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BYLAWS OF QUAIL RESERVE HOMEOWNERS ASSOCIATION

Grantor: Quail Reserve Homeowners Association

Grantee: THE PUBLIC

Abbreviated Legal: NW ¼ OF THE SW ¼ OF SECTION 1, TOWNSHIP 3 NORTH,
RANGE 2 EAST, W.M.

Assessor's Tax Parcel Number(s): 5524974

Other Reference No.: Plat 5569702 Recorded in Book 312, page 8 on December 10,
2018

TABLE OF CONTENTS
BYLAWS OF
QUAIL RESERVE HOMEOWNERS ASSOCIATION

ARTICLE 1 - PLAN OF LOT OWNERSHIP; DEFINITIONS.....1

 1.1 Bylaws Applicability.1

 1.2 Lots; Property.1

 1.3 Personal Application.....1

 1.4 Definitions.1

 1.5 Washington Uniform Common Interest Ownership Act.....1

ARTICLE 2 - ASSOCIATION MEMBERSHIP; VOTING;
MAJORITY OF OWNERS; QUORUM; PROXIES.....1

 2.1 Membership in the Association.1

 2.2 Voting Rights.....2

 2.3 Majority of Owners.....2

 2.4 Authority to Vote.....2

 2.5 Fiduciaries and Joint Owners.....2

ARTICLE 3 - ADMINISTRATION.....2

 3.1 Association Responsibilities.2

 3.2 Annual Meetings.....3

 3.3 Special Meetings.....3

 3.4 Transition Meeting.....3

 3.5 Place of Meetings.....3

 3.6 Notice of Meetings.....3

 3.7 Waiver of Notice.....3

 3.8 Quorum.3

 3.9 Voting; Proxies.4

 3.10 Participation by Virtual Appearance.....4

 3.11 Actions by Members Without a Meeting.....4

 3.12 Order of Business.....4

 3.13 Procedure.4

 3.14 Meeting Minutes.5

 3.15 Dispute Resolution.....5

 3.16 Attorneys' Fees.5

ARTICLE 4 - BOARD OF DIRECTORS.....5

 4.1 Number.5

 4.2 Qualifications.....5

 4.3 Assumption of Duties.6

4.4	Powers and Duties.	6
4.5	Limited Authority.	8
4.6	Managing Agent.	9
4.7	Master Association.	9
4.8	Interim Board and Officers.	9
4.9	Post-Transition Meeting Board Election and Term of Office.	10
4.10	Vacancies.	10
4.11	Removal of Directors.	10
4.12	Board Meetings.	11
4.13	Committees.	12
4.14	Compensation of Directors.	12
4.15	Validity.	13
ARTICLE 5 - Funds and Assessments		13
5.1	Determination of Fiscal Year; Income Tax Returns.	13
5.2	Budgeting.	13
5.3	Purpose of Assessments; Expenses.	13
5.4	Basis of Assessment; Commencement of Assessments.	14
5.5	Annual Assessments.	14
5.6	Special Assessments.	14
5.7	Statement of Assessments.	15
5.8	Temporary Reduction of Assessment Amount.	15
5.9	Accounts.	16
5.10	Default in Payment of Assessments; Enforcement of Association Liens.	16
5.11	Other Liens.	17
ARTICLE 6 - Architectural Review Committee		17
6.1	Architectural Review.	17
6.2	Approval Required First.	18
6.3	Appointment and Removal.	18
6.4	Majority Action.	18
6.5	Duties.	18
6.6	Decision.	18
6.7	Discretion.	19
6.8	Nonwaiver.	19
6.9	Appeal.	19
6.10	Effective Period of Consent.	19
6.11	Determination of Compliance.	19
6.12	Noncompliance.	19
6.13	Liability.	20

6.14	Estoppel Certificate.....	20
6.15	Declarant and Successor Exempt from ARC.....	20
ARTICLE 7 - OFFICERS.....		20
7.1	Designation.....	20
7.2	Election of Officers.....	20
7.3	Removal of Officers.....	21
7.4	President.....	21
7.5	Secretary.....	21
7.6	Treasurer.....	21
7.7	Directors as Officers.....	21
ARTICLE 8 - OBLIGATIONS OF THE OWNERS.....		21
8.1	Assessments.....	21
8.2	Initial Assessment.....	21
8.3	Contribution to Working Capital.....	21
8.4	Procedures for Subsidies.....	22
8.5	Default.....	22
8.6	Maintenance and Repair.....	22
ARTICLE 9 - USE AND OCCUPANCY RESTRICTIONS; RULES OF CONDUCT.....		23
9.1	Additional Rules.....	23
9.2	Enforcement.....	23
9.3	Fines.....	23
ARTICLE 10 - INSURANCE.....		23
10.1	General.....	23
10.2	Types of Insurance Policies Maintained by the Association.....	24
10.3	Insurance Companies Authorized.....	24
10.4	Provisions in Insurance Policies.....	24
10.5	Home and Lot Insurance Maintained by Each Owner.....	25
10.6	Review of Insurance Policies.....	25
10.7	Adjustments and Payments.....	25
10.8	Nonavailability of Insurance.....	26
ARTICLE 11 - AMENDMENT.....		26
ARTICLE 12 - RECORDS AND AUDITS.....		26
12.1	General Records.....	26
12.2	Assessment Roll.....	27
12.3	Payment of Vouchers.....	27
12.4	Transition Audit.....	27
ARTICLE 13 - COMPLIANCE AND CONFLICTS.....		27

ARTICLE 14 - INDEMNIFICATION OF DIRECTORS, OFFICERS,
EMPLOYEES, AND AGENTS.....27
ARTICLE 15 - ASSESSMENT COLLECTION COSTS; SUITS AND ACTIONS..28
ARTICLE 16 - MISCELLANEOUS28
 16.1 Notices.28
 16.2 Waiver.....29
 16.3 Invalidity; Number; Captions.29
ARTICLE 17 - ADOPTION.....29

**BYLAWS OF
QUAIL RESERVE HOMEOWNERS ASSOCIATION**

ARTICLE 1 - PLAN OF LOT OWNERSHIP; DEFINITIONS

1.1 Bylaws Applicability.

These Bylaws apply to the Lots, the Common Elements, and Limited Common Elements in the Quail Reserve Subdivision, a planned community in Clark County, Washington, legally described on Exhibit A attached hereto, that have been subjected to the Declaration of Covenants, Conditions, and Restrictions for Quail Reserve Subdivision (the "Declaration"), as well as to the Quail Reserve Homeowners' Association, a Washington nonprofit corporation (the "Association"), and the entire management structure thereof.

1.2 Lots; Property.

The Lots, the Common Elements and the Limited Common Elements may be collectively referred to in these Bylaws as the "Property" or "Project" and the Lots individually as a "Lot" or collectively as the "Lots." If the Owners vote not to rebuild any Lot pursuant to Section 10.7.1, that Lot's allocated interests are automatically reallocated upon the vote as if the Lot had been condemned under RCW 64.90.030, and the Association promptly must prepare, execute, and record an amendment to the Declaration reflecting the reallocations.

1.3 Personal Application.

All present or future Owners, tenants, Occupants, and their employees, and any other person that might occupy any portion of the Property in any manner, are subject to the provisions set forth in these Bylaws. The acquisition, rental, or occupancy of any of the Lots constitutes acceptance and ratification of these Bylaws and agreement to comply with all Bylaw provisions.

1.4 Definitions.

Capitalized terms used but not defined herein have the meanings attributed to them in Article 1 of the Declaration.

1.5 Washington Uniform Common Interest Ownership Act.

The Property, all Lots and Owners thereof, and the Association and all Members thereof, are subject to the Washington Uniform Common Interest Ownership Act (RCW 64.90) (the "WUCIOA").

**ARTICLE 2 - ASSOCIATION MEMBERSHIP; VOTING;
MAJORITY OF OWNERS; QUORUM; PROXIES**

2.1 Membership in the Association.

Upon recordation of a conveyance or a land sale contract to convey a Lot, the grantee or contract purchaser named in the conveyance or contract will automatically be and will remain a Member of the Association until the person's ownership ceases for any reason. Membership is appurtenant to and cannot be separated from, ownership of any Lot. For all purposes of the Declaration and the administration of the Property, Lot ownership will be determined from the records maintained by the Association. The record will be established by the Owner filing with

4829-0236-0967, v. 1

the Association a copy of the deed to or land sale contract for the Owner's Lot, to which must be affixed the certificate of the recording officer of Clark County, Washington, showing the date and place of recording of the deed or contract. No person will be recognized as an Owner unless a copy of the deed or contract has been filed with the Association as provided above showing the Owner to be the current Owner or contract purchaser of a Lot. Notwithstanding the foregoing, Declarant is the Owner of all previously unsold Lots, although no deed or land sale contract, with respect to such Lots, has been filed with the Association.

2.2 Voting Rights.

The Members of the Association shall consist of one class. A Member is entitled to one vote for each Lot owned with respect to all matters on which Owners are entitled to vote. When more than one person or entity owns a Lot, the vote for the Lot may be cast as the person or entity determines, but in no event will fractional voting be allowed. Fractionalized or split votes will be disregarded, except for purposes of determining a quorum.

2.3 Majority of Owners.

As used in these Bylaws, the term *majority* means those Owners holding over 50 percent of the voting rights allocated to the Owners in accordance with the Declaration and Section 2.2 above. *Majority of Owners present* means Owners holding over 50 percent of the votes present at any meeting in which a quorum is present.

2.4 Authority to Vote.

All Owners, including those who have leased their Lot to a third party, will be entitled to vote as Members. An Owner's right to vote may not be revoked. A purchaser under a land sale contract entitled to immediate possession of the Lot will be deemed the Owner thereof, unless otherwise provided in the contract.

2.5 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 Lot owned or held by the person in such capacity, whether or not the Lot has been transferred to the person's name, as long as the person has satisfied the Secretary (in the Secretary's reasonable discretion) that the person is the executor, administrator, guardian, or trustee holding the Lot in such capacity. Whenever any Lot is owned by two or more persons jointly according to the records of the Association, the vote of the Lot may be exercised by any one of the Owners then present, in the absence of protest by a co-owner. In the event of a protest, no one co-owner will be entitled to vote without the approval of all co-owners. In the event of disagreement among the co-owners, the vote of the Lot will be disregarded for all purposes, except for determining whether a quorum is present.

ARTICLE 3 - ADMINISTRATION

3.1 Association Responsibilities.

The Owners constitute the Members of the Association. Except as otherwise provided in the Declaration or these Bylaws, decisions and resolutions of the Association will require approval by a majority of the Owners present at any meeting in which a quorum is present. Owners must be given a reasonable opportunity at any meeting to comment on any matter affecting the common interest or the Association.

3.2 Annual Meetings.

A meeting of the Association must be held at least once a year. The annual meeting of the Members shall be held in November.

