOARD OF TRUSTEES

H. Chaffey
Herbert D. Chaffey

Kandice Chaffey
Kandice Chaffey

Aileen D. Oppelaar
Aileen Oppelaar

ATTEST:

Aileen D. Oppelaar
Secretary