

AMENDED AND RESTATED

BY-LAWS

OF

ISSAQUAH HIGHLANDS COMMUNITY ASSOCIATION

[Effective June 7, 2012]

[Adopted as Exhibit D of the Declaration of Covenant, Conditions, and Restrictions for Issaquah Highlands Residential Properties under King County Recording No. 20120607000111]

TABLE OF CONTENTS

<u>ARTICLE</u>	<u>SECTION</u>	<u>Page</u>
Article I	Name, Principal Office, and Definitions	1
1.1.	Name.....	1
1.2.	Principal Office.....	1
Article II	Definitions.....	1
2.1.	"Area of Common Responsibility."	1
2.2.	"Board of Directors" or "Board."	2
2.3.	"Board District."	2
2.4.	"Builder."	2
2.5.	"Class "A" Member."	2
2.6.	"Class "B" Control Period."	2
2.7.	"Class "B" Member."	2
2.8.	"Common Expenses."	2
2.9.	"Declarant."	3
2.10.	"Declaration."	3
2.11.	"Governing Documents."	3
2.12.	"Member."	3
2.13.	"Mortgage."	3
2.14.	"Neighborhood; Subneighborhood."	3
2.15.	"Neighborhood Expenses; Subneighborhood Expenses."	4
2.16.	"Owner."	4
2.17.	"Person."	4
2.18.	"Public Records."	4
2.19.	"Residential Association."	4
2.20.	"Residential Common Area."	4
2.21.	"Residential Properties."	4
2.22.	"Special Assessment."	5
2.23.	"Specific Assessment."	5
2.24.	"Unit."	5
Article III	Residential Association: Membership, Meetings, Quorum, Voting, Proxies ..	5
3.1.	Membership.....	5
3.2.	Place of Meetings.	5
3.3.	Annual Meetings.....	6
3.4.	Special Meetings.....	6
3.5.	Notice of Meetings.	6
3.6.	Waiver of Notice.	7
3.7.	Adjournment of Meetings.....	7
3.8.	Voting.	8
3.9.	Proxies.	10
3.10.	Majority.	10
3.11.	Quorum.....	10

3.12.	Conduct of Meetings.	11
3.13.	Action Without a Meeting.	11
3.14.	Meetings Held by Telephone or Similar Communications Equipment.	11
Article IV Board of Directors: Number, Powers, Meetings		11
A.	Composition and Selection.....	11
4.1.	Governing Body; Composition.....	11
4.2.	Number of Directors.....	12
4.3.	Directors During Class "B" Control Period.....	12
4.4.	Nomination and Election Procedures.	12
4.5.	Election and Term of Office.....	14
4.6.	Removal of Directors and Vacancies.	17
B.	Meetings.	18
4.7.	Organizational Meetings.....	18
4.8.	Regular Meetings.....	18
4.9.	Special Meetings.....	18
4.10.	Waiver of Notice.	19
4.11.	Meetings Held by Telephone or Similar Communications Equipment.....	20
4.12.	Quorum of Board of Directors.....	20
4.13.	Compensation.	20
4.14.	Conduct of Meetings.	20
4.15.	Open Meetings.....	21
4.16.	Action Without a Meeting.	21
C.	Powers and Duties.	21
4.17.	Powers.	21
4.18.	Duties.....	21
4.19.	Right of Class "B" Member To Disapprove Actions.....	23
4.20.	Management.	24
4.21.	Accounts and Reports.....	24
4.22.	Borrowing.....	26
4.23.	Right To Contract.	26
4.24.	Enforcement.....	26
4.25.	Interpretations and Determinations under By-Laws.....	28
Article V Officers.....		28
5.1.	Officers.....	28
5.2.	Election and Term of Office.....	28
5.3.	Removal and Vacancies.....	28
5.4.	Powers and Duties.	28
5.5.	Resignation.	29
5.6.	Agreements, Contracts, Deeds, Leases, Checks, Etc.....	29
5.7.	Compensation.	29
Article VI Committees; Task Forces and Member Advisory Committees		29
6.1.	General.	29

6.2.	Finance Committee.....	30
6.3.	Executive Committee.	30
6.4	Task Forces ; Member Advisory Committees.	30
6.5	Neighborhood and Subneighborhood Committees.....	30
Article VII Miscellaneous		32
7.1.	Fiscal Year.....	32
7.2.	Parliamentary Rules.....	32
7.3.	Conflicts.	32
7.4.	Books and Records.	32
7.5.	Notices.	33
7.6.	Amendment.	33
Exhibit 1	Map of Board Districts	