3.3 Special Meetings.

Special meetings of the Members for any purpose or purposes unless otherwise prescribed by statute may be called by the President, a majority of the Board of Directors (the "Board"), or by the written request of the Members having twenty percent (20%) of the votes in the Association.

3.4 Transition Meeting.

The Board must call a meeting for the purpose of turning over administrative control of the Association from Declarant to the Members in accordance with Section 8.3.1 of the Declaration. At the Transition Meeting, Declarant must relinquish control of the administration of the Association and the Owners must assume such control and must elect the Board in accordance with the provisions of Article ARTICLE 4 of these Bylaws.

3.5 Place of Meetings.

Formal meetings of the Association must be held at suitable places reasonably convenient to the Owners, as may be designated by the Board or President.

3.6 Notice of Meetings.

Written notice of each annual and special meeting, shall be provided to each Owner of record at least fourteen (14) but not more than fifty (50) days before the meeting. See the notice provisions in Article ARTICLE 16, below, for additional Notice requirements.

3.6.1. If the Association does not provide notice to Owners of a special meeting within thirty days after the requisite number or percentage of Owners requests the meeting, the requesting Members may directly provide notice to all Owners. Only matters described in the meeting notice may be considered at a special meeting.

3.6.2. If an annual or special meeting is adjourned to a different date, time or place, notice need not be given of the new date, time or place if the new date, time or place is announced at the meeting before adjournment unless a new record date is or must be fixed. If a new record date for the adjourned meeting is or must be fixed, however, notice of the adjourned meeting must be given to persons who are Members as of the new record date.

3.7 Waiver of Notice.

The minimum time to provide notice required for annual and special meetings may be reduced or waived for a meeting called to deal with an emergency. A member may waive notice required to be given under these Bylaws, the Articles of Incorporation or by applicable law, whether before or after the date and time stated therein. A valid waiver is created by any of the following three methods: (a) in writing signed by the member entitled to the notice and delivered to the Association for inclusion in its corporate records, (b) by attendance at the meeting, unless the member at the beginning of the meeting object to holding the meeting or transacting business at the meeting; or (c) by failure to object at the time of presentation of a matter not within the purpose or purposes described in the meeting notice.

3.8 Quorum.

4829-0236-0967, v. 1

Except as otherwise provided in these Bylaws, the presence in person or by proxy, or if a vote is taken, by absentee ballot, of Owners holding 50 percent or more of the outstanding votes in the Association, as defined in Section 2.2, will constitute a quorum.

3.9 Voting; Proxies.

Owners may cast votes in person, by written ballot, by absentee ballot, by electronic ballot if the Board so elects, or by proxy, in accordance with the procedures specified in RCW 64.90.455. Proxies must be filed with the Secretary of the Association ("Secretary") before or during the appointed meeting. A proxy will expire one year after the date it was signed unless a shorter period is specified in the proxy. A proxy will not be valid if it is undated or purports to be revocable without notice. No proxy appointment may be effectively revoked until written notice in writing of such revocation has been given to the Secretary by the member appointing the proxy. The Association may conduct a vote without a meeting upon providing adequate notice to the Owners, in accordance with RCW 64.90.455(6).

3.10 Participation by Virtual Appearance.

At the discretion of the Board or the President, Members and proxies may participate in a meeting of the Members by any means of telephone, video or other communication by which all persons participating in the meeting can hear each other during the meeting, and participation by such means shall constitute presence in person at the meeting.

3.11 Actions by Members Without a Meeting.

Any action which may or is required to be taken at a Meeting of the Members may be taken without a meeting if one or more written consents setting forth the action so taken shall be signed before the action taken, by all the Members entitled to vote with respect to the subject matter thereof. Action taken by written consent of the Members is effective when all consents are in possession of the Association, unless the consent specifies a later effective date. Whenever any notice is required to be given to any Member pursuant to applicable law, a waiver thereof in writing, signed by the person or persons entitled to notice, shall be deemed equivalent to the giving of notice.

3.12 Order of Business.

The order of business at all annual meetings will be:

- (a) Roll call.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of the preceding meeting.
- (d) Reports of officers.
- (e) Reports of committees.
- (f) Election of inspectors of election.
- (g) Election of Directors.
- (h) Unfinished business.
- (i) New business.
- (j) Adjournment.

3.13 Procedure.

All meetings of the Association, the Board, the ARC, and other Association committees will be conducted with such rules of order as may from time to time be adopted by the Board.

Notwithstanding which rules of order are adopted, the President will be entitled to vote on all matters, not merely to break a tie vote. A tie vote does not constitute a majority or approval of any motion or resolution.

3.14 Meeting Minutes.

The Association shall make available to each Owner of record for examination and copying minutes from the previous Association meeting not more than sixty (60) days after the meeting.

3.15 Dispute Resolution.

The laws of the State of Washington shall be used to interpret and enforce this Agreement, without regard to conflict of laws principles. To provide a mechanism for rapid and economical dispute resolution, all disputes, claims or causes of action, in law or equity, arising from or relating to these Bylaws, the Declaration, RCW chapter 64.90, or their enforcement, breach or interpretation— other than foreclosure proceedings – shall be resolved, to the fullest extent permitted by law, by final, binding and confidential arbitration in lieu of litigation. The arbitration shall be conducted by a single arbitrator, in accordance with the rules of the Arbitration Service of Portland, Inc. (or other mutually agreeable dispute resolution service), at a convenient location close to the Property. If the parties cannot agree on a single arbitrator, such arbitrator shall be appointed by a panel consisting of three (3) persons; each party shall appoint one arbitrator, and the third of whom has been appointed by the two so selected. Parties shall be entitled to conduct sufficient discovery to ascertain the facts and law at issue in the dispute. Resolution of the dispute shall be based solely upon the law governing the claims and defenses pleaded, and the arbitrator may not invoke any basis other than such controlling law. The arbitrator shall issue a written opinion setting forth the facts and law supporting any award. The decision of the arbitrator(s) shall be final and binding on the parties and may be entered as a judgment in any court of competent jurisdiction. The parties shall split the costs of the arbitrator during its pendency.

3.16 Attorneys' Fees.

If any legal action, arbitration, or other proceeding relating to these Bylaws or the Declaration or the enforcement of any provision within them, the prevailing party shall be entitled to recover reasonable attorneys' fees, costs and disbursements (in addition to any other relief to which the prevailing party may be entitled, including those incurred on appeal).

ARTICLE 4 - BOARD OF DIRECTORS

4.1 Number.

The Board will be composed of at least three (3) persons and if more board positions are added, the total shall be an odd number.

4.2 Qualifications.

All Board members must be an Owner or a co-owner of a Lot. If a Lot is owned by more than one owner, only one owner of that Lot may serve on the Board at any one time. A board member, officer or employee of a corporation, the trustee of a trust, the personal representative of an estate, or an employee of a trust or estate may serve on the Board if the corporation, trust, or estate owns a Lot. To determine the qualifications of any officer or board member, "Owner"

includes any board member, officer, member, partner, or trustee of any person who either alone or in conjunction with another person, is an Owner. If a person ceases to have an affiliation with the Owner entity that otherwise qualified the person to serve as a board member or officer, that person shall cease to be qualified to remain a board member or officer.

4.3 **Assumption of Duties.**

Board members and officers must take office upon adjournment of the meeting or other event at which they were elected or appointed and must serve until their successor takes office. Board members and officers must read RCW chapter 64.90 before casting their first vote.

4.4 **Powers and Duties.**

The Board has the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things that are not by law, by the Declaration, or by these Bylaws directed to be done by the Owners. In addition to duties imposed by these Bylaws or by resolutions of the Association, the Board has authority to carry out and be responsible for all powers and duties listed in RCW 64.90.405 and the following matters:

4.4.1. Upkeep of Common Elements and Limited Common Elements. Care, upkeep, and supervision of the Common Elements and Limited Common Elements.

4.4.2. Reserve Accounts and Reserve Study. Establishment and maintenance of replacement Reserve Accounts in the name of the Association that the Board deems prudent for replacement of Common Elements and Limited Common Elements improvements or facilities. The Board shall have discretion as to decisions relating to the preparation and updating of a reserve study in accordance with RCW 64.90.545 and Exhibit B.

4.4.3. Assessment Collection. Designation and collection of assessments from the Owners, in accordance with these Bylaws and the Declaration.

4.4.4. Budget; Voucher System. Establishment of a budget, payment of common expenses of the Association, and institution and maintenance of a voucher system for such payment, which must require a sufficient number of signatories thereon as may be reasonably necessary to prevent any misuse of Association funds, in accordance with these Bylaws and the Declaration. The Board must adopt a budget in accordance with RCW 64.90.525.

4.4.4.1. *Budget Elements.* The budget must include: the projected income, by category; projected common expenses and specially allocated expenses that are subject to being budgeted, both by category; amount of assessments per Lot and the date assessments are due; current amount of regular assessments budgeted for contribution to the reserve account; a statement of whether the Association has reserve study that meets the requirements of the WUCIOA and, if so, the extent to which the budget meets or deviates from the recommendations of that reserve study; and the current deficiency or surplus in reserve funding expressed on a per Lot basis.

4.4.4.2. *Budget Ratification.* Within thirty days after adoption of any proposed budget, the Board must provide a copy of the budget to all Owners and set a date for a ratification meeting, not less than fourteen nor more than fifty days after providing the proposed budget to the Owners. Unless a majority of the Owners reject the budget, the budget and assessments against Lots included in the budget are ratified, whether or not a quorum is present at the budget meeting. If

the proposed budget is rejected or the required notice is not given, the periodic budget last ratified by the Owners continues until the Owners ratify a subsequent budget proposed by the Board.

4.4.4.3. Special Assessments. At any time, the Board may propose a special assessment, which will be effective if the Board follows the Budget Ratification procedures and the Owners do not reject the special assessment. The Board may provide that the special assessment may be due and payable in installments over any period it determines and may provide a discount for early payment.

4.4.5. Insurance. Procurement and maintenance of insurance policies and payment of associated premiums out of the common expense funds in respect to the Common Elements and Limited Common Elements, as provided in Article ARTICLE 10 of these Bylaws.

4.4.6. Personnel. Designation and dismissal of the personnel necessary for the maintenance and operation of the Project.

4.4.7. Financial Statements. Causing the preparation and distribution to each of the Owners, annual financial statements of the Association in accordance with accrual-based accounting practices. In the event annual assessments of the Association are fifty thousand dollars (\$50,000) or more, the financial statements of the Association shall be audited at least annually by an independent certified public accountant. If the annual assessments are less than \$50,000, the requirement for an annual audit by an independent certified public accountant may be waived by a majority of the Owners other than the Declarant.

