

BYLAWS
OF
HIGHLANDS COUNCIL

AMENDED AND RESTATED EFFECTIVE MARCH 21, 2013

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BYLAWS
OF
HIGHLANDS COUNCIL

Chapter 1

Name, Principal Office, and Definitions

1.1. Name

The name of the corporation, as set forth in Article I of the corporation's Articles of Incorporation, is the Highlands Council (referred to herein as the "**Council**").

1.2. Principal Office

The Council's principal office shall be located in King County, Washington. It may have such other offices, either within or outside King County, as the Council's Board of Trustees may determine, or as the Council's affairs may require.

1.3. Definitions

The words used in these Bylaws shall have their normal, commonly understood definitions unless otherwise specified. Unless the context indicates otherwise, capitalized terms shall have the same meaning as set forth in the Covenant for Community for Issaquah Highlands [Second Amended and Restated April 12, 2013 ("**Covenant**") recorded in the official records of King County under King County Recording No. 20130412002092, as it may be amended from time to time.

Chapter 2

Council Mission

The Council is organized for such purposes as are set forth in its Articles of Incorporation and as reflected in the Covenant.

Consistent with such purposes, the mission of the Council is to foster the development of a vibrant and caring community committed to service, inclusiveness, lifelong learning, and well-being.

Chapter 3

Administration of the Council

3.1. Management

The Council shall have no members. The Board of Trustees shall manage the Council's affairs in accordance with these Bylaws and the Covenant.

3.2. Community-Wide Meetings

From time to time, the Trustees may call meetings of the Owners, occupants, and other parties interested and involved in Issaquah Highlands ("**Community-Wide Meetings**"). The Trustees shall set the time, place, and agenda for such meetings. They also shall communicate notice of the Community-Wide Meetings by (a) posting in a conspicuous location or locations within Issaquah Highlands, (b) publishing in a newspaper or community newsletter, (c) posting on a community cable channel or intranet or Internet website generally known to the Issaquah Highlands Owners and occupants, or (d) similar means to which the Owners, occupants, and other parties interested and involved in Issaquah Highlands could reasonably be expected to have access.

Such notice shall be given, published, or posted not less than 10 nor more than 50 days prior to the meeting date. Participation in discussions during Community-Wide Meetings shall be subject to reasonable regulation by the Trustees.

3.3. Special Meetings

The Trustees shall call a special Community-Wide Meeting:

(a) if a majority of a quorum of the Trustees so directs by resolution; or

(b) if the Board of Directors of the Issaquah Highlands Community Association, Inc., the Issaquah Highlands High Street Owners Association, any other property owners association within the Properties ("**Associations**"), or the owner of property containing multi-family (rental) units requests such a meeting..

The notice of any special Community-Wide Meeting shall be given as provided in Section 3.2. Discussion shall be limited to the topics as stated in the notice for the special Community-Wide Meeting.

3.4. Advisory Role

Discussions or votes taken at any Community-Wide Meeting of Owners, occupants, or other parties interested and involved in Issaquah Highlands shall be advisory recommendations only to the Board of Trustees. The Board of Trustees shall not be bound by any decisions made at any Community-Wide Meetings.

Chapter 4

Trustees: Number, Meetings, Powers

A. Composition and Selection

4.1. Governing Body

The Council's affairs shall be governed by the Council's Board of Trustees. Each member of the Board of Trustees (each a "**Trustee**") shall have one equal vote.

4.2. Number of Trustees

The Council's Board of Trustees shall consist of three to seven members.

4.3. Selection of Trustees; Term of Office

(a) *Founder Appointment Period.* The Founder is authorized to appoint, remove, or replace, with or without cause, any of the Trustees until the earlier of (i) 25 years from the date the Covenant is recorded, or (ii) such time as the Founder relinquishes such right in a recorded document ("**Founder Appointment Period**").

(b) *Initial Board of Trustees.* The initial Trustees shall consist of the three individuals identified in the Articles of Incorporation (each an "**Initial Trustee**"). During the Founder Appointment Period, each Initial Trustee shall serve a term of two years, or until his or her successor shall have been appointed and qualified, or until the Initial Trustee is removed by the Founder as provided in Section 4.3(a) of this Chapter 4.

(c) *Successor Founder Trustees.* During the Founder Appointment Period, upon the expiration of the term of office of an Initial Trustee, the Founder shall appoint successor Trustees (each a "**Founder Trustee**"). During the Founder Appointment Period, each Founder Trustee shall serve a term of two years, or until his or her successor shall have been appointed and qualified, or until the Founder Trustee is removed by the Founder as provided in Section 4.3(a) of this Chapter 4, or until the Founder expands the term of a Founder Trustee as provided in Section 4.3(g) of this Chapter 4.

