

BY-LAWS
OF
MADERA HOMEOWNER'S ASSOCIATION

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ARTICLE I

Name and Location of Meetings

The name of the corporation is MADERA HOMEOWNER'S ASSOCIATION, hereinafter referred to as the "Association". Meetings of the Members and Directors may be held at such places within the State of Washington, County of Pierce, as may be designated by the Board of Directors.

ARTICLE II

Membership

The membership of the Association shall consist of one class of Members, being any individual who is the owner of a residential lot within the Plat of MADERA, either Phase 1 and Phase 2. At any meeting of the membership of the corporation each member so present shall be entitled to one vote.

ARTICLE III

Management

The business and property of the Association shall be managed by a Board of Directors.

ARTICLE IV

Meeting of Members

Section 1: Annual Meeting. The regular annual meeting of the Members shall be held at such time as the board of directors shall determine.

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

Section 3: Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least thirty (30) days before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books for the Association, or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

Section 4: Quorum. To constitute a quorum at any meeting of the members, there only needs to be ten (10%) percent of the lot owners present in person or in proxy which shall constitute a quorum for any action. If, however, such quorum shall not be present or represented at any

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meeting, the Members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

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Section 5: Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Residential Lot.

Section 6: Members. Every Owner of a Residential Lot shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Residential Lot which is subject to assessment by the Association.

Section 7: Voting Rights. The Association shall have one class of voting membership comprised of all Owners who shall be entitled to one vote for each Residential Lot owned. When more than one person holds an interest in any Residential Lot, all such persons shall be Members. The vote for such Residential Lot shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any Residential Lot.

Section 8: Definition. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Residential Lot which is a part of the plat, and as more particularly defined in Article III of the Declaration of Covenants, Conditions and Restrictions.

Section 9: Voting By Mail. The Board may provide for voting of the members by mail with respect to any particular election of Directors or with respect to adoption of any proposed

amendment of the Declaration, Articles or Bylaws, or with respect to any other matter for which approval by Owners is required by the Declaration, Articles or Bylaws, in accordance with the following procedures:

(a) In case of election of Directors by mail, the existing Directors shall advise the secretary in writing of the names of proposed Directors sufficient to constitute a full Board and of a date at least 50 days after such advice is given by which all votes are to be received. The Secretary, within five days after such advice is given, shall mail written notice of the number of Directors to be elected and of the names of the Board's nominees to all owners. The notice shall state that any member may nominate an additional candidate or candidates, not to exceed the number of Directors to be elected, by notice in writing to the Secretary at the specified address of the principal office of the Association, to be received on or before a specified date 15 days from the date the notice is mailed by the Secretary. Within 5 days after such specified date the Secretary shall mail written notice to all owners, stating the following: (1) the names of Directors to be elected, (2) the number of all persons nominated by the Board and by the members on or before said specified date, (3) that each Owner may cast a vote by mail, and (4) the date established by the Board by which such votes must be received by the Secretary at the address of the principal office of the Association, which shall be specified in the notice. Votes received after that date shall not be effective. All persons elected as Directors pursuant to such an election by mail shall take office effective on the date specified in the notice for receipt of such votes.

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(b) In the case of a vote by mail relating to any other matter, the Secretary shall mail written notice to all Owners which notice shall (1) include a proposed written resolution setting forth a description of the proposed action, (2) state that such persons are entitled to vote by mail for or against such proposal and stating a date not less than 20 days after the date such notice shall have been mailed on or before which all votes must be received, and (3) state that votes must be sent to the specified address of the principal office of the Association. Votes received after the specified date shall not be effective. Any such proposal shall be adopted if approved by the affirmative vote of not less than a majority of the votes entitled to be cast on such question, unless a greater voting requirement is established by the Declaration or Bylaws for the matter in question.

(c) Hand delivery of a vote in writing to the principal office of the Association shall be equivalent to receipt of a vote by mail at such address for the purpose of this Section.