4.4.8. Rules. Adoption and amendment of administrative rules and regulations governing the details of operation and use of the Common Elements and Limited Common Elements and administration of the Association, including a fine schedule for violations of these Bylaws, the Declaration, or any rules or regulations promulgated thereunder. The Board shall notify each Owner of its intent to adopt, amend, or repeal a Rule or Regulation and provide a copy of each amendment, modification, or revocation with a proposed date upon which the Board will act on it after considering comments from Owners. Every rule must be reasonable.

4.4.9. Copies of Documents; Bank Accounts. Causing the Association to comply with RCW 64.90.475 relating to, maintenance of all records of the Association, including names and addresses of owners and other occupants of the Lots, financial and other records sufficiently detailed to enable the Association to fully declare to each Owner the true statement of its financial status, depositing all funds of the Association in the name of the Association with a qualified financial institution, depositing all assessments in a separate bank account in the name of the Association, ensuring funds of the Association are not commingled with funds of any other organization, Association, or other person; ensuring funds of the Association are not kept in a custodial or trust account; payment of all expenses of the Association from the Association's bank account, maintenance and distribution of financial statements, and maintenance of copies suitable for duplication of the following: the Declaration, the Articles of Incorporation, the Bylaws, the Association Rules and Regulations and any amendments thereto, the most recent annual financial statement, and the current operating budget of the Association.

4.4.10. Tax Returns. Causing the Association to file the necessary tax returns of the Association.

4.4.11. Mailing Address. Establishing and maintaining a current mailing address

for the Association.

4.4.12. Professional Services and Contracts. Employment of or contract with legal, accounting, and other personnel or consultants for reasonable compensation to perform such services as may be required for the proper administration or management of the Association and for preparing and filing the required income tax returns or forms. The Board may terminate contracts and leases without penalty after the Transition Meeting, as provided in RCW 64.90.430.

4.4.13. Enforcement Actions and Litigation. Institute, defend, or intervene in litigation or in arbitration, mediation, or administrative proceedings or any other legal proceeding in the Association's name on behalf of itself or two or more Owners on matters affecting the common interest community.

4.4.13.1. The Board must promptly provide notice to the Owners of any legal proceeding in which the Association is a party, other than proceedings involving enforcement of rules or to recover unpaid assessments or other sums due the Association.

4.4.13.2. The Board may determine whether to take enforcement action for a violation of the governing documents. Subject to the limitations specified in section 4.5 below, the Board may suspend any right or privilege of an Owner who fails to pay an assessment, impose and collect reasonable fines against an Owner or tenant/occupant for any violation, after giving notice and an opportunity to be heard, and if the Owner or tenant/occupant does not cure the violation within ten days after receiving notice of the violation. The Board does not have a duty to take enforcement action if it is not in the Association's best interests to do so. The Board's decision to not pursue enforcement action does not prevent the Board from taking enforcement action under another set of circumstances, but the Board may not be arbitrary or capricious in its enforcement decisions.

4.4.14. Other Actions. Act on such matters as may come up from time to time between meetings of the Association.

4.5 **Limited Authority.**

The Board may not take any of the following actions, except with the vote or written assent of the Owners as specified in the Declaration and RCW chapter 64.90:

4.5.1. Organizational Actions. Amend the Declaration, except as provided in the Declaration; amend the organizational documents of the Association; rescind the Declaration; extend development rights; amend the budget; terminate the common interest community; elect members of the board; or determine the qualifications, powers, duties or terms of office of board members.

4.5.2. Third-Party Contracts. Enter into a contract with a third party to manage or provide other services for the Common Elements, Limited Common Elements, or the Association for a term longer than three years with the following exceptions:

4.5.2.1. Management contracts, service contracts, or employment contracts made by or on behalf of the Association, the Board or the Owners; however, if entered into before the Transition Meeting, such contracts may not exceed three years and may be terminated without penalty to the Declarant, the Association, or

the Board if the Board gives not less than 30 days' written notice of termination to the other party not later than 60 days after the Transition Meeting.

4.5.2.2. A prepaid casualty or liability insurance policy, or a casualty and liability insurance policy, the term of which does not exceed three years, as long as the policy permits short-rate cancellation by the insured.

4.5.3. Capital Expenditures. Incur aggregate expenditures for capital improvements (as opposed to maintenance, repair, and replacement costs) to the Common Elements and Limited Common Elements during any fiscal year in excess of five percent of the budgeted gross expenses of the Association for that fiscal year.

4.5.4. Borrowing. Borrow funds to be secured by an assignment of the Association's right to receive future income, without providing notice to all Owners. The notice must include the purpose and maximum amount of the loan, the estimated amount and term of any assessments required to repay the loan, a reasonably detailed projection of how the money will be spent, and the interest rate and term of the loan. The notice must set a date for a meeting of the Owners not less than fourteen and no more than sixty days after mailing of the notice, to consider ratification of the borrowing. At the meeting, whether or not a quorum is present, the Owners holding two-thirds of the votes in the Association may reject the proposal to borrow funds. Absent such a rejection, the Association may borrow the funds in substantial accordance with the terms contained in the notice.

4.5.5. Conveyance or Encumbrance of Common Elements. Convey or subject portions of the Common Elements or Limited Common Elements to a security interest by the Association as further described in RCW 64.90.465. Notwithstanding any provision to the contrary, such a conveyance or encumbrance shall be effective only if approved by Owners entitled to cast at least eighty (80) percent of the votes allocated to Lots not owned by the Declarant; and conveyance or encumbrance of Limited Common Elements must be approved by all Owners of the affected Limited Common Element.

4.5.6. Compensating Board Members. Pay compensation to members of the Board or officers of the Association for services performed in the conduct of the Association's business; however, the Board may cause a member or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

4.5.7. Suspending Owner's Rights. The Board may not deny an Owner or other occupant access to the Owner's Lot; suspend an Owner's right to vote; or withhold services provided to a Lot or an Owner by the Association if the effect of doing so would endanger the health, safety, or property of any person.

4.6 Managing Agent.

The Board may employ a managing agent, to be compensated in an amount established by the Board, to perform such duties and services as the Board authorizes, including, but not limited to, the duties listed in section 4.4 of these Bylaws.

4.7 Master Association.

The Board may delegate any of its powers described in RCW 64.90.405 to a Master Association in accordance with RCW 64.90.300.

4.8 Interim Board and Officers.

Declarant hereby reserves administrative control of the Association until the Transition Meeting. Declarant, in its sole discretion, may appoint and remove members of the Board and officers of the Association whose terms of service will end on or before the date of the Transition Meeting. However, at the Transition Meeting, at least one Director must be elected by Owners other than Declarant, even if Declarant otherwise has voting power to elect all Directors.

4.9 Post-Transition Meeting Board Election and Term of Office.

At the Transition Meeting, the term of office of two Directors will be fixed for two years and one Director's term will be fixed at one year. Should the number of Directors serving on the Board be increased, the same sequential election terms will apply as nearly as is practicable. Upon expiration of the initial term of office of each respective Director, the Director's successor will be elected to serve a term of two years. The Directors will hold office until their successors have been elected and hold their first meeting. At the Transition Meeting, upon agreement by vote of the Owners, the Owners may elect Directors by using a ballot that permits each Owner to vote for three nominees. In that event, the two nominees receiving the highest number of votes will be the two-year Directors and the one nominee receiving the next highest number of votes thereafter, will be the one-year Director. In the event of a tie, the Owners may cast tie-breaking votes for the affected Director positions.

4.10 Vacancies.

Vacancies on the Board caused by any reason other than the removal of a Director by a vote of the Association will be filled for the balance of the term of each directorship by vote of a majority of the remaining Directors, even though they may constitute less than a quorum. Each person so elected will be a Director until a successor is elected upon expiration of the term for which the person was elected to serve by the other Directors term or, if earlier, until the next regularly scheduled election of board members.

4.11 Removal of Directors.

At any annual or special meeting (not including actions proposed to be taken by written ballot without a meeting), any one or more of the Directors may be removed with or without cause, by the lesser of a) a majority vote of the total voting power of the Owners entitled to vote for election of the Director proposed to be removed or b) two-thirds of the votes cast by such Owners at the meeting, and a successor may be then and there elected to fill the vacancy thus created; however, the notice of meeting must specifically indicate that the removal of one or more named Directors is an agenda item for the meeting. Any Director whose removal has been proposed by the Owners must be given an opportunity to be heard at the meeting before the vote.

4.11.1. The Board may, without an Owner vote, remove a director elected by the Owners if a) the Director is delinquent in the payment of assessments more than sixty days and b) the Director has not cured the delinquency within thirty days after receiving notice of the Board's intent to remove him/her from office.

4.11.2. A Director appointed by the Declarant may not be removed by Owner vote during any period of Declarant control.

4.12 **Board Meetings.**

4.12.1. Organizational Meetings. The first meeting of a newly elected Board must be held within 10 days of election at a place fixed by the Directors at the Association meeting at which the Directors were elected.

4.12.2. Regular Meetings. Regular meetings of the Board may be held at such time and place as determined, from time to time, by a majority of the Directors. Regular meetings of the Board may be called by the President.

4.12.3. Special Meetings. Special meetings of the Board may be called by the President or Secretary or on the written request of at least two Directors.

4.12.4. Emergency Meetings. In the event of an emergency, Board meetings may be conducted by telephone or any communication that allows all Board members participating to hear each other simultaneously. No notice to either Directors or Association members will be required for such meetings of the Board to be held for any emergency action. However, no such meeting may occur unless at least 75 percent (75%) of the Directors participate in the meeting and after an attempt has been made to reach each Director.

4.12.5. Executive Session. At the discretion of the Board, the following matters may be considered in executive sessions: (a) consultation with legal counsel or consider communications with legal counsel concerning rights and duties of the Association regarding existing or potential litigation or criminal matters; (b) matters involving possible violations of the governing documents of the Association; (c) matters involving the possible liability of an Owner of the Association; (d) personnel matters, including salary negotiations and employee discipline; (e) negotiations of contracts with third parties; (f) collection of assessments; and (e) any other matters permitted by the WUCIOA.

4.12.5.1. Except in the case of an emergency, the Board must vote in an open meeting whether to meet in executive session. If the Board votes to meet in executive session, the presiding officer of the Board must state the general nature of the action to be considered, as precisely as possible, and when and under what circumstances the deliberations can be disclosed to Owners. The statement, motion, or decision to meet in executive session must be included in the minutes of the meeting.

4.12.5.2. A contract or an action considered in executive session does not become effective unless the Board, following the executive session, reconvenes in open meeting and votes on the contract or action, which must be reasonably identified in the open meeting and included in the minutes.

4.12.6. Notice of Board Meetings. Unless the meeting is included in a schedule given to the Owners or the meeting is called to deal with an emergency, the Secretary or other officer specified in the organizational documents, must provide notice of each Board meeting to each Board member and to the Owners. For other than emergency meetings, notice must be given to each Owner and Board Member at least fourteen (14) days before the meeting and the notice must state the time, place, and agenda for the meeting.