(d) *First Expansion of Board of Trustees.* Unless otherwise determined by a resolution of the Board of Trustees, no later than three years after the date the Covenant is recorded, the Founder shall expand the Board of Trustees to five members by appointing two additional Trustees to the Board of Trustees (each a "**Trustee**"). The Founder shall appoint one member of the Issaquah Highlands Community Association ("**Community Association**") and one member of the Issaquah Highlands High Street Owners Association ("**High Street Association**") to the Board of Trustees. Each newly appointed Trustee shall serve a term of three years, or until his or her successor shall have been appointed and qualified, or until the Trustee is removed by the Founder as provided in Section 4.3(a) of this Chapter 4.

(e) *Second Expansion of Board of Trustees.* Unless otherwise determined by resolution of the Board of Trustees, no later than five years after the date the Covenant is recorded, the Founder shall expand the Board of Trustees to seven members by appointing two additional Trustees to the Board of Trustees (each a “Trustee”). The Founder shall appoint one member of the Community Association to the Board of Trustees and one owner or representative of a property containing multi-family units to the Board of Trustees (“**Nonresidential Owner**”). Each newly appointed Trustee shall serve a term of three years, or until his or her successor shall have been appointed and qualified, or until the Trustee is removed by the Founder as provided in Section 4.3(a) of this Chapter 4.

(f) *Successor Trustees.* During the Founder Appointment Period, the Founder shall appoint successor Trustees to ensure that the Board of Trustees maintains the following composition:

- two Trustees who are members of the Community Association;
- one Trustee who is the owner or representative of property that is utilized for multi-family units; and
- one Trustee who is a member of the High Street Association.

Each successor Trustee shall serve a term of three years, or until his or her successor shall have been appointed and qualified, or until the Trustee is removed by the Founder as provided in Section 4.3(a) of this Chapter 4.

(g) *Staggered Terms.* During the Founder Appointment Period, if the Board of Trustees is expanded prior to three years after the date the Covenant is recorded, or prior to five years after the date the Covenant is recorded, or if the Board of Trustees establishes by resolution an alternative expansion schedule, the Founder shall have the authority to extend the term of the Founder Trustees to ensure that the Trustees’ terms shall be staggered.

(h) *Trustees at Termination of Founder Appointment Period.* Immediately prior to the date upon which the Founder Appointment Period terminates, the terms of the then existing Trustees shall terminate, and a new Board of Trustees shall be named as provided in this paragraph (h). The Board of Trustees shall be comprised of seven (7) Representatives as follows: three (3) for residential owners at Issaquah Highlands (“**Residential Representative**”); two (2) for commercial/retail owners at Issaquah Highlands (“**Commercial/Retail Representative**”); and two (2) for multi-family owners at Issaquah Highlands (“**Multi-Family Representative**”). A “Representative” may include an owner, tenant or other person determined by a majority of the Trustees to represent the interests of residential owners, commercial/retail owners, and multi-family owners, as applicable.

The Board of Trustees initially named following termination of the Founder Appointment Period shall be selected in part by the Founder, and in part by those Trustees newly appointed by the Founder. The Founder shall appoint three (3) Trustees as follows: (i) one (1) Residential Representative, (ii) one (1) Commercial/Retail Representative, and

(iii) one (1) Multi-Family Representative. Each of the Founder-appointed Trustees shall serve a three (3) year term.

In order to provide a balance of owner representation and staggered terms, the three (3) Trustees so appointed by the Founder shall appoint four (4) Trustees as follows:

- two (2) Residential Representatives, with one serving an initial term of one (1) year and the other serving an initial term of two (2) years;
- one (1) Commercial/Retail Representative serving a two (2) year term; and
- one (1) Multi-Family Representative serving an initial term of one (1) year.

After expiration of the respective initial terms, the term of each Trustee shall be three (3) years. No individual shall serve more than two (2) consecutive terms, but an individual may again serve as a Trustee after a one (1) year absence from the Board.