**AMENDED AND RESTATED BY-LAWS
OF
ISSAQUAH HIGHLANDS COMMUNITY ASSOCIATION**

THESE AMENDED AND RESTATED BY-LAWS OF ISSAQUAH HIGHLANDS COMMUNITY ASSOCIATION ("By-Laws") are effective as of June 7, 2012 by Grand-Glacier LLC, a Washington limited liability company, as the successor "Declarant" pursuant to merger as of July 1, 2003 of the original Declarants Grand Ridge Partnership (Limited Partnership), a Washington limited partnership, and Glacier Ridge Partnership (Limited Partnership), a Washington limited partnership. These By-Laws amend, restate, supersede and replace in their entirety those certain *Amended and Restated By-Laws of Issaquah Highlands Community Association*, attached as Exhibit "D" to and recorded with that certain *Declaration of Covenants, Conditions and Restrictions for Issaquah Highlands Residential Properties [Amended and Restated Effective July 1, 2011]* dated July 1, 2011, and recorded under King County Recording No. 20110701000804.

**Article I
Name, Principal Office, and Definitions**

1.1. Name.

The name of the corporation is Issaquah Highlands Community Association (the "Residential Association").

1.2. Principal Office.

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

**Article II
Definitions**

The terms used in these By-Laws generally shall be given their natural, commonly accepted definitions unless otherwise specified. Unless the context indicates otherwise, capitalized terms shall be defined as set forth below or, if not set forth below, as defined in the Declaration.

2.1. "Area of Common Responsibility."

The Residential Common Area, together with such other areas, if any, for which the Residential Association has or assumes responsibility pursuant to the terms of the Declaration, any Supplemental Declaration or other applicable covenants, contracts, or agreements.

2.2. "Board of Directors" or "Board."

The body responsible for administration of the Residential Association, selected as provided in these By-Laws and generally serving the same role as the board of directors under Washington corporate law.

2.3 "Board District."

Districts established under Section 6.4(b) of the Declaration, whereby Members within each Board District shall vote on a separate slate of candidates for the election of the Board member for that District.

2.4. "Builder."

Any Person who purchases one or more Units for the purpose of constructing improvements for later sale to consumers, or who purchases one or more parcels of land within the Residential Properties for further subdivision, development, or resale in the ordinary course of such Person's business.

2.5. "Class "A" Member."

All Owners, except the Class "B" Member, if any, as more specifically defined in Section 3.8.

2.6. "Class "B" Control Period."

The period of time during which the Class "B" Member is entitled to appoint a majority of the members of the Board as provided in Section 4.3.

2.7. "Class "B" Member."

Declarant, so long as the Class "B" membership exists, as more specifically defined in Section 3.8.

2.8. "Common Expenses."

The actual and estimated expenses incurred, or anticipated to be incurred by the Residential Association for the general benefit of all Owners, including any reasonable reserve, as the Board may find necessary and appropriate pursuant to the Governing Documents. Common Expenses shall not include any expenses incurred during the Class "B" Control Period for initial development or other original construction costs unless approved by Members representing a majority of the total Class "A" vote of the Residential Association.

2.9. "Declarant."

Grand-Glacier, LLC, a Washington limited liability company, or any successor, successor-in-title or assign of Declarant who takes title to any portion of the property described in Exhibits "A" or "B" for the purpose of development or sale and who is designated as Declarant in a recorded instrument executed by the immediately preceding Declarant.

2.10. "Declaration."

Declaration of Covenants, Conditions, and Restrictions for Issaquah Highlands Residential Properties, recorded in the Public Records, as amended and restated, and as may be further amended and supplemented from time to time.

2.11. "Governing Documents."

A collective term referring to the Declaration and any applicable Supplemental Declaration, these By-Laws, the Articles, the Architectural Standards, the Use Restrictions and Rules, and the Master Plan, as each may be amended from time to time.

2.12. "Member."

A Person subject to membership in the Residential Association pursuant to Section 3.8. After termination of the Class "B" membership, any reference to "Member" shall mean the Class "A" Members.

2.13. "Mortgage."

A mortgage, a deed of trust, a deed to secure debt or any other form of security instrument affecting title to any Unit. A "Mortgagee" shall refer to a beneficiary or holder of a Mortgage.

2.14. "Neighborhood; Subneighborhood."