4.12.7. Waiver of Notice to Directors. Before, at, or after any Board meeting, any Director may, in writing, waive notice of the meeting, and the waiver will be deemed equivalent to the giving of the notice. Attendance by a Director at any meeting of the Board will be a waiver of notice by the Director of the time and place thereof, except where a director attends a meeting for the express purpose of objecting to the transaction for any business because the meeting is not lawfully called or convened. If all the Directors are present at any meeting of the Board, no notice to Directors will be required, and any business may be transacted at the meeting.

4.12.8. Board of Directors' Quorum. At all meetings of the Board, a majority of the existing Directors will constitute a quorum for the transaction of business, and the acts of the majority of the Directors will be the acts of the Board. Presence, for purposes of establishing a quorum is determined by calculating the number of Directors appearing in person or by proxy at the beginning of the meeting at a formal gathering or, if a vote is taken by, written ballots, or ballots by mail or electronic transmissions, when ballots are returned representing the number of votes required to approve the proposal. If quorum requirements are not met at any meeting of the Board, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business that might have been transacted at the meeting as originally called may be transacted without further notice.

4.12.9. Board Meetings Open to All Association Members. Except for executive sessions, all meetings of the Board will be open to all Members of the Association; however, no Association Member will have a right to participate in the Board's meetings unless the Member is also a member of the Board. At each Board meeting, the Board must provide a reasonable opportunity for Owners to comment regarding matters of common interest and the Association. The Board will have authority to exclude any Association Member who, after warning by the chair of the meeting, disrupts the proceedings at a meeting of the Board.

4.12.10. Virtual Appearance. At the discretion of the Board or the President, the Board may meet by telephone, video, or other conferencing process if the meeting notice states as much and provides information explaining how Owners may participate, and Owners who participate in the meeting can hear or perceive the discussion and to comment.

4.12.11. Unanimous Consent. Instead of meeting, the Board may act by unanimous consent as documented in a record by all its members. After the Transition Meeting, the Board may act by unanimous consent only to undertake ministerial actions, actions subject to ratification by the Owners, or to implement actions previously taken at a meeting of the Board.

4.13 Committees.

The Board may establish committee(s) for any purpose and, except for any committee established pursuant to the special declarant rights, only the Board may establish a committee. Committees authorized to exercise any power reserved to the Board must include at least two board members who have exclusive voting power for that committee. Committees that are not so empowered are advisory only. Committees empowered to act on behalf of the Board shall follow the same attendance, notice, voting, and participation procedures as those outlined for Board meetings, above.

4.14 Compensation of Directors.

No Director may be compensated in any manner, except for out-of-pocket expenses.

4.15 **Validity.**

Actions taken by the Board that do not comply with the procedures outlined above are valid unless set aside by a court. A challenge to the validity of an action of the Board for failure to comply with these procedures may not be brought more than ninety days after the minutes of the Board of the meeting at which the action was taken are approved or the record of that action is distributed to the Owners, whichever is later.

ARTICLE 5 - FUNDS AND ASSESSMENTS

5.1 **Determination of Fiscal Year; Income Tax Returns.**

The fiscal year of the Association will be the calendar year unless otherwise determined by the Board. The Board, in its sole discretion, will determine the manner in which all necessary income tax returns are filed and of selecting all persons to prepare the tax returns.

5.2 **Budgeting.**

Each year the Board will prepare, approve, and make available to each Member a pro forma operating statement (budget) containing (a) estimated revenue and expenses on an accrual basis; (b) the amount of the total cash reserves of the Association currently available for replacement or major repair of the Common Elements and Limited Common Elements and for contingencies; (c) an itemized estimate for the remaining life of improvements, and the methods of funding to defray repair, replacement, or additions to major components of improvements; (d) a general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of repair, replacement, or additions to major components of the Common Elements and Limited Common Elements and (e) any other information required by RCW chapter 64.90. Notwithstanding that budgeting will be done on an accrual basis, the Association's books will be kept on a cash basis and the Association will be a cash basis taxpayer, unless applicable governmental regulations require otherwise. For the first fiscal year, the budget must be approved by the Board no later than the date on which annual assessments are scheduled to commence. Thereafter, the Board must annually prepare and approve the budget and distribute a copy or summary thereof to each Member, together with written notice of the amount of the annual assessments to be levied against each Owner's Lot, within 30 days after adoption of the budget.

5.3 **Purpose of Assessments; Expenses.**

The assessments levied by the Association will be used exclusively to promote the recreation, health, safety, aesthetics, and welfare of the Owners and Occupants of Quail Reserve, for the improvement, operation, and maintenance of the Common Elements and Limited Common Elements, for the administration and operation of the Association, and for property and liability insurance.

5.3.1. Covenants to Pay. Declarant and each Owner covenant and agree to pay the Association the assessments and any additional charges levied under the Declaration or the Bylaws. All assessments for operating expenses, repairs and replacement, and reserves will be allocated among the Lots and their Owners as set forth in Section 5.5.1.

5.3.2. Funds Held in Trust. The assessments collected by the Association will be held by the Association for and on behalf of each Owner and may be used solely as set forth in the Declaration and these Bylaws. Upon the sale or transfer of any Lot, the Owner's interest in

4829-0236-0967, v. 1

such funds will be deemed automatically transferred to the successor in interest to the Owner.

5.3.3. Offsets. No offsets against any assessment will be permitted for any reason, including, without limitation, any claim that the Association is not properly discharging its duties.

5.3.4. Right to Profits. Association profits, if any, will be the property of the Association and will be contributed to the Current Operating Account.

5.4 **Basis of Assessment; Commencement of Assessments.**

Declarant must pay all common expenses of the Association until the Lots are assessed for common expenses. Declarant is responsible for all expenses in connection with real estate subject to development rights. Expenses associated with the operation, maintenance, repair, and replacement of a Common Element that Owners have a right to use must be paid by the Association as a common expense. The amount and date of commencement of the initial annual assessment, including the assessment of reserves, if any, will be determined by Declarant. Once annual assessments begin, all Lots must be assessed their respective portion of the assessments, regardless of their ownership. Declarant may delay commencement of assessments for Lots that may be added pursuant to reserve development rights until those Lots are, in fact, added. Declarant may not defer payment of accrued reserves beyond the date of the Transition Meeting described in Article ARTICLE 3.

5.5 **Annual Assessments.**

Annual assessments for each fiscal year will be established when the Board approves the budget for that fiscal year. The initial annual assessment will be determined by Declarant and will be prorated on a monthly basis at the time of the closing of the first sale from Declarant. Assessments for partial months shall be prorated. Annual assessments will be payable on a periodic basis, not more frequently than monthly, as determined by the Board. The fiscal year will be the calendar year unless another year is adopted by vote of the Association members.

5.5.1. Allocation of Assessments. Except for Limited Common Element expenses, the total amount in the budget will be charged against all Lots in an amount equal to the Lot's fractional interest in the Association as an annual assessment. Limited Common Element expenses shall be charged against all Lots that benefit from the Limited Common Element, in an amount equal to the Lot's fractional interest in the Limited Common Element. The Board may adjust common expense liability for the costs of insurance in proportion to risk and the costs of common element utilities in proportion to Owners' respective usage of those utilities as those common expenses are incurred and such risk and usage imbalances are identified.

5.5.2. Nonwaiver of Assessments. If, before the expiration of any fiscal year, the Association fails to fix annual assessments for the next fiscal year, the annual assessments established for the preceding year will continue until a new annual assessment is fixed.

5.6 **Special Assessments.**

The Board or the Owners have the power to levy special assessments against an Owner or all Owners in the following manner for the following purposes:

5.6.1. Correct Deficit. To correct a deficit in the operating budget, by vote of a majority of the Board;

5.6.2. Special Obligations of an Owner. To collect amounts due to the Association from an Owner for breach of the Owner's obligations under this Declaration, the Bylaws, or the Rules and Regulations, by vote of a majority of the Board;

5.6.3. Repairs. To collect additional amounts necessary to make repairs or renovations to the Common Elements or Limited Common Elements if sufficient funds are not available from the operating budget or replacement reserve accounts, by vote of a majority of the Board; or

5.6.4. Capital Improvements. To make capital acquisitions, additions, or improvements, by vote of at least 80 percent of all votes allocated to the Lots.

5.6.5. Negligence Assessments. Any expense of the Association that is caused by the negligence of any Owner or Owner's tenant, guest, invitee, or occupant, the Association may assess that expense against the Owner's Lot after notice and an opportunity to be heard. Negligence assessments are limited to the extent of the Association's deductible and any expenses not covered by the Association's insurance policies.

5.6.6. Reimbursement Assessments. The Association may levy an assessment against any Owner and the Owner's Lot if a failure to comply with this Declaration, Bylaws, Architectural Standards, or any Rules and Regulations has (a) necessitated an expenditure of monies by the Association to effect compliance or (b) resulted in the imposition of a fine or penalty against the Owner or the Owner's Lot (a "Reimbursement Assessment"). A Reimbursement Assessment is due and payable to the Association when levied. A Reimbursement Assessment may not be levied by the Association except on at least 10 days' written notice to the Owner being assessed. If, within the 10-day period, the Owner makes a written request to the Board for a hearing, a hearing must be held. Upon request for a hearing, the Board must conduct it not less than 10 nor more than 30 days after the request by the Owner and must make its decision within not more than 30 days after the hearing is held. If a notice has been previously given, and the hearing has already been held or waived (in writing or by the Owner's failure to appear) for the violation resulting in the Reimbursement Assessment, no additional notice and hearing is required before levying the Reimbursement Assessment.

5.7 **Statement of Assessments.**

The Association must provide, within 10 business days of receipt of a written request from an Owner, a written statement that provides:

5.7.1. The amount of assessments due from the Owner and unpaid at the time the request was received, including (a) regular and special assessments, (b) fines and other charges, (c) accrued interest, and (d) late payment charges.

5.7.2. The percentage rate at which interest accrues on assessments that are not paid when due.

5.7.3. The percentage rate used to calculate the charges for late payment or the amount of a fixed charge for late payment.

5.7.4. The Association is not required to comply with this section if the Association has commenced litigation by filing a complaint against the Owner and the litigation is pending when the statement would otherwise be due.

5.8 **Temporary Reduction of Assessment Amount.**

If the Association expenses are temporarily less than projected by Declarant because some or most of the Lots are not yet sold or occupied, Declarant will have the authority to reduce temporarily the amount of the assessment to reflect the lower expenses of the project.

5.9 Accounts.

5.9.1. Types of Accounts. Assessments collected by the Association will be deposited into at least two separate accounts with a bank, which accounts will be clearly designated as (a) the Current Operating Account and (b) if applicable, the Reserve Account. The Board must deposit those portions of the assessments collected for current maintenance and operation into the Current Operating Account and must deposit those portions of the assessments collected as reserves for replacement and deferred maintenance of capital improvements into any Reserve Account. In its books and records, the Association must account separately for operating expenses relating to the Common Elements and Limited Common Elements as well as for necessary reserves relating to the Common Elements and Limited Common Elements and necessary reserves relating to all other matters.