(d) For purposes of a vote by mail, quorum requirements shall be deemed satisfied on the basis of the number of ballots timely submitted. If a sufficient number of ballots are not received by the Association by the required date to either constitute a quorum, or to approve a proposal, the Board may extend the date for solicitation of ballots on further notice to all members of not less than ten (1) and no more than thirty (30) days of the new date for counting of ballots. In that event all ballots previously cast on the proposal shall be counted. No such vote may be extended by more than a total of sixty (60) days.

Section 10. Order of Business. The order of business at all meetings of the owners of lots shall be as follows unless dispensed with on motion:

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1. Roll call;
2. Proof of Notice of meeting or waiver of notice;
3. Reading of minutes of preceding meeting;
4. Reports of officers;
5. Reports of committees;
6. Election of directors;
7. Unfinished business;
8. New business;
9. Adjournment

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Section 11. Suspension of Membership. During any period in which an Owner shall be in default in the payment of any assessment levied by the Association or the Declarant, the voting rights of such Owner may be suspended by the Board until such assessment has been paid. Such voting right may also be suspended after notice and a hearing, for a period not to exceed sixty (60) days, for violation of any provision of the Declaration or the rules and regulations established by the Board. In the event voting rights are suspended, such vote(s) shall not be counted for any purpose including for the purpose of determining whether a quorum has been achieved or whether any required majority or super majority has been achieved.

ARTICLE V

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Board of Directors: Selection, Term of Office

Section 1: Number. The affairs of this Association shall be managed by a Board of one (1) Director but not more than five (5) Directors.

Section 2: Term of Office. That the term of office for the directors which are elected by the members shall be for a two year term; however, the initial board elected term shall be staggered so that if there are five (5) directors elected, the initial term for two (2) of the directors shall be one (1) year and the initial term for three (3) of the directors shall be for two (2) years. When said directors who term is for one (1) year shall expire, then that director or its successor shall be elected for a two (2) year period. Each director shall hold office until his successor shall have been elected and is qualified.

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

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

Section 5: Action Taken Without a Meeting. The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written

approval of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

ARTICLE VI

Nomination and Election of Directors

Section 1: Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a Member of the Board of Directors, and two or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

Section 2: Initial Election of Directors by Members. At such time as the Declarant shall no longer be able to act or appoint the board of directors in accordance with Article III, Section 1 of the Declaration, the Declarant shall appoint a nominating committee consisting of the Declarant and three other members who are not presently members of the board of directors who shall make as many nominations for election to the board of directors as it shall in its discretion determine but not less than the number of directors previously been appointed by the Declarant. Once the nominating committee has made its nominations, then a list of the nominations together with a ballot shall be sent to all members by regular mail and shall then vote by mail as to who shall constitute

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the initial board of directors to be elected by the members. Said ballots by mail shall be returned to such person or entity as may be designated by the nominating committee at such time but in any event no longer than two weeks from the date of mailing. Those persons receiving the largest number of votes shall be elected to the vacant director positions. They shall then constitute the initial elected board of directors until the next annual meeting of the members.

Section 3: Election. At the election of Directors the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

Section 4: Tenure of Office. Except for the initial director, the directors must be record owners of a lot. The tenure of the initial term of directors shall be as set forth in Section 2, Article V of these By-Laws.

ARTICLE VII

Meetings of Directors

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Section 1: Regular Meeting. Regular meetings of the Board of Directors shall be held at such time and place as the Board of Directors may fix. If any day fixed for a regular meeting shall be a legal holiday at the time where the meeting is to be held, the meeting shall instead be held at the same hour on the next succeeding business day. Notice of regular meetings of the Board of Directors need not be given except as otherwise required by statute or these Bylaws.

Section 2: Special Meetings. Special meetings of the Board of Directors shall be held when called by the president of the Association, or by any one Directors, after not less than ten (10) days notice to each Director.