(i) *Successor Trustees Following Founder Appointment Period.* Following termination of the Founder Appointment Period, upon the expiration or earlier termination of the Trustee terms, the remaining Trustees shall appoint a successor representing the same group of property owners as the Trustee whose term has expired (e.g. Residential to replace Residential), so long as a qualified and willing candidate is available to serve from that property group. If the remaining Trustees determine there is not a qualified and willing candidate at the time of appointment, then the remaining Trustees may (a) leave the position vacant for up to one (1) year, or (b) appoint a person representing a community interest at Issaquah Highlands (e.g. school representative, park/trail representative), for a term to be determined by the Trustees. All appointments and decisions of the Trustees under this Section 4.3 shall be by majority vote of the remaining Trustees.

4.4. Resignation and Removal of Trustees; Vacancies

Any Trustee may resign at any time by giving written notice to the Trustees, the President, or the Secretary. Such resignation shall take effect on the date such notice is received or at a later time specified in the notice. Acceptance of such resignation shall not be necessary to make it effective.

During the Founder Appointment Period, as provided in Section 4.3(a), the Founder may remove any Trustee, with or without cause, and the Founder may fill any vacancy for the unexpired portion of the term of a Trustee created by the Founder's removal or the Trustee's vacancy of such position. The Founder shall fill vacancies in a manner that preserves the Board of Trustees composition described in Section 4.3.

After the termination of the Founder Appointment Period, the Trustees, by majority vote, may remove, with or without cause, any Trustee and any vacancy may be filled for the unexpired portion of the term of a Trustee who has been removed or vacated such

position by a majority vote of the remaining Trustees. The Trustees shall fill vacancies in a manner that preserves the Board of Trustees composition described in Section 4.3(h).

B. Meetings

4.5. Organizational Meetings

The first meeting of the Trustees shall be held within 90 days following the date the Council's Articles of Incorporation are filed with the Washington Secretary of State at such time and place as the Trustees shall fix.

4.6. Regular Meetings

Regular meetings of the Board of Trustees may be held at such time and place as a majority of the Trustees determine from time to time; however, at least four meetings shall be held during each fiscal year with at least one meeting each fiscal quarter.

4.7. Special Meetings

When called by written notice signed by the President, Vice President, or any two Trustees, the Board of Trustees shall hold a special meeting. The Secretary shall prepare and distribute written notice of any special meetings specifying the time and place of the meeting and the nature of any special business to be considered.

4.8. Quorum of Trustees

At all meetings of the Board of Trustees, a majority of the Trustees shall constitute a quorum for transacting business, and votes of a majority of the Trustees present shall constitute the Trustees' decision. If a quorum is present, the Trustees may continue to transact business, notwithstanding the withdrawal of Trustees, if any action taken is approved by at least a majority of the required quorum for that meeting. A Trustee who is present at such a meeting shall be presumed to have assented to the action taken at that meeting unless the Trustee's dissent or abstention is entered in the minutes of the meeting or the Trustee files his or her written dissent or abstention to such action with either the person acting as secretary of the meeting before the adjournment of the meeting or by registered mail to the Secretary of the Council immediately after the adjournment of the meeting.

If any Trustees meeting cannot be held because a quorum is not present, a majority of the Trustees who are present at such meeting may adjourn the meeting to a time not less than five nor more than 30 days from the scheduled date of the original meeting. At the reconvened meeting, if a quorum is present, any business that could have been transacted at the originally called meeting may be transacted without further notice.

4.9. Compensation

Trustees shall not receive any compensation for acting as such unless a majority of the Trustees consents in writing, excluding the Trustee whose compensation is in question. A Trustee may receive reimbursement for reasonable expenses incurred on the Council's behalf upon approval of a majority of the other Trustees. The Council shall make no loan to any Trustee(s).

Nothing herein shall prohibit the Council from compensating a Trustee, or any entity with which a Trustee is affiliated, for services or supplies furnished to the Council in a capacity other than as a Trustee pursuant to a contract or agreement with the Council. However, such Trustee must make his or her interest known to the Trustees prior to entering into such contract, and a majority of Trustees other than the interested Trustee must approve such contract or agreement.

4.10. Conduct of Meetings

The President shall preside over all meetings of the Board of Trustees, and the Secretary shall keep a minute book of Trustees meetings, recording all Trustees resolutions and all transactions and proceedings occurring at such meetings.

Trustees meetings shall be open to the Founder, all Issaquah Highlands residents, and all directors, officers, and authorized representatives of the Associations. Non-Trustees may not participate in any discussion or deliberation unless a Trustee requests and is granted permission for the attendee to speak. In such case, the President may limit the time any individual may speak.