5.9.2. Reserve Account. Unless Declarant or the Board determines that (a) the cost of a reserve study will exceed ten percent (10%) of the Association's annual budget, or (b) the Association has only "nominal reserve costs" (as defined in RCW 64.90.010(34) as now or hereafter amended), a Reserve Account shall be established and administered in accordance with the requirements of RCW 64.90.535 *et. seq.* and as more fully described in Exhibit B attached hereto and by this reference incorporated herein.

5.10 Default in Payment of Assessments; Enforcement of Association Liens.

5.10.1. Personal Obligation. Any assessment properly imposed under the Declaration or Bylaws is the joint and several personal obligation of all Owners of the Lot to which the assessment pertains. In a voluntary conveyance (i.e., other than through foreclosure or a deed in lieu of foreclosure), the grantees will be jointly and severally liable with the grantors for all Association assessments imposed through the recording date of the instrument effecting the conveyance. A suit for a money judgment may be initiated by the Association to recover the assessments without either waiving or foreclosing the Association's lien.

5.10.2. Association Lien. The Association has a lien against each Lot for any assessment (of any type provided for by this Declaration or the Bylaws) or installment thereof against the Lot from the time such assessment is due. The lien will accumulate all future assessments or installments, interest, late fees, penalties, fines, attorney fees (whether or not suit or action is instituted), actual administrative costs, and other appropriate costs properly chargeable to an Owner by the Association, until such amounts are fully paid. Recording of the Declaration constitutes record notice and perfection of the lien. Notwithstanding the Dispute Resolution provisions in section 3.15, the lien may be foreclosed at any time judicially, in accordance with RCW chapter 61.12, or nonjudicially, in accordance with RCW chapter 61.24. The lien of the Association will be superior to all other liens and encumbrances, including liens for assessments by another association, except real estate taxes and state or local government assessments; any lien or encumbrance recorded before the recordation of the Declaration; and any lien or encumbrance on the Lot recorded before the date on which the Association's assessment became due ("Post-Declaration Lien"). However, the Association's lien is superior to Post-Declaration Liens in an amount sufficient to cover common expense assessments, excluding capital improvement amounts, based on the periodic budget adopted in accordance

with RCW 64.90.480(1), any special assessments against the Lot in the absence of acceleration; the Association's actual cost and reasonable attorneys' fees not to exceed the amount of the Association's superior lien or \$2,000.00, whichever is less; and only if the Association gave the Post-Declaration Lien holder not less than sixty days' prior written notice that the Owner of the Lot was in default. If the Association forecloses its lien nonjudicially, the Association is not entitled to a lien priority over Post-Declaration Liens and is subject to the limitations on deficiency judgments specified in RCW chapter 61.24. If another association has a lien for assessments against any Lot, the Association's lien shall have priority.

5.10.3. Interest, Fines, Late Fees, and Penalties. The Board, in its reasonable discretion, may from time to time adopt resolutions to impose late fees, fines, and penalties on delinquent assessments and to set the rate of interest, not to exceed the maximum rate calculated under RCW 19.52.020, and for violations of the provisions of this Declaration, the Bylaws, Architectural Standards, and the Rules and Regulations adopted by the Board or the ARC. The adoption of such impositions must be communicated to all Owners in writing not less than 30 days before the effective date by a notice mailed to the assessment billing address of each Owner. The impositions will be considered assessments that are lienable and collectible in the same manner as any other assessments; however, fines or penalties for violation of this Declaration, the Bylaws, or the Rules and Regulations, other than late fees, fines, or interest arising from an Owner's failure to pay regular, special, or reimbursement assessments may not be imposed against an Owner or the Owner's Lot until the Owner is given an opportunity for a hearing as provided elsewhere herein.

5.10.4. Acceleration of Assessments. If an Owner is delinquent in payment of any assessment or installment on any assessment, the Association, on not less than 10 days' written notice to the Owner, may accelerate the due date of the full annual assessment for that fiscal year and all future installments of any special assessments.

5.11 **Other Liens.**

A judgment for money against the Association perfected under RCW 4.64.020 is not a lien on the Common Elements but is a lien against all other real estate of the Association and all the Lots at the time the judgment was entered. Other property of an Owner is not subject to the claims of creditors of the Association.

5.11.1. If the Association grants a security interest in the Common Elements to a creditor, the holder of that security interest must exercise its right against the Common Elements before its judgment lien on any Lot may be enforced.

5.11.2. A judgment against the Association must be recorded in the name of the Property and the Association and, when so indexed, is notice of the lien against the Lots.

ARTICLE 6 - ARCHITECTURAL REVIEW COMMITTEE

6.1 **Architectural Review.**

The ARC, from time to time and in its sole discretion, may adopt architectural, aesthetic, construction, and design rules, regulations, and guidelines ("Architectural Standards"), including placement of buildings, color schemes, exterior finishes and materials, and similar features that may be used in Quail Reserve. The Architectural Standards will not be in derogation of the minimum standards and requirements established in Articles 4, 5, 6, and elsewhere in the

Declaration. The procedure(s) and specific requirements for review and approval of proposed work and procedures for enforcement of the Architectural Standards will be set forth by the ARC. The provisions of this Article 6 apply in all instances in which the Declaration requires the ARC's consent.

6.2 Approval Required First.

No improvement may be commenced, erected, placed, or materially altered on any Lot until the construction plans and specifications showing the nature, shape, heights, materials, colors, and proposed location of the improvement have been submitted to and approved in writing by the ARC.

6.3 Appointment and Removal.

The ARC will consist of no fewer than three members and no more than five members, and at least two members shall be Board members, with exclusive voting power for the Board. Each ARC member will serve for one year. Declarant reserves the right to appoint all members of the ARC and all replacements thereto until Quail Reserve is one hundred percent (100%) built out. After build-out, Declarant will assign to the Board the right to appoint and remove members of the ARC. Board members and persons who are not Owners but who have special expertise regarding the matters that come before the ARC may serve as all or some of the ARC's members. The Board may appoint itself as the ARC or may appoint any of its members to the ARC. If an ARC has not been appointed, the Board will serve as the ARC.

6.4 Majority Action.

Except as otherwise provided in the Declaration, a majority of the members of the ARC have the power to act on behalf of the ARC, without the necessity of a meeting and without consulting the remaining member or members of the ARC. The ARC may render its decision only by written instrument setting forth the action taken by the members consenting thereto.

6.5 Duties.

The ARC must consider and act on the proposals, plans, or proposals and plans submitted under this Article 6. The ARC will interpret and implement the provisions of the Declaration and the Architectural Standards for architectural review and guidelines for architectural design. The ARC's purpose is to ensure quality of workmanship and materials and harmony between exterior design and the existing improvements and landscaping and between location and topography and finished-grade elevations. The ARC is not responsible for determining compliance with structural and building codes, solar ordinances, zoning codes, or other governmental regulations, all of which are the applicant's responsibility.

6.6 Decision.

The ARC must render its written decision approving or denying each application submitted to it within 15 business days (not including Saturdays, Sundays, and legal holidays) after its receipt of all materials required with respect to the application. If the ARC fails to render its written decision within 30 days of its receipt of all required materials or request an extension, the application will be deemed approved. The ARC is entitled to request one or more extensions of time, not to exceed 45 days in the aggregate. In the event of any extension requests, if the ARC does not render a written decision within 15 days after the expiration of the extension(s), the application will be deemed approved. However, the applicant may agree to further extensions to allow the applicant to complete or supplement the application.

6.7 Discretion.

The ARC, in its sole discretion, may withhold consent to any proposed work if the ARC finds that the proposed work would be inappropriate for the particular Lot or incompatible with the design standards that the ARC intends for the Property. The ARC may consider siting, shape, size, color, design, height, solar access, or other effects on the enjoyment of other Lots, the Limited Common Elements, or the Common Elements, and any other factors that it reasonably believes to be relevant in determining whether to consent to any proposed work.

6.8 Nonwaiver.

Consent by the ARC to any matter proposed to it or within its jurisdiction will not constitute precedent or waiver impairing its right to withhold approval of any similar matter thereafter proposed or submitted to it for consent.

6.9 Appeal.

After Declarant has assigned the right to appoint ARC members to the Board under Section 6.3, any Owner adversely impacted by ARC action may appeal the action to the Board. The appealing Owner must submit to the Board a written notice of appeal, setting forth specific objections or mitigating circumstances justifying the appeal, within 10 days after the ARC's action. The Board must issue a final, conclusive decision within 45 days after receipt of the notice, and the decision will be final and binding on the appealing Owner and the ARC. However, the Board must make reasonable efforts to reach a decision within 20 days. If the Board is serving as the ARC, then the appeal will be deemed a request for reconsideration.

6.10 Effective Period of Consent.

The ARC's consent to any proposed work will automatically expire 90 days after issuance unless construction of the project has been commenced or the Owner has applied for and received an extension of time from the ARC.

6.11 Determination of Compliance.

The ARC may inspect, from time to time, all work performed and determine whether it is in substantial compliance with the approval granted. If the ARC finds that the work was not performed in substantial compliance with the approval granted, or if the ARC finds that the approval required was not obtained, the ARC must notify the Owner in writing of the noncompliance. The notice must specify the particulars of noncompliance and must require the Owner to remedy the noncompliance.

6.12 Noncompliance.

If the ARC determines that an Owner has not constructed an improvement consistent with the specifications of an ARC approval or has constructed an improvement without obtaining ARC approval, sends a notice of noncompliance to the Owner, and the Owner fails to commence diligently remedying the noncompliance in accordance with the notice, then, effective at 5:00 p.m. on the third day after issuance of the notice, the ARC must provide notice of a hearing to consider the Owner's continuing noncompliance. The hearing must be set not more than 30 days from the date on which the notice of noncompliance was issued. At the hearing, if the ARC finds that there is no valid reason for the continuing noncompliance, the ARC must determine the estimated costs of achieving compliance and may issue a fine against the noncomplying Owner for that amount. The ARC must require the Owner to remedy the noncompliance within 10 days

after the ARC's determination. If the Owner does not comply with the ARC's ruling within the 10-day period or any extension thereof granted by the ARC, at its sole discretion, the ARC may remove the noncomplying improvement, remedy the noncompliance, record a notice of noncompliance in the county deed records, or take any combination of those actions. The costs of any such action will be assessed against the Owner as a Reimbursement Assessment either before or after any remedial action is taken.

6.13 Liability.

Neither the ARC nor any member thereof will be liable to any Owner, Occupant, or builder for any damage, loss, or prejudice suffered or claimed because of any action or failure to act of the ARC or a member thereof, if the ARC or the member has, in accordance with its or his or her actual knowledge, acted in good faith.