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

Section 4: Waiver of Notice. Attendance of a Director at a meeting shall constitute a waiver of notice for such meeting, except where a Director attends for the express purpose of objecting to this transaction of any business because the meeting is not lawfully called or convened. A waiver of notice signed by the Directors whether before or after the time stated for the meeting shall be equivalent to the giving of notice.

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Powers and Duties of the Board of Directors

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Section 1: Powers. The Board of Directors shall have power to:

- (a) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws, the Articles of Incorporation, or the Protective Covenants and Restrictions;
- (b) declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors;

(c) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties;

(d) file legal action on behalf of the Association to enforce any covenants affecting the properties.

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

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or any special meeting which such meeting has been called by the Members;

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

(c) as more fully provided in the Protective Covenants and Restrictions of MADERA HOMEOWNER'S ASSOCIATION, as amended, to:

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(1) fix the amount of any assessments against a Residential Lot and to send a written notice of such assessment to every owner at least thirty (30) days in advance of such assessment.

(2) foreclose any liens against the property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the Owner personally obligated to pay the same.

(d) procure and maintain at the discretion of the Board of Directors adequate hazard insurance on property owned by the Association;

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

(f) cause the property held by the Association to be maintained in accordance with the provisions of the Protective Covenants and Restrictions.

ARTICLE IX

Officers

Section 1: That the officers of the corporation shall be elected annually by the membership at the annual meetings scheduled by the executive board.

Section 2: President. The President of the Board of Directors shall supervise all activities of the corporation; execute all instruments in its behalf; preside at all meetings of the Board of Directors and of the membership of the corporation; and perform such other duties usually inherent in such office.

Section 3: Vice-President. The Vice-President of the Board of Directors shall act for the President in his absence and perform such other acts as the President may direct.

Section 4: Secretary. It shall be the duty of the Secretary of the Board of Directors to keep all records of the Board of Directors and of the corporation, and to perform such other acts as the President may direct.

Section 4: Treasurer. The Treasurer shall receive and be accountable for all funds belonging to the corporation; pay all obligations incurred by the corporation and maintain bank accounts in depositories designated by the Board of Directors; and render periodic financial reports.

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ARTICLE X

Assessments

Section 1: Each member is deemed to covenant and agree to pay the Association:

1. An annual assessment or charge which shall be the sum of Three Hundred Dollars (\$300.00) per year per lot, and shall be effective as of the 1st day of January of each calendar year.
2. Special assessments for capital improvements.

The yearly and special assessments, together with such interest thereon and costs of collection hereof, as hereinafter provided, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with such interest and costs of collection thereof (including reasonable attorney's fees) shall also be the personal obligation of the person who was the owner or contract purchaser of such property at the time when the assessment fell due. The personal obligation shall not pass to his successors in title unless expressly assumed by them, provided, however, that in the case of a sale or a contract for the sale of (or an assignment of a contract purchaser's interest in) any lot which is charged with the payment of an assessment or assessments payable in installments, the person or entity who is the owner or contract purchaser immediately prior to the date of any such sale, contract or assignment shall be personally liable only for the amount of the installments due prior to said date. The new owner or contract purchaser shall be personally liable for installments which become due on and after said date.

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3. Purposes of Association. The assessments shall be used exclusively for the purposes as set forth in the Covenants and Restrictions for MADERA.

Section 2. Increase in Annual Assessment. There cannot be an increase in the annual assessment which is more than five percent (5%) of the annual assessment previously being assessed unless the increase is approved in writing by at least fifty-one percent (51%) of the lot owners or in the alternative, the membership at an annual or special meeting may approve any increase in the annual or regular assessment subject to the condition that at least sixty percent (60%) of the lot owners or their proxies attend the meeting and that the approval is obtained by sixty-six and two-thirds (66 2/3) of those members voting at such meeting.