Notwithstanding the above, the President may adjourn any Trustees meeting and reconvene in executive session, and may exclude persons other than Trustees, for consideration of one or more of the following topics:

- (a) employment or personnel matters for employees of the Council;
- (b) compensation to any Trustee or officer;
- (c) legal advice from an attorney for the Trustees or Council;
- (d) pending or contemplated litigation; and/or
- (e) pending or contemplated matters relating to enforcement of the Council's documents or rules.

4.11. Action Without a Formal Meeting

Any action taken or which may be taken at a meeting of the Board of Trustees may be taken without a meeting if all Trustees sign a consent setting forth the action so taken. Such consent shall have the same force and effect as a unanimous vote.

4.12. Electronic Participation

One or more Trustees may participate in and vote during any regular or special Trustees meeting by telephone conference call, fiber optics, or similar audio or video communication equipment by means of which all persons participating in the meeting can hear each other at the same time. Those Trustees so participating shall be deemed present at such meeting for all purposes including determining a quorum.

C. Powers and Duties

4.13. Powers

The Trustees shall have all the powers which Washington law provides for nonprofit corporations and those necessary to administer the Council's affairs and to perform the Council's responsibilities and to exercise its rights as set forth in these Bylaws, the Covenant, and the Council's Articles of Incorporation.

For purposes of illustration but not limitation, the Trustees shall have the power to:

(a) provide for activities, services, and programs designed to further the Council's mission as set forth in these Bylaws;

(b) impose reasonable conditions, limitations, and requirements and/or charge reasonable admission, use, or consumption fees for the use and enjoyment by Issaquah Highlands residents of the various services and programs provided by or through the Council and for the use and enjoyment of any of the Areas of Council Responsibility; and

(c) enforce the provisions of these Bylaws, the Covenant, and the Council's Articles of Incorporation and the rules and regulations of the Council, and bring any proceedings concerning the Council.

4.14. Duties

The Trustees' duties shall include those imposed by law, and, without limitation:

(a) overseeing the preparation of and adopting annual budgets for Council Expenses;

(b) levying assessments, fees and other charges and collecting assessments to pay for Council Expenses, and establishing the means and method of collecting such payments as set forth in these Bylaws, the Covenant, and the Council's Articles of Incorporation;

(c) making available to any Owner, mortgagee, or prospective purchaser of property in Issaquah Highlands, copies of these Bylaws, the Covenant, and the Council's Articles

of Incorporation, and rules the Trustees promulgate. The Trustees may establish and charge fees to cover the Council's printing and mailing costs; and

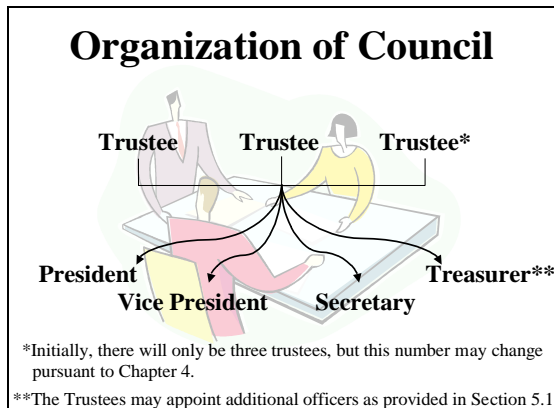
(d) cooperating with the Associations and fulfilling its responsibilities under the Covenant.

CHAPTER 5

Officers

5.1. Officers

The Council officers shall be a President, Vice President, Secretary, and Treasurer. The President and Secretary shall be elected from among the Trustees. The Trustees may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties the Trustees prescribe.



5.2. Election and Term of Office

The Trustees shall elect the Council officers at such times as it deems appropriate or when a position becomes vacant. Officers may serve terms of such length as the Trustees may designate, but not to exceed three (3) years.

5.3. Removal and Vacancies

Whenever in its judgment the Council's best interests will be served, the Trustees may remove any officer and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise for the unexpired portion of the term.

5.4. Powers and Duties

Council officers shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may from time to time specifically be conferred or imposed by the Trustees. The President shall be the Council's chief executive officer. In the absence or disability of the President, the Vice President shall act as President. The Secretary shall be responsible for ensuring that the minutes of all Trustees and committee meetings are kept and shall have charge of such books and papers as the Trustees may direct. The Treasurer shall be primarily

responsible for preparing the budget of Council Expenses but may rely upon accounting or other professionals in the process of doing so.

5.5. Resignation

Any officer may resign at any time by giving written notice to the Trustees, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein. Acceptance of such resignation shall not be necessary to make it effective.