A group of Units designated as a separate Neighborhood for purposes of sharing Exclusive Common Areas or receiving other benefits or services from the Residential Association which are not provided to all Units within the Residential Properties. A Neighborhood may be comprised of more than one housing type and may include noncontiguous parcels of property. Further, subareas within a Neighborhood may be created for special services or benefits and assessed on a subarea basis as provided in Section 6.4 ("Subneighborhoods"). Where a Subneighborhood has been established pursuant to Section 6.4, references to "Neighborhood" shall include such Subneighborhood.

Where the context permits or requires, the term Neighborhood or Subneighborhood shall also refer to the Neighborhood Committee or Subneighborhood Committee (established

in accordance with these By-Laws) or Neighborhood Association, if any, having concurrent jurisdiction over the property within the Neighborhood.

2.15. "Neighborhood Expenses; Subneighborhood Expenses."

The actual and estimated expenses which the Residential Association incurs or expects to incur for the benefit of Owners of Units within a particular Neighborhood or Neighborhoods, which may include a reasonable reserve for capital repairs and replacements and a reasonable administrative charge, as may specifically be authorized pursuant to the Declaration or in the Supplemental Declaration(s) applicable to such Neighborhood(s). Where a Subneighborhood has been established pursuant to Section 6.4 of the Declaration, references to "Neighborhood Expenses" shall include the expenses attributable to such Subneighborhood.

2.16. "Owner."

One or more Persons who hold the record title to any Unit, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Unit is sold under a recorded contract of sale, and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner.

2.17. "Person."

A natural person, a corporation, a partnership, a limited liability company, a trustee or any other legal entity.

2.18. "Public Records."

The public land records of King County, Washington.

2.19. "Residential Association."

Issaquah Highlands Community Association, a Washington nonprofit corporation, its successors or assigns.

2.20. "Residential Common Area."

All real and personal property, including easements, in which the Residential Association owns, leases or otherwise holds possessory or use rights for the common use and enjoyment of the Owners. The term shall include the Exclusive Common Area, as defined in the Declaration.

2.21. "Residential Properties."

The real property described in Exhibit "A," together with such additional property as is subjected to the Declaration in accordance with Article IX of the Declaration.

2.22. "Special Assessment."

Assessments levied in accordance with Section 8.4 of the Declaration.

2.23. "Specific Assessment."

Assessments levied in accordance with Section 8.5 of the Declaration.

2.24. "Unit."

A portion of the Residential Properties, whether improved or unimproved, which may be independently owned and is intended for development, use, and occupancy as an attached or detached residence for a single family. The term shall refer to the land, if any, which is part of the Unit as well as any improvements thereon. In the case of a building within a condominium or other structure containing multiple dwellings, each dwelling shall be deemed to be a separate Unit. In the case of a single lot which contains a primary residence, as well as a carriage house or similar accessory structure, all structures upon the lot, together, shall be deemed a single Unit.

In the case of a parcel of vacant land or land on which improvements are under construction, the parcel shall be deemed to be a single Unit until such time as a subdivision plat or condominium plat is recorded in the Public Records on all or a portion of the parcel. Thereafter, the portion encompassed by such plat shall contain the number of Units determined as set forth in the preceding paragraph and any portion not encompassed by such plat shall continue to be treated in accordance with this paragraph.

Article III

Residential Association: Membership, Meetings, Quorum, Voting, Proxies

3.1. Membership.

The Residential Association shall have two classes of membership, Class "A" and Class "B," as more fully set forth in the Declaration, the terms of which pertaining to membership are incorporated by this reference.

3.2. Place of Meetings.

Meetings of the Residential Association shall be held at the principal office of the Residential Association or at such other suitable place convenient to the Members as the Board may designate, either within the Residential Properties or as convenient as possible and practical.

3.3. Annual Meetings.

Regular annual meetings of the Members shall be set by the Board so as to occur within 60 days before or following the end of the Residential Association's fiscal year on a date and at a time set by the Board.

3.4. Special Meetings.

The President may call special meetings of the Members. In addition, it shall be the duty of the President to call a special meeting of the Members if so directed by resolution of the Board or upon a petition signed by Members representing at least 10% of the total Class "A" votes of the Residential Association.

3.5. Notice of Meetings.

Written or printed notice stating the place, day, and hour of any meeting of the Members shall be delivered by regular or express mail, private carrier, personal delivery, email or electronic network posting to each Member entitled to vote at such meeting, not less than 10 nor more than 50 days before the date of such meeting (or other time periods mandated by law), by or at the direction of the President or the Secretary or the officers or persons calling the meeting.