6.14 Estoppel Certificate.

Within 15 working days after the ARC's receipt of a written request from an Owner and the ARC's receipt of payment of a reasonable fee fixed by the ARC to cover costs, the ARC must provide the Owner with a certificate executed by the chairperson or other authorized member of the ARC certifying with respect to any Lot owned by the Owner that, as of the date thereof either (a) all improvements made or done on the Lot comply with the Declaration, Bylaws, and Architectural Standards, or (b) the improvements do not so comply, in which event, the certificate must also identify the noncomplying improvements and set forth with particularity the nature of the noncompliance. The Owner and the Owner's heirs, devisees, successors, and assigns will be entitled to rely on the certificate with respect to the matters set forth therein. The certificate will be conclusive as among Declarant, the ARC, the Association, all Owners, and all persons deriving any interest through any of them.

6.15 Declarant and Successor Exempt from ARC.

The Declarant and its successor to all the unsold Lots are exempt from the requirement to submit to and have plans approved by the ARC. The Declarant and its successor, however, are not exempt from the provisions of Article 4 of the Declaration, except as set forth in Section 4.10 of the Declaration.

ARTICLE 7 - OFFICERS

7.1 Designation.

The principal officers of the Association will be a President, a Secretary, and a Treasurer, all of whom must be elected by the Directors. The Directors may appoint an assistant treasurer and an assistant secretary, and any other officers as in their judgment may be necessary.

7.2 Election of Officers.

The officers of the Association may be elected by the Board at the organizational meeting of each new Board or any Board meeting thereafter and will hold office at the pleasure of the Board.

7.3 Removal of Officers.

Upon an affirmative vote of a majority of the Board, any officer may be removed, either with or without cause, and the officer's successor may be elected at any regular or special meeting of the Board.

7.4 President.

The President is the chief executive officer of the Association and will preside at all meetings of the Association and of the Board. The President has all the general powers and duties that are usually vested in the office of president of an association, including, but not limited to, the power to appoint committees from among the Owners from time to time as the President may, in the President's discretion, decide is appropriate to assist in the conduct of the affairs of the Association.

7.5 Secretary.

The Secretary must keep the minutes of all meetings of the Board and of all meetings of the Association and will have charge of such books and papers as the Board may direct. The Secretary will, in general, perform all the duties incident of the office of secretary.

7.6 Treasurer.

The Treasurer has responsibility for Association funds and securities not otherwise held by the managing agent and is responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. The Treasurer is responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board.

7.7 Directors as Officers.

Only a Director of the Association may be appointed an Officer of the Association.

ARTICLE 8 - OBLIGATIONS OF THE OWNERS

8.1 Assessments.

All Owners must pay assessments imposed by the Association to meet all the Association's general common expenses, as more particularly set forth in the Declaration. Assessments will be payable on a periodic basis, not more frequently than monthly, as determined by the Board. Declarant (before turnover) and the Board (after turnover) may, but will not be required to, impose interest or a service charge for late installment payments or allow a discount for payment of the annual assessment or any installment in advance.

8.2 Initial Assessment.

The amount of the initial assessment due from Lot owners will be determined by Declarant. The amount of the annual assessment thereafter will be subject to review and modification by the Board.

8.3 Contribution to Working Capital.

At closing of the sale of each Lot, or the first occupancy of a lot (whichever occurs first), each purchaser must contribute to the Association a sum equal to one-sixth of the annual assessments, with respect to the Lot being purchased, as a one-time contribution to the working capital of the Association. Within 60 days after the first conveyance by Declarant of the first Lot

4829-0238-0967, v. 1

in Quail Reserve Subdivision, Declarant must make such contribution with respect to all Lots that have not yet been conveyed to a purchaser. If Declarant has made the contribution, no further contribution will be required to the Association, but each purchaser must reimburse Declarant at closing for the amount of the contribution made by Declarant with respect to the Lot conveyed to the purchaser. If the amount of the assessments is reduced under the authority granted to Declarant herein, the initial deposit to the Association budget, equal to one-sixth of the annual assessment, will be based on the projected amount of the annual assessments after substantial or full occupancy of the Lots rather than on the reduced amount. The working capital contribution shall be allocated to the general operating reserve or other account, as determined by the Board. The working capital contribution is in addition to regular assessments and may not be used as a prepayment of assessments by any Owner and may not be used to defray any of Declarant's expenses, reserve contributions, or construction costs, or to make up any budget deficits while Declarant is in control of the Association. All working capital contributions must be disbursed to the Association at or before the Transition Meeting and must be credited to the operating reserve account.

8.4 Procedures for Subsidies.

8.4.1. If Declarant or any other person pays all the operating expenses of the Association or subsidizes the expenses, the assessment will be reduced by that amount, but will not be reduced below the total amount of the replacement reserve items.

8.4.2. With respect to Lots not yet conveyed by Declarant, Declarant may accrue the replacement reserve items. At the time of conveyance of the Lot for which the replacement reserve has been accrued, the accrued reserves must be paid to the Association.

8.4.3. Declarant must give 10 days' written notice to Owners before their obligation to pay the full assessment begins. Thereafter, each owner, including Declarant or the other person, must pay the assessments to the Association. In the event the Declarant has collected initial assessments from Lot purchasers at closing and thereafter elects to pay or subsidize the operating expenses, thereby causing the amount of the assessment to be reduced, the one-time initial contribution collected from Lot purchasers must be held by Declarant in a separate Association account. On the date on which Lot owners are required to pay full assessments, the aggregate sums held in the separate account must be deposited in the Association's general account to be used as working capital.

8.5 Default.

Failure by an Owner to pay any assessment of the Association is a default by the Owner of the Owner's obligations under these Bylaws and the Declaration. The Association will be entitled to the remedies set forth in the Declaration, these Bylaws, and at law.

8.6 Maintenance and Repair.

8.6.1. **Lots.** Except as otherwise specifically provided in the Declaration and these Bylaws, every Owner must promptly perform all maintenance, repair, and replacement work to the Owner's Lot and the exterior of the improvements thereon (which do not constitute Common Elements and Limited Common Elements) and keep the same in good repair and sanitary and neat condition. Upon prior notice, except in case of an emergency, each Owner must afford the Association and its agents or employees, access through that Owner's Lot and Limited Common Elements reasonably necessary to ensure the Lot is properly maintained and repaired, including necessary inspections by the Association. If damage is inflicted on the

4829-0236-0967, v. 1

Common Elements or on any Lot through which access is taken, the Owner or the Association responsible for the damage is liable for the prompt repair of the damage.

8.6.2. **Common Elements and Limited Common Elements.** The Association must ensure the Common Elements and Limited Common Elements are properly repaired and maintained, subject to the provisions of subsection 8.6.3.

8.6.3. **Reimbursement of Association.** An Owner must reimburse the Association for any expenditures incurred in repairing or replacing any portion of the Common Elements and Limited Common Elements that was damaged through the Owner's fault and that is not otherwise covered by insurance policies carried by the Owner or the Association for the Owner's and the Association's benefit. In such circumstances, the insurance obtained by the Owner will be deemed to be the primary coverage. The Board will have the unfettered discretion to refuse to make a claim on the Association's policy even though coverage may pertain. The discretion is for the purpose of maintaining the Association's insurability and controlling the amount of the premiums for the Association's insurance. Owners benefited by the Limited Common Elements are responsible for maintaining the Limited Common Elements and, subject to the insurance provisions provided in this Section 8.6.3, must reimburse the Association for any Association expenses incurred in properly repairing or maintaining the Limited Common Elements. The charges described in this Section 8.6.3 will be collectible as a Reimbursement Assessment as provided in the Declaration.

ARTICLE 9 - USE AND OCCUPANCY RESTRICTIONS; RULES OF CONDUCT

9.1 Additional Rules.

In addition to the rules set forth in the Declaration, the Board may promulgate and amend Rules and Regulations concerning use of the Property and must furnish copies of the Rules and Regulations, upon request, to any Owner or Occupant.

9.2 Enforcement.

The Association, through its Board, has the power to enforce the covenants and restrictions in these Bylaws and in the Declaration. Owners have the right to bring actions or suits regarding covenants and restrictions, but Owners have no right or power to require the Association or Board to take any enforcement action.

9.3 Fines.

The Board may, after giving written notice and an opportunity to be heard, levy reasonable fines for violations of the Declaration, Bylaws, and Rules and Regulations of the Association, as long as fines levied are based on a schedule previously adopted by Board resolution that is mailed to the mailing address of each Lot or mailed to the mailing address designated in writing by the Owner(s).

ARTICLE 10 - INSURANCE

10.1 General.

The Board must obtain and, at all times maintain, insurance of the type and kind and in the amounts hereinafter provided and additional insurance for such other risks of a similar or

dissimilar nature as are now or as will be hereafter customarily covered by insurance obtained by other planned communities similar in construction and design. The Association may carry any other insurance it considers appropriate to protect the Association or the Owners.

10.2 Types of Insurance Policies Maintained by the Association.

For the benefit of the Association and the Owners, the Board must obtain and maintain at all times, and pay for out of the common expense funds, the following insurance, subject to a reasonable deductible, to the extent that it is available at reasonable cost:

10.2.1. Property Insurance. A policy or policies of property insurance, including, but not limited to, fire, extended coverage, vandalism, and malicious mischief, and all other risks of direct physical loss commonly insured against, for the full insurable replacement value of all substantial improvements on the Common Elements and Limited Common Elements to the extent such insurance is available and, if available at a reasonable cost, building-code and actual-replacement-cost endorsements and earthquake insurance. Such insurance policy, after application of any deductibles, must provide not less than eighty percent of the actual cash value of the insured property at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations, and other items normally excluded from property policies

10.2.2. Liability. A policy or policies insuring the Association, its Board, the Owners individually, and the manager against any liability to the public or the Owners and their invitees or tenants, for all occurrences commonly insured against for bodily injury and property damage that may arise incident to the use, ownership, maintenance, supervision, control, or use of the Common Elements. Limits of liability under such insurance must be not less than \$1 million per occurrence for bodily injuries and property damage liability. The limit and coverage must be reviewed at least annually by the Board, which may increase the liability limits, coverage, or both, in its discretion. The policy or policies must be issued on a commercial general liability form and must provide medical payments insurance and cross-liability endorsements wherein the rights of the named insured under the policy or policies will not be prejudiced in his, her, or their action against another named insured.

10.2.3. Workers' Compensation. Workers' compensation insurance to the extent that it is necessary to comply with any applicable laws.

10.2.4. Fidelity Insurance. The Board must obtain a policy or policies insuring the Association, its Directors, Owners, and representatives.

10.3 Insurance Companies Authorized.

All policies obtained under this Article must be written by a company licensed to do business in Washington and holding a "Commissioner's Rating" of "A+" and a size rating of "AAA" or better, by *Best's Insurance Reports*, or as may be otherwise acceptable to all mortgagees and Directors.