5.6. Agreements, Contracts, Deeds, Leases, Checks, Etc.

All agreements, contracts, deeds, leases, checks, and other instruments of the Council shall be executed by the President, Secretary, or Treasurer, or by such other person or persons as the Trustees may designate by resolution. The Trustees may establish internal controls, including but not limited to setting monetary thresholds above which require dual signatures or specific Board approval.

5.7. Compensation

Compensation of officers shall be subject to the same limitations as compensation of Trustees under Section 4.9. The Council shall make no loan to any officer(s).

CHAPTER 6

Management and Administration

6.1. Liability and Indemnification

To the fullest extent that Washington law, as amended from time to time, permits, the Council shall indemnify, hold harmless, and defend the Founder (and its members, agents, and employees), every Council officer, Trustee (in their capacity as such), and every committee member for, from, and against all damages and expenses, including attorneys fees, reasonably incurred in connection with any action, suit, or other proceeding brought against them (including any settlement thereof, if approved by the Trustees). This right to indemnification shall not be exclusive of any other rights to which any present or former officer or Trustee may be entitled. As a Council Expense, the Council shall maintain adequate general liability and directors and officers liability insurance to fund this obligation as provided in Section 7.3.

6.2. Standards of Conduct; Business Judgment

In performing their duties, Trustees and officers are subject to insulation from liability as provided for trustees, directors, and officers of corporations by Washington law and as otherwise provided by these Bylaws, the Covenant, and the Council's Articles of Incorporation. The Trustees shall exercise their power in a fair, nondiscriminatory manner and shall adhere to the procedures established in these Bylaws, the Covenant, and Council's Articles of Incorporation. Trustees shall exercise the ordinary and reasonable care of Trustees or directors of a corporation, subject to the business judgment rule.

As defined herein, a Trustee shall act in accordance with the business judgment rule so long as the Trustee:

(a) acts within the expressed or implied scope of these Bylaws, the Covenant, and the Council's Articles of Incorporation and his or her actions are not *ultra vires*;

(b) affirmatively undertakes to make decisions which the Trustee reasonably believes are necessary for the continued and successful operation of the Council and, when decisions are made, they are made on an informed basis;

(c) acts on a disinterested basis, promptly discloses any real or potential conflict of interests (pecuniary or other), and avoids participation in such decisions and actions; and

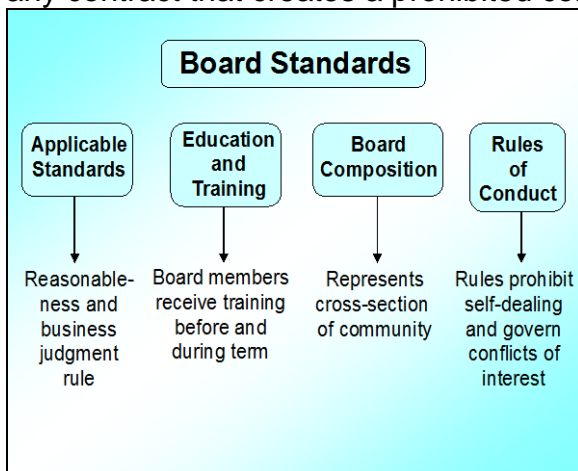
(d) acts in a non-fraudulent manner and without reckless indifference to the Council's affairs.

6.3. Training Seminar

In cooperation with or independent of the Associations' boards, the Trustees shall provide or provide for seminars and continuing educational opportunities designed to educate and inform Trustees and officers of their responsibilities as such. Such programs shall include instruction on applicable Washington corporate and fiduciary law principles, other issues relating to administering community affairs, and upholding and enforcing these Bylaws, the Covenant, and Council's Articles of Incorporation. The Trustees may retain industry professionals, which may include attorneys and accountants, as appropriate or necessary for such purpose. Each newly elected Trustee and officer shall complete a training seminar within the first six months of assuming such position.

6.4. Conflicts of Interest

Unless otherwise approved by a majority of the other Trustees, no Trustee or officer may transact business with the Council or the Associations, or any contractor of the Council or the Associations, during his or her term as Trustee or officer or within two years after the term expires. A Trustee or officer shall promptly disclose in writing to the Trustees any actual or potential conflict of interest relative to his or her performance as a Trustee or officer. A Trustee's or officer's failure to make such disclosure shall be grounds for removal by a majority vote of the other Trustees. The Trustees may void any contract that creates a prohibited conflict of interest.



Notwithstanding the above, the Trustees the Founder appoints may be employed by or otherwise transact business with the Founder or any affiliate of the Founder, and the Founder may transact business with the Council, the Associations, or their contractors.