In the case of a special meeting or when otherwise required by statute or these By-Laws, the purpose or purposes for which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

(a) Consent to Notice By Email. If notice is provided to Members by email, it is effective only with respect to Members who have: (i) consented in writing or by email to receive notices transmitted by email; and (ii) designated in the consent the message format that is accessible to the recipient, and the address, location, or system to which these notices may be emailed. A Member who has consented to receipt of emailed notices may revoke the consent by delivering (by mail, facsimile or email) a revocation to the Residential Association. In addition, the consent of any Member shall be revoked if the Residential Association is unable to transmit by email two (2) consecutive notices given by the Residential Association in accordance with the Member's consent, and this inability becomes known to the Secretary of the Residential Association or other person responsible for giving the notice. The inadvertent failure by the Residential Association to treat this inability as a revocation does not invalidate any meeting or other action.

(b) Delivery of Notice By Email. Notice provided by email to a Member who has consented to receive notice by such means is effective when it is emailed to an address designated by the recipient for that purpose.

(c) Delivery of Notice by Posting to Electronic Network. The Residential Association may provide notice of the time and place of any meeting of the Members by

posting the notice on an electronic network (such as a listserv), provided that the Residential Association also delivers to the Member notice of the posting by mail, facsimile, or email (pursuant to the recipient's consent to receive notices by email), together with comprehensible instructions regarding how to obtain access to the posting on the electronic network.

(d) Delivery of Notice by Other Means. If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the Member at his or her address as it appears on the records of the Residential Association, with postage prepaid. Notice by personal delivery is effective when delivered. Notice by facsimile is effective the same day as verified; provided that any verification that occurs after 5 p.m. on a business day, or at any time on a Saturday, Sunday or holiday, will be deemed to have occurred as of 9 a.m. on the following business day.

3.6. Waiver of Notice.

Waiver of notice of a membership meeting shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any membership meeting, either before or after such meeting, which writing may also be by email executed by the Member. For purposes of these Bylaws, "executed" means: (a) a writing that is signed; or (b) an email transmission that is sent with sufficient information to determine the sender's identity. Attendance at a meeting by a Member shall be deemed waiver by such Member of notice of the time, date, and place thereof, unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed waiver of notice of all business transacted at such meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

3.7. Adjournment of Meetings.

If any meeting of the Residential Association cannot be held because a quorum is not present, a majority of the Members who are present at such meeting may adjourn the meeting to a time not less than five nor more than 30 days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given to Members in the manner prescribed for regular meetings.

The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, provided that any action taken is approved by at least a majority of the votes required to constitute a quorum.

3.8. Voting.

(a) General. The Residential Association shall have two classes of membership, Class "A" and Class "B."

(i) Class "A". Class "A" Members shall be all Owners except the Class "B" Member, if any. Class "A" Members shall have one equal vote for each Unit in which they hold the interest required for membership under Section 6.2 of the Declaration, except that there shall be only one vote per Unit and no vote shall be exercised for any property which is exempt from assessment under Section 8.9 of the Declaration. All Class "A" votes shall be cast as provided in Section 3.8 (a)(iii) below.

(ii) Class "B". The sole Class "B" Member shall be Declarant. The Class "B" Member shall not vote on a per Unit basis but shall have such rights including the right to approve, or withhold approval of, actions proposed under the Declaration, these By-Laws and the Articles, as are specified in the relevant sections of the Declaration, these By-Laws and the Articles. After termination of the Class "B" Control Period, the Class "B" Member shall have a right to disapprove actions of the Board and committees as provided in Section 4.19. In addition, the Class "B" Member may appoint a majority of the members of the Board during the Class "B" Control Period, as specified in Section 4.3.

The Class "B" membership shall terminate upon the earlier of:

(A) two years after expiration of the Class "B" Control Period pursuant to Article IV of these By-Laws; or

(B) when, in its discretion, Declarant so determines and declares in a recorded instrument.

Upon termination of the Class "B" membership, Declarant shall be a Class "A" Member entitled to Class "A" votes for each Unit which it owns.

(iii) Exercise of Voting Rights. Except as otherwise specified in the Declaration or these By-Laws, the vote for each Unit owned by a Class "A" Member shall be exercised by the Unit Owner. Subject to Washington law and such limitations as the Board may impose with respect to particular votes, Members may vote by mail, by electronic transmission (such as email or "web voting"), in person, or by proxy on any matter calling for a vote of the Members.