10.4 Provisions in Insurance Policies.

The Board must make every reasonable effort to secure insurance policies that will provide for the following:

10.4.1. Waiver of Subrogation. A waiver of subrogation by the insurer on any claims against the Board, the officers, the manager, the Owners, members of the Owners' household, and their respective servants, agents, guests, and tenants.

10.4.2. Noncancellation for Owner Conduct. A provision that the master policy on the Property cannot be canceled, invalidated, or suspended because of the conduct of any one or more individual Owners and any act or omission by an Owner cannot be a considered a condition to recovery under the policy.

10.4.3. Noncancellation without Opportunity to Cure. A provision that the master policy on the Property cannot be canceled, invalidated, or suspended because of the conduct of any officer or employee of the Board or the manager without prior demand in writing that the Board or manager cure the defect. The insurer may not modify the amount or the extent of the coverage of the policy or cancel or refuse to renew the policy unless the insurer has complied with all applicable provisions of RCW chapter 48.18 and RCW 64.90.470.

10.4.4. "No Other Insurance" Clauses. A provision that any "no other insurance" clause in the master policy exclude individual Owners' policies and not otherwise prevent such individual policies from providing coverage for damage to Homes, Lots, or Common Elements and Limited Common Elements. If there is other insurance in the name of an Owner covering the same risk covered by the policy at the time of a loss under the policy, the Association's policy shall provide primary insurance.

10.4.5. Additional Insureds. Each Owner is an insured person under the policy with respect to liability arising out of the Owner's interest in the Common Elements or membership in the Association. Insurers must issue certificates or memoranda of insurance to the Association and, upon a request made in a record, to any Owner or holder of a security interest.

10.5 Home and Lot Insurance Maintained by Each Owner.

The Association will have no responsibility to procure or to assist Owners or Occupants in procuring property loss insurance or liability insurance other than as expressly stated in this Article ARTICLE 10. Owners and Occupants must procure all other insurance coverage that they deem necessary or prudent for their protection and are obligated to carry property insurance with extended coverage endorsements in the amount of the replacement value of the Owners' Homes and with minimum combined limits of \$100,000 per occurrence. Insurance coverage obtained and maintained by the Board may be brought into contribution with that obtained and maintained by Owners or mortgagees only in the Board' sole and unfettered discretion.

10.6 Review of Insurance Policies.

At least annually, the Board must review all insurance carried by the Association, which review must include a consultation with a representative of the insurance carrier writing the master policy.

10.7 Adjustments and Payments.

Any loss covered by the property insurance policy or commercial general liability policy must be adjusted with the Association, but the insurance proceeds for that loss are payable to any insurance trustee designated for that purpose, or otherwise to the Association, and not to any holder of a security interest. The insurance trustee or the Association must hold any insurance proceeds in trust for the Association, Owners, and lienholders as their interests may appear.

10.7.1. Any portion of the Property that is damaged or destroyed, which is required to be insured by the Association, must be repaired or replaced promptly by the Association unless:

4829-0236-0967, v. 1

10.7.1.1. The Property is terminated, in which case RCW 64.90.290 applies;

10.7.1.2. Repair or replacement would be illegal; or

10.7.1.3. Eighty percent of the Owners, including every Lot Owner or assigned Limited Common Element that will not be rebuilt, vote not to rebuild.

10.7.2. Insurance proceeds must be disbursed first for the repair or replacement of the damaged property, and the Association, Owners, and lienholders are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the property has been completely repaired or replaced, or the Property is terminated.

10.7.3. The cost of repair or replacement not paid by insurance proceeds is a common expense. If portions of the damaged or destroyed Property are not repaired or replaced:

10.7.3.1. The insurance proceeds attributable to the damaged Common Elements must be used to restore the damaged area to a condition compatible with the remainder of the Property; and

10.7.3.2. Except to the extent that other persons will be distributees:

10.7.3.3. The insurance proceeds attributable to Lots and Limited Common Elements that are not repaired or replaced must be distributed to the Owners of those Lots and the Owners of the Lots to which those Limited Common Elements were allocated, or to lienholders, as their interests may appear; and

10.7.3.4. The remainder of the proceeds must be distributed to all the Owners or lienholders, as their interests may appear, in proportion to the common expense liabilities of all the Lots.

10.8 Nonavailability of Insurance.

If the insurance described in this section is not reasonably available, the Board must promptly notify all Owners.

ARTICLE 11 - AMENDMENT

Except as otherwise provided in this Article 11 and the restrictions set forth elsewhere herein, these Bylaws may be amended at any time by an instrument approved by at least a majority of the total votes of the Lots. Any amendment must be executed, recorded, and certified as provided by law. However, no amendment of these Bylaws may effect an amendment of the Declaration or the Articles without compliance with the provisions of those documents, the Washington Nonprofit Corporation Act and the WUCIOA, and no amendment deleting or affecting any right of Declarant or its successor or assignee, including, without limitation, an amendment to this Article 11, may be adopted without the prior written consent of Declarant or its successor or assignee.

ARTICLE 12 - RECORDS AND AUDITS

12.1 General Records.

The Board and the managing agent or manager, if any, must preserve and maintain

minutes of the meetings of the Association, the Board, and any Board committees as required by RCW 64.90.445. The Board must maintain a list of Owners entitled to vote at meetings of the Association. The minutes of the Association, the Board, and Board committees, and the Association's accounts and records must comply with RCW chapter 64.90 and must be reasonably available for review and copying by the Owners. A reasonable charge may be imposed by the Association for providing copies. Proxies and ballots must be retained by the Association for one year from the date of determination of the vote.

12.2 Assessment Roll.

The Board and the managing agent or manager, if any, must maintain the assessment roll in a set of accounting books in which there must be an account for each Lot. Each account must designate the name and address of the Owner or Owners, the amount of each assessment against the Owner, the dates on which and the amounts in which the assessment comes due, the amounts paid on the account, and the balance due on the assessments.

12.3 Payment of Vouchers.

The Treasurer or managing agent must pay all expenses authorized by the Board. The Treasurer or managing agent must maintain and follow reasonable procedures to ensure that the accounts and records are proper, and to ensure that all expenditures are proper. Except in cases when an emergency exists (e.g., a repair must be made immediately to prevent further damage), any voucher for nonbudgeted items must require the signature of the President; however, any withdrawal from Reserve Accounts must require the signature of two Board members.

12.4 Transition Audit.

Within sixty days of the Transition Meeting, the Board must retain an independent certified public accountant to audit the records of the Association in accordance with generally accepted auditing standards, unless the Owners, other than the Declarant, to which a majority of the votes are allocated elect to waive the audit. The cost of the audit must be a common expense. The auditor must examine supporting documents and records, including the cash and related paid invoices, to determine if expenditures were for Association purposes and the billings, cash receipts, and related records to determine if the Declarant was charged for and paid the proper amount of assessments.

ARTICLE 13 - COMPLIANCE AND CONFLICTS

These Bylaws are intended to comply with the provisions of the WUCIOA, the provisions of which apply to the Association. In case of any conflict among the provisions of the WUCIO, the Articles, the Declaration, or these Bylaws, the provisions of the WUCIOA will control over those of the Articles and Declaration, and the provisions of the Declaration will control over those of the Articles and these Bylaws.

ARTICLE 14 - INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND AGENTS

The Association must indemnify any Director, officer, employee, or agent who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding. Indemnification will be made regardless of whether the action is civil, criminal, administrative, or investigative (other than an action by the Association) by reason of the fact

that such person is or was a Director, officer, employee, or agent of the Association or is or was serving at the request of the Association as a Director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorney fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by the person in connection with the suit, action, or proceeding. This indemnification applies if the person acted in good faith and in a manner that the person reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had no reasonable cause to believe that the person's conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or with a plea of nolo contendere or its equivalent, will not of itself create a presumption that a person did not act in good faith and in a manner that the person reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had reasonable cause to believe that the person's conduct was unlawful. Payment under this Article 12 may be made during the pendency of the claim, action, suit, or proceeding as and when incurred, subject only to the right of the Association to reimbursement of the payment from the person, should it be proven later that the person had no right to the payment. All persons ultimately held liable for their actions on behalf of the Association as a Director, officer, employee, or agent will have a right of contribution over and against all other Directors, officers, employees, or agents and Members of the Association who participated with or benefited from the acts that created the liability.

ARTICLE 15 - ASSESSMENT COLLECTION COSTS; SUITS AND ACTIONS

An Owner must pay reasonable fees and costs (including, but not limited to, attorney fees) and actual administrative costs incurred in connection with efforts to collect any delinquent unpaid assessments from the Owner, whether or not suit or action is filed. Assessments against Owners may include fees, late charges, fines, and interest imposed by the Board, in addition to amounts owed toward operating expenses and the funding of reserves. If the Association brings against any Owner or Owners a suit or action for the collection of any amounts due under or for the enforcement of any provisions of the Declaration, the Articles, or these Bylaws, the Owner or Owners, jointly and severally, must pay, in addition to all other obligations, the costs of the suit or action, including actual administrative expenses incurred by the Association because of the matter or act that is the subject of the suit, reasonable attorney fees to be fixed by the trial court, and, in the event of an appeal, the cost of the appeal, together with reasonable attorney fees in the appellate court to be fixed by the appellate court.

ARTICLE 16 - MISCELLANEOUS

16.1 Notices.

All notices to the Association or to the Board must be sent in care of the managing agent or, if there is no managing agent, to the principal office of the Association, to the attention of the President or Secretary at the address shown on the Association's most recent annual report, or to such other address as the Board hereafter may designate from time to time. All notices to any Owner or occupant must be sent to the Lot address unless the Lot owner or occupant has designated an alternate address in writing to the Board.

16.1.1. Form of Notice. Any notice, information, or other written material required to be given to an Owner, occupant, or Director may be given by pre-paid first-class United States mail, private carrier, or personal delivery; telegraph or teletype; telephone; wire; or wireless equipment that transmits a facsimile of the notice; or by electronic transmission to each Owner or Director who has delivered to the Secretary or other officer a consent to receive electronically transmitted notices. Electronic transmission may be provided by posting the notice on an electronic network and delivering a separate record of the posting to the Owner, Director, or occupant. Other forms of notice may also be deemed acceptable by the Board.

16.1.2. Limitations on Electronic Notice. Notwithstanding the foregoing, Electronic Communication may not be used to give notice of (a) failure to pay an assessment; (b) foreclosure of an association lien; (c) an action the Association may take against an Owner; or (d) an offer to use the dispute resolution process under section 3.15. An Owner or Director may decline to receive notice by Electronic Communication and may direct the Board to provide notice as required elsewhere in these Bylaws, the Declaration, or the WUCIOA.

16.1.3. Revocation of Consent. Consent to receive notice by electronic transmission may be revoked at any time by delivering a revocation to the Association in the form of a record. Consent to receive notice by electronic transmission is deemed revoked if the Association is unable to electronically transmit two consecutive notices and this inability becomes known to the Secretary of the Association or any other person responsible for given the notice. The inadvertent failure by the Association to treat this inability as a revocation does not invalidate any meeting or other action.