6.5. Management

The Council may employ an agent or agents, at such compensation as the Trustees may establish, to perform such duties and services as the Trustees shall authorize. Subject to the Trustees' supervision, the Trustees may delegate to the agent or agents such powers as are necessary to perform its assigned duties but shall not delegate policy-making authority. The Founder may be the agent.

The Trustees may delegate to any single Trustee the authority to act on their behalf on all matters relating to any agent's duties that arise between Trustees meetings.

The Trustees may not terminate any agency contract, or retain a new agent, without the Founder's approval for so long as the Founder owns, or has a beneficial interest in, or the contractual right to acquire, property within Issaquah Highlands. Any such contract may, among other things, authorize action as the Council's agent with respect to the expenditure of Council funds within the scope of the approved Council budget; however, the agent shall not be permitted to spend money in excess of the budget or reallocate greater than 10% of any budget line item without the Trustees' prior approval.

6.6. Right to Contract

The Council shall have the right to contract with any person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements, or covenants to share costs with a property owners association or any other entity within or outside Issaquah Highlands.

6.7. Right to Appoint Committees; Limitations on Committee Authority

The Trustees may establish such formal committees of the Board of Trustees as they deem appropriate to perform such tasks as the Trustees may designate by resolution. Any such Board committee shall consist of at least two or more Trustees. Each committee shall operate in accordance with the terms of such resolution. The Trustees shall have the right to disapprove or veto any committee decision or action. Committees shall not have the authority contractually to bind the Council or to commit the Council financially or otherwise. Furthermore, no such committee shall have the authority of the Board of Trustees to (a) amend, alter or repeal the Bylaws; (b) elect, appoint or remove any member of any such committee or any Trustee or officer of the Council; (c) amend the Articles of Incorporation; (d) adopt a plan of merger or adopt a plan of consolidation with another corporation; (e) authorize the voluntary dissolution of the Council or revoke proceedings therefor; (f) adopt a plan for the distribution of the assets of the Council not in the ordinary course of business; or (g) amend, alter or repeal any resolution of the Board of Trustees which by its terms provides that it shall not be amended, altered or repealed by such committee. The designation and appointment of any such committee and the delegation of authority to it shall not operate to relieve the Board of Trustees or any individual Trustee of any responsibility imposed upon it, him or her by law.

In addition to formal Board committees, the Trustees may establish from time to time one or more task forces, advisory committees and/or ad hoc committees (collectively "**Advisory Committee**") comprised of owners, residents, tenant, or others, as the Trustees deem appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each Advisory Committee shall operate in accordance with the terms of such resolution. Advisory Committees may but shall not

be required to include one or more Trustees. Advisory Committee members shall be appointed, and may be removed, by the Trustees acting in its discretion. No Advisory Committee shall have any authority to bind or commit the Board or the Council, but rather the purpose shall be to advise or make recommendations to the Board for action, in the Board's discretion.

6.8. Limitation on Council Authority

The Associations exist independently from the Council and are managed and administered in accordance with the Declarations and the Associations' other governing documents. Unless the Associations otherwise specifically consent in writing, or unless specifically provided in the Declarations, the Council has no authority to, and shall not (a) enforce the Declarations or any of the Associations' rights; (b) maintain, improve, operate, or encumber property owned or administered by the Associations; (c) act as the Associations' agent or representative; (d) commit the Associations to any contracts, obligations, or costs; (e) hire, terminate, direct, manage, or supervise any of the Associations' employees or their respective managing agents; (f) solicit the Associations' employees or agents to become the Council's employee or exclusive agent (provided, this shall not prevent the Council and the Associations from being jointly managed).

This Section is for the benefit of and shall be enforceable by the Associations.

CHAPTER 7

Accounting and Insurance

7.1. Accounts and Reports

The following management standards of performance shall be followed unless the Trustees, by resolution, specifically determine otherwise:

- (a) generally accepted accounting principles shall be employed;
- (b) the Council's cash accounts shall not be commingled with any other accounts;
- (c) no persons, on behalf of the Council, shall accept remuneration from vendors, independent contractors, or others providing goods or services to the Council, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Council;
- (e) any agent of the Council shall disclose promptly to the Trustees any financial or other interest which he or she may have in any firm providing goods or services to the Council;
- (f) an annual report consisting of at least the following shall be made available for inspection by any interested party within 60 days after the close of the fiscal year: (i) a balance sheet showing actual receipts and expenditures; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Trustees determines, by an independent public accountant.