In any situation where a Member is entitled personally to exercise the vote for his or her Unit, and there is more than one Owner of such Unit, the vote for such Unit shall be exercised as the co-Owners determine among themselves and advise the Secretary of the Residential Association in writing prior to the vote being taken. Absent such advice, the Unit's vote shall be suspended if more than one Person seeks to exercise it.

(b) Board Districts. Declarant has established six (6) Board Districts for the purpose of electing directors to the Board, along with one (1) at-large Board positions. The boundaries of such Board Districts may be amended from time to time by Declarant, acting alone, at any time prior to the expiration of the Class "B" Control Period. Thereafter, the Board may modify the boundaries of the Board Districts upon a majority of the Class "A" Members voting to ratify the proposed modified Board District boundaries. The Class "A" Members owning Units within each Board District shall vote for the Board member from that District, plus the at-large Board positions.

(c) Amendment of Voting Provisions. The provisions of these By-Laws regarding Voting contained in this Section 3.8 shall be amended only in accordance with this Section 3.8(c), rather than in accordance with Section 7.6, to the extent Section 7.6 and this Section are inconsistent.

(i) By Declarant. Declarant may unilaterally amend this Section if such amendment is necessary: (A) to bring any provision into compliance with any applicable governmental statute, rule, regulation or judicial determination; (B) to enable any reputable title insurance company to issue title insurance coverage on the Units; (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 on the Units; or (D) to satisfy the requirements of any local, state or federal governmental agency. However, any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent in writing.

In addition, so long as Declarant owns property described in Exhibits "A" or "B" of the Declaration for development as part of the Residential Properties, it may unilaterally amend this Section for any other purpose, provided the amendment has no material adverse effect upon any right of any Owner.

(ii) By Members. Except as otherwise specifically provided above, this Section may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing 75% of the total Class "A" votes in the Residential Association, including 75% of the Class "A" votes held by Members other than Declarant, and the consent of Declarant, in its sole discretion, so long as Declarant owns any property subject to the Declaration or which may become subject to the Declaration in accordance with Section 9.1 of the Declaration. In addition, the approval requirements set forth in Article XV of the Declaration shall be met, if applicable.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(iii) Declarant and Class "B" Member Rights. No amendment of this Section may remove, revoke, or modify any right or privilege of Declarant or the Class "B"

Member without the written consent of Declarant or the Class "B" Member, respectively (or the assignee of such right or privilege).

3.9. Proxies.

On any matter as to which a Member is entitled personally to cast the vote for his Unit, such vote may be cast in person, by mail, by electronic transmission (such as email or "web voting"), or by proxy, subject to the limitations of Washington law relating to use of general proxies and subject to any specific provision to the contrary in the Declaration or these By-Laws. Every proxy shall be in writing specifying the Unit for which it is given, executed by the Member or his duly authorized attorney-in-fact, dated, and filed with the Secretary of the Residential Association prior to the meeting for which it is to be effective. For these purposes, "executed" means: (a) a writing that is signed; or (b) an email transmission that is sent with sufficient information to determine the sender's ability. Unless otherwise specifically provided in the proxy, a proxy shall be presumed to cover all votes which the Member giving such proxy is entitled to cast, and in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid. Every proxy shall be revocable and shall automatically cease upon conveyance of any Unit for which it was given, upon receipt by the Secretary of written notice of revocation of the proxy or of the death or judicially declared incompetence of a Member who is a natural person, or 11 months from the date of the proxy, unless a shorter period is specified in the proxy.

3.10. Majority.

As used in these By-Laws, the term "majority" shall mean those votes, Owners, or other group as the context may indicate totaling more than 50% of the total eligible number.

3.11. Quorum.

A quorum shall be required for the transaction of any business, or the holding of any Association vote, at a meeting. For those votes, including elections, held outside of a meeting, except as otherwise required by law, a quorum shall not be required. Except as otherwise provided in these By-Laws or in the Declaration, the presence in person or by proxy of Members representing at least 10% of the total Class "A" votes in the Residential Association shall constitute a quorum at all meetings of the Residential Association. Members voting by proxy, mail or electronic transmission shall be deemed present for all purposes of quorum, count of votes, and percentages of total voting power present. If at any meeting there is not a quorum of at least 10%, then the meeting may be rescheduled or reconvened in the manner provided in Section 3.7, and at such reconvened meeting the required quorum shall be reduced to 5% of the total Class "A" votes in the Residential Association.