Section 3. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy special assessments for capital improvements. Any such levy by the Association shall be for the purpose of defraying in whole or in part, the cost of any construction or reconstruction, or replacement of a described capital improvement upon the common areas as defined in the Covenants and Restrictions of MADERA, provided that any such assessment shall have the assent of 66% of the votes of all lot owners, written notice of which shall be sent to all members not less than thirty (30) days, nor more than sixty (60) days in advance of the meeting setting forth the purpose of the meeting.

Section 4. Uniform Rate. All annual and special assessment shall be fixed at a uniform rate for those lots that are effected by that specific assessment.

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Section 5. Date of Commencement of Annual Assessment: Due Dates. As to each particular lot involved, the liability for the annual assessment shall begin on 1st day of January of each calendar year and shall be payable on or before the 1st day of January of each year so long as the assessment is in effect. In the event the annual assessment is increased or decreased as provided for in these By-Laws, then the new assessment rate shall begin on the first day of January following the meeting at which the annual assessment rate was changed. The due date of any special assessment as provided in herein shall be fixed by the resolution authorizing such assessment.

Section 6. Effect of Non-payment of Assessments: Remedies. If any assessment is not paid within thirty (30) days after it was first due and payable, the assessment shall bear interest from the date on which it was due at the rate of ten per cent (10%) per annum, and the Association may bring an action at law against the one personally obligated to pay the same and/or foreclose the lien against the property, and interest, costs, and reasonable attorney's fees of any such action shall be included in any judgment or decree entered in such suit. No owner or contract purchaser shall be relieved of liability for the assessments provided for herein by non-use of the road or abandonment of his lot.

ARTICLE XI

Compensation

That neither the officers or members of the board of directors shall receive compensation for their services, however, the Association may reimburse such director or officers for any out-of-pocket expenses incurred for and on behalf of the Association.

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ARTICLE XII

Contracts, Loans, Checks, and Deposits

Section 1: Contracts. The Board of Directors may authorize any officer or officers, or agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

Section 2: Loans. No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances. No loans shall be made by the corporation to its directors or officers.

Section 3: Checks, Notes, Drafts, Etc. All checks, notes, drafts or other orders for the payment of money of the corporation shall be signed, endorsed or accepted in the name of the corporation by such officer, officers, person or persons as from time to time may be designated by the Board of Directors or by any officer or officers authorized by the Board of Directors to make such designation.

Section 4: Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the Board of directors may designate.

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ARTICLE XIII

Waiver of Notice

Whenever any notice is required to be given to any member or director of the corporation under the provisions of these Bylaws or under the provisions of the Articles of Incorporation or under the provisions of the Washington Non-Profit Corporation Act, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XIV

Indemnification

To the full extent permitted by the Washington Non-Profit Corporation Act, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any civil, criminal, administrative or investigative action, suit or proceeding (whether brought by or in the right of the Corporation or otherwise) by reason of the fact that said person is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, against expenses (including attorneys' fees, judgment, fines and amounts paid in settlement) actually and reasonably incurred by said person in connection with such action, suite or proceeding; and the Board of Directors may, at any time, approve indemnification of any other person which the corporation has the power to indemnify under the Washington Non-Profit Corporation Act.

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ARTICLE XV

Amendments

These By-Laws may be amended by a two-thirds vote of the membership of the corporation at any scheduled regular meeting of the membership.

IN WITNESS WHEREOF we, all being the Directors of MADERA HOMEOWNER'S ASSOCIATION have hereunto set our hands this _____ day of December, 2000.

Teressa Schelle 4/4/01
Secretary

CERTIFICATION

I, the undersigned do hereby certify that I am the duly elected and acting Secretary of MADERA HOMEOWNER'S ASSOCIATION; the foregoing By-Laws constitute the original By-Laws of said Association as adopted at a meeting of the Directors hereof.

IN WITNESS WHEREOF, I have subscribed my name this ____ day of December, 2000.

Teressa Schelle 4/4/01
Secretary

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