The Council's Annual Report

Contains the following:

- **a balance sheet showing actual receipts and expenditures**
- **an income statement**
- **a statement of changes in financial position for the fiscal year**

The Council shall provide any interested party a copy of the annual financial report within 10 business days following receipt of a written request for access and may charge for the costs of copying.

7.2. Borrowing

The Council shall have the power to borrow money for any legal purpose upon the vote of a majority of Trustees.

7.3. Insurance

Acting through its Board of Trustees or its duly authorized agent, the Council shall obtain and maintain in effect the following types of insurance, if reasonably available and affordable and to the extent the Board of Trustees deems reasonably necessary:

(a) Blanket property insurance covering “risks of direct physical loss” on a “special form” basis (or comparable coverage by whatever name denominated) for all insurable improvements (excluding land) on Council Property, if any. If such coverage is not generally available at reasonable cost, then “broad form” coverage may be substituted. All property insurance policies that the Council obtains shall have policy limits sufficient to cover the full replacement cost of the insured improvements (excluding land);

(b) Commercial general liability insurance for any property that the Council owns, controls, or maintains. If generally available at reasonable cost, the commercial general liability coverage (including primary and any umbrella coverage) shall have a limit of at least \$2,000,000.00 per occurrence with respect to bodily injury, personal injury, and property damage; however, should additional coverage and higher limits be available at reasonable cost which a reasonably prudent person would obtain, the Council may obtain such additional coverage or limits;

(c) Workers compensation insurance with statutory limits and employers liability insurance, if and to the extent required by law;

(d) Directors and officers liability coverage;

(e) Fidelity insurance covering all persons (whether compensated or not compensated) responsible for handling Council funds in an amount determined in the Trustees’ business judgment. To implement the foregoing, fidelity insurance policies shall not exclude persons who serve without compensation; and

(f) Such additional insurance as the Trustees, in the exercise of their business judgment, determines advisable, which may include, without limitation, flood insurance, boiler and machinery insurance, and building ordinance coverage. The Council’s insurance policies may contain a reasonable deductible and shall provide a waiver of subrogation against any Owner or household member of any Owner.

CHAPTER 8

Miscellaneous

8.1. Fiscal Year

The Trustees shall set the Council's fiscal year by resolution. In the absence of a resolution, the fiscal year shall be July 1 to June 30.

8.2. Parliamentary Rules

Except as may be modified by the Trustees, *Robert's Rules of Order* (current edition) shall govern the conduct of Council proceedings when not in conflict with Washington law, the Council's Articles of Incorporation, or these Bylaws.

8.3. Conflicts

If there are conflicts among the provisions of Washington law, the Covenant, the Council's Articles of Incorporation, and these Bylaws, the provisions of Washington law, the Covenant, the Council's Articles of Incorporation, and these Bylaws (in that order) shall prevail. If there is any conflict between the text of these Bylaws and the charts and illustrations set forth in these Bylaws, the text shall control.

8.4. Books and Records

(a) *Inspection by Owners and Mortgagees.* The Trustees shall make the following available for inspection and copying by the Founder, any Owner, mortgagee of a Unit, or the duly authorized representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in his or her property: the Council's Articles of Incorporation, the Covenant, and these Bylaws, including any amendments, Council rules, books of account, and the minutes of Trustee meetings (except minutes of executive sessions shall not be available unless the majority of the Board of Trustees votes to allow such minutes to be available for inspection or copying). The Council shall provide for such inspection to take place at the Council's office or at such other place as the Board of Trustees by resolution designates.

(b) *Rules for Inspection.* The Trustees shall establish reasonable rules with respect to (i) notice to be given to the custodian of the records; (ii) hours and days of the week when such an inspection may be made; and (iii) payment of the cost of reproducing copies of documents requested.

(c) *Inspection by Trustees.* Every Trustee and the Founder shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Council and the physical properties the Council owns or controls. The right of inspection by a Trustee or the Founder includes the right to make a copy of relevant documents at the Council's expense.

8.5. Notices

(a) *Notice by Mail or Personal Delivery.* Unless otherwise authorized or provided in the Covenant, these Bylaws, or by law, all notices, demands, bills, statements, or other communications under the Covenant or these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States Mail, first class postage prepaid:

(i) if to an Owner, at his or her address (including electronic mail address or facsimile number) as designated in writing and filed with the Council's Secretary or, if no such address has been designated, at the address of the Owner's Unit within Issaquah Highlands;

(ii) if to the Associations, to the respective addresses (including electronic mail addresses or facsimile numbers) designated by the Associations in writing to its Secretary, or if no such address has been designated, at the Associations' respective principal offices; and

(iii) if to the Council, the Founder, Trustees, or managing agent, at the Council's, the Founder's, Trustees', or managing agent's principal office, or at such other address (including electronic mail address or facsimile number) as shall be designated in writing and filed with the Council's Secretary.