16.1.4. Effective date. Notice is effective as of the date of hand delivery, deposit with the carrier, or when sent by fax or electronic transmission. The ineffectiveness of a good-faith effort to deliver notice by an authorized means does not invalidate subsequent action taken.

16.2 **Waiver.**

No restriction, condition, obligation, or provision contained in these Bylaws will be deemed to have been abrogated or waived due to any failure to enforce it, irrespective of the number of violations or breaches that may have occurred and the number of times that the pertinent restriction, condition, obligation, or provision was not enforced.

16.3 **Invalidity; Number; Captions.**

The invalidity of any part of these Bylaws will not impair or affect in any manner the validity, enforceability, or effect of the balance of these Bylaws; however, if any of the provisions of these Bylaws would violate the rule against perpetuities or any other limitation on the duration of the provisions herein contained imposed by law, then the provision will be deemed to remain in effect only for the maximum period permitted by law. As used herein, the singular includes the plural, and the plural the singular. The masculine and neuter each include the masculine, feminine, and neuter, as the context requires. All captions are intended solely for convenience of reference and in no way limit any of the provisions of these Bylaws.

ARTICLE 17 - ADOPTION

It is hereby certified that these Bylaws have been adopted by Quail Reserve Homeowners Association, a Washington nonprofit corporation, and will be recorded in the Deed Records of Clark County, together with the Declaration for Quail Reserve Subdivision.

IN WITNESS WHEREOF, being, the undersigned have executed this instrument this 4 day of February, 2019.

Quail Reserve Homeowners Association

By: [Signature]
Jon Girod, President

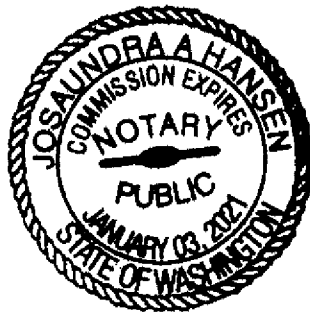
STATE OF WASHINGTON

) ss.
)

County of Clark

I certify that Jon Girod personally appeared before me and that I know or have satisfactory evidence that he signed this instrument as the President of Quail Reserve Homeowners Association, a Washington nonprofit corporation, and acknowledged said instrument to be his voluntary act and deed for the uses and purposes mentioned in the instrument.

DATED this 4 day of February, 2019.



[Signature]
Print Name: Josandra Hansen
NOTARY PUBLIC FOR WASHINGTON
My Commission Expires: 1-3-2021

EXHIBIT A
LEGAL DESCRIPTION



AKS ENGINEERING & FORESTRY, LLC
9600 NE 126th Avenue, Suite 2520, Vancouver, WA 98682
P: (360) 882-0419 F: (360) 882-0426

OFFICES IN: VANCOUVER, WA - TUALATIN, OR - KEIZER, OR - BEND, OR

**PERIMETER LEGAL DESCRIPTION
FOR
QUAIL RESERVE 1**

Being a portion of the Northwest quarter of the Southwest quarter of Section 1, Township 3 North, Range 2 East, Willamette Meridian, Clark County, described as follows:

BEGINNING at a ½" iron rod marking the Southwest corner of the Northwest quarter of the Southwest quarter of Section 1, as shown in Book 3 of Surveys, Page 82, Clark County Auditor's records:

Thence North 00° 05' 19" East, along the West line of the Northwest quarter of the Southwest quarter of Section 1, for a distance of 723.42 feet to a ½" iron rod (Survey 3-82) marking the Southwest corner of the Gustafson Tract as described under the Clark County Auditor's file number 9111010031;

Thence South 89° 38' 33" East, along the South line of said Gustafson Tract, also being along the South line of the Ollieu Tract as described under the Clark County Auditor's file number 5075884, for a distance of 413.00 feet;

Thence South 00° 05' 19" West, parallel with the West line of the Northwest quarter of the Southwest quarter of Section 1, for a distance of 324.00 feet;

Thence North 89° 39' 17" West, for a distance of 94.25 feet;

Thence South 00° 20' 43" West, for a distance of 46.00 feet;

Thence South 89° 39' 17" East, for a distance of 94.46 feet;

Thence South 00° 05' 19" West, for a distance of 98.74 feet;

Thence South 40° 13' 13" East, for a distance of 293.26 feet;

Thence South 07° 33' 34" East, for a distance of 32.13 feet to the South line of the Northwest quarter of the Southwest quarter of Section 1;

Thence North 89° 39' 07" West, along the South line of the Northwest quarter of the Southwest quarter of Section 1, for a distance of 607.00 feet to the **POINT OF BEGINNING**.



Perimeter - Quail Reserve 1 (AKS Job #3772)
Legal Description

June 7, 2018
Page 1 of 2

Contains approximately 7.38 acres.

SURVEYOR'S CERTIFICATE

I, Carl A. Beseda, hereby declare that the preceding Legal Description of the perimeter of this Plat to the best of my knowledge and belief, and that it was reviewed with the care of a prudent surveyor in this locality.

Carl A. Beseda



6/7/2018

EXHIBIT B
RESERVE ACCOUNT

1. Reserve Account. Unless Declarant or the Board determines that (a) the cost of a reserve study will exceed ten percent (10%) of the Association's annual budget, or (b) the Association only has "nominal reserve costs" (as defined in RCW 64.90.010(34) as now or hereafter amended), a Reserve Account shall be established and administered in accordance with the requirements of RCW 64.90.535 *et. seq.* The Association will pay out of the Reserve Account only those costs that are attributable to the maintenance, repair, or replacement of Common Element or Limited Common Element property that normally requires replacement, in whole or in part, within one to 30 years and not for regular or periodic maintenance and expenses. The amount assessed shall be based upon reserve studies prepared by a reserve study professional, considering the estimated remaining life of the items for which the reserve is created and the current cost of those items.

1.1 Administration. The Reserve Account shall be established in the name of the Association. The Board is responsible for administering the account and for making periodic payments into it. The Board shall adjust the amount of the payments at regular intervals to reflect changes in current replacement costs. Assessments paid into Reserve Accounts must be kept with a safe and responsible, income-earning, depository maintained under the direct control of the Board and must be accounted for separately. If invested, the obligation or security must be fully guaranteed as to principal by the United States of America or one of its agencies.

1.2 Use of Funds. The account may be used only for maintenance, repair, or replacement of Common Element or Limited Common Element property, but not for regular or periodic maintenance and expenses, and shall be kept separate from all other funds held by the Association; provided, however, to the extent allowed by law and after such notice to Owners as required, the Association may borrow funds from the Reserve Account to meet temporary expenses which amount shall be repaid as soon as possible, but no later than twenty-four months, from special assessments or maintenance fees. If the Board determines that repayment within twenty-four months would impose an unreasonable burden on the Owners, the Board must provide (a) notice of such withdrawal; (b) a statement of the deficiency expressed on a per Lot basis; and (c) the repayment plan, along with a copy of the annual budget adopted in accordance with law. The Board may withdraw funds from the reserve account without satisfying the notice requirements outlined above to pay for replacement cost of reserve components not included in the reserve study.

1.3 Refunds. The assessments paid into the Reserve Account are the property of the Association and are not refundable to Owners or sellers of Lots. Owners or sellers of Lots may treat their outstanding share of the Reserve Account's balance as a separate item in the sales contract providing for the conveyance of their Lot.

2. Reserve Study. Unless exempt from preparing a reserve study, the Association must prepare an initial reserve study based upon a visual site inspection conducted by a reserve study professional or a review of plans and specifications for unbuilt improvements, or both, if only some of the construction is complete. An updated reserve study is required annually. The

Board shall update the Reserve Study every three years based upon a visual site inspection conducted by a reserve study professional. Every Reserve Study and update shall include the following:

- 2.1 Reserve Component List. A reserve component list, including any reserve component that would cost more than one percent (1%) of the annual budget of the Association, not including the reserve account, for maintenance, repair, or replacement. If a reserve component is not included in the Reserve Study, the study shall provide commentary explaining the basis for its absence. The study shall also include quantities and estimates for the useful life of each reserve component, the remaining useful life of each reserve component and the current maintenance, repair, or replacement cost for each reserve component. The reserve study shall also include:
- 2.2 Date. The date of the study and statement that the study meets the requirements of RCW 64.90.550, as now or hereafter amended.
- 2.3 Level of Study. The following level of reserve study performed:
 - (i) Level I: Full reserve study funding analysis and plan;
 - (ii) Level II: Update with visual site inspection; or
 - (iii) Level III: Update with no visual site inspection.
- 2.4 Balance. The Association's reserve account balance.
- 2.5 Funding. The percentage of the fully funded balance that the Reserve Account is funded.
- 2.6 Assessments. Special assessments already implemented or planned.
- 2.7 Assumptions. Interest and inflation assumptions.
- 2.8 Contribution Rate. Current Reserve Account contribution rates for a full funding plan and baseline funding plan.
- 2.9 Recommendations. A recommended Reserve Account contribution rate, a contribution rate for a full funding plan to achieve a one hundred percent (100%) fully funded reserve by the end of the thirty-year study period, a baseline funding plan to maintain the reserve balance above zero throughout the thirty-year study period without special assessments, and a contribution rate recommended by the reserve study professional.
- 2.10 Projected Balance. A projected Reserve Account balance for 30 years and a funding plan to pay for projected costs from that Reserve Account balance without reliance on future unplanned special assessments.
- 2.11 Professional Assistance. A statement on whether the reserve study was prepared with the assistance of a reserve study professional, and whether the reserve study professional was independent.
- 2.12 Statement of Deficit or Surplus. A statement of the amount of any current deficit or surplus on reserve funding expressed on a dollars per Lot basis. This amount is calculated by subtracting the reserve account balance on the date of the study from the fully funded balance, then multiplying the result by the fraction or percentage of the common expenses of the Association allocable to each Lot.

2.13 Disclosure. The following disclosure must be included on all reserve studies:

This reserve study should be reviewed carefully. It may not include all common and Limited Common Element components that will require major maintenance, repair, or replacement in future years, and may not include regular contribution to a reserve account for the cost of such maintenance, repair, or replacement. The failure to include a component in a reserve study, or to provide contributions to a reserve account for a component, may, under some circumstances, require the Association to (1) defer major maintenance, repair, or replacement (2) increase future reserve contributions, (3) borrow funds to pay for major maintenance, repair, or replacement or (4) impose special assessments for the cost of major maintenance, repair, or replacement.

3. When more than three years have passed since the date of the last reserve study prepared by a reserve study professional, the Owners of Lots to which at least twenty percent of the votes in the Association are allocated may demand that the cost of a reserve study be included in the next annual budget and the study be prepared by the end of that budget year. The demand must comply with and refer to RCW 64.90.555.