(b) *Effective Date.* Notice sent in accordance with subsection (a) shall be deemed to have been duly given and effective at the earliest of the following:

(i) when received;

(ii) if sent by United States mail, five days after its deposit with the U.S. Postal Service, correctly addressed, with first class or higher priority postage prepaid;

(iii) if delivered personally or by private carrier, when actually delivered to the address of the intended recipient, as evidenced by the signature of the person at such address who accepts such delivery; or

(iv) if sent by telephone facsimile or electronic mail, upon transmission, as evidenced by a printed confirmation of transmission.

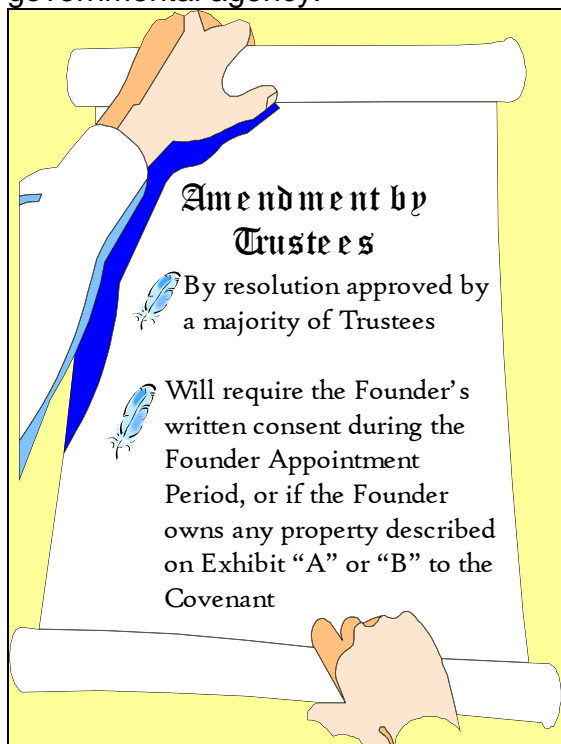
(c) *Notice of Trustees Meetings.* Except for emergency meetings, notice of each Trustees meeting shall be communicated to Issaquah Highlands residents by posting in a conspicuous location or locations within Issaquah Highlands, publishing in a newspaper or community newsletter, or posting on a community cable channel or intranet or internet website generally known to Issaquah Highlands Owners and occupants, or by similar means to which the Owners and occupants could reasonably be expected to have access. As an alternative to providing separate notice for each

meeting, the Trustees may post or publish a schedule of upcoming, regular Trustees meetings.

(d) *Waiver of Notice.* Transactions of any Trustees meeting, however called and noticed or wherever held, shall be as valid as if taken at a meeting duly held after regular call and notice if (a) a quorum is present, and (b) either before or after the meeting each absent Trustee signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the meeting's purpose. Notice of a meeting also shall be deemed given to any Trustee who attends the meeting without protesting before or at its commencement about lack of adequate notice.

8.6. Amendment

Prior to termination of the Founder Appointment Period, these Bylaws may be unilaterally amended at any time by the Founder, its successors, or assigns, for any purpose. Thereafter, these Bylaws may be amended unilaterally at any time by Founder, its successors or assigns if such amendment is necessary: (a) to bring any provision into compliance with any applicable governmental statute, rule or regulation, or judicial determination; (b) to enable any title insurance company to issue title insurance coverage; (c) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure, or guarantee mortgage loans; (d) to enable any governmental agency or private insurance company to insure mortgage loans; or (e) to satisfy the requirements of any governmental agency.



Except as otherwise specifically provided herein, these Bylaws may also be amended upon a resolution approved by a majority of the Trustees; however, any such amendment shall require the Founder's written consent during the Founder Appointment period or for so long as the Founder owns any property described in Exhibit "A" or "B." to the Covenant

Amendments are effective upon approval in the manner set forth above. No amendment may remove, revoke, or modify any right or privilege of the Founder without the Founder's written consent or the assignee of such right or privilege. No amendment may remove, revoke, increase, or modify any right, privilege, or obligation of the Associations without the written consent of such Association.