3.12. Conduct of Meetings.

The President shall preside over all meetings of the Residential Association, and the Secretary shall keep the minutes of the meetings and record in a minute book all resolutions adopted and all other transactions occurring at such meetings.

3.13. Action Without a Meeting.

Any action required or permitted by law to be taken at a meeting of the Members may be taken without a meeting, without prior notice and without a vote if written consent specifically authorizing the proposed action is signed by all of the Members entitled to vote with respect to the subject matter thereof. Such consents shall be signed within 60 days after the Residential Association's receipt of the consent having the earliest date, dated and delivered to the Residential Association at its principal place of business in the State of Washington. Such consents shall be filed with the minutes of the Residential Association and shall have the same force and effect as a vote of the Members at a meeting..

3.14. Meetings Held by Telephone or Similar Communications Equipment.

Meetings of the Members may be conducted by conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time and participation by such means shall constitute presence in person at a meeting.

Article IV

Board of Directors: Number, Powers, Meetings

A. Composition and Selection.

4.1. Governing Body; Composition.

The affairs of the Residential Association shall be governed by a Board of Directors, each of whom shall have one equal vote. Except with respect to directors appointed by the Class "B" Member, the directors shall be Class "A" Members or residents; provided, however, no Owner and resident representing the same Unit may serve on the Board at the same time. A "resident" shall be any natural person 18 years of age or older whose principal residence is a Unit within the Residential Properties. In the case of a Member which is not a natural person, any officer, director, partner, member, or trust officer of such Member shall be eligible to serve as a director unless otherwise specified by written notice to the Residential Association signed by such Member; provided, no Member may have more than one such representative on the Board at a time, except in the case of directors appointed by the Class "B" Member.

4.2. Number of Directors.

The Board shall consist of seven or nine directors, of which six shall be elected from Board Districts, as provided in Sections 4.3 and 4.5 below. Any directors in excess of the six directors from Board Districts shall be At Large directors elected by all Class "A" Members. If the Board is increased to nine directors from the seven director positions on the date of these amended and restated By-Law, then the Board thereafter shall retain the right to reduce the number of directors to seven, but the reduction shall reduce the term of any existing At Large director, and hence the effective date of the reduction to seven directors shall occur at the end of the fiscal year when the term of two of the At Large directors are expiring.

4.3. Directors During Class "B" Control Period.

Subject to the provisions of Section 4.5, the directors shall be selected by the Class "B" Member acting in its sole discretion and shall serve at the pleasure of the Class "B" Member until the first to occur of the following (which shall be the end of the Class "B" Control Period):

(a) when 75% of the total number of Units permitted by the Master Plan for the property described in Exhibits "A" and "B" of the Declaration have certificates of occupancy (or final inspections if no certificate of occupancy is issued for such structure) issued thereon and have been conveyed to Persons other than Builders;

(b) December 31, 2017; or

(c) when, in its discretion, the Class "B" Member so determines.

4.4. Nomination and Election Procedures.

(a) Nominations and Applications for Candidacy. At least sixty (60) days prior to each election of directors, the Board shall appoint a Nominating Committee consisting of a chairman, who shall be a Board member, and three or more Class "A" Members or representatives of Class "A" Members that are not Board members, to nominate one or more candidates for each director position to be filled from within a Board District or At Large position to be voted upon at the next director election. The Board shall also establish such other rules and regulations as it deems appropriate to conduct the nomination of directors in a fair, efficient and cost-effective manner.

The members of the Nominating Committee shall be appointed by the Board prior to delivery of the notice of any election and will serve a term ending upon the election, unless the Board determines to have a term of one year and until their successors are appointed. In selecting Members to be on the Nominating Committee, the Board shall not select a Member who is a spouse or relative of a sitting Board director or who (or whose spouse or relative) has served on the Board within the past 3 years. The Members comprising the Nominating

Committee shall be announced in the notice of each election and the Board shall designate an opening and closing date for qualified candidates (*i.e.* a Member or resident over 18 years of age, as provided in Section 4.1) to submit their names to the Nominating Committee.

Any person qualified to be a candidate may submit his/her name to be considered by the Nominating Committee during the nomination period. The Nominating Committee also may solicit potential candidates in addition to those submitting their name. The Nominating Committee shall nominate separate slates for the director(s) to be elected at large by all Class “A” Members, and for the single director to be elected by the Class “A” Members residing within each respective Board District. The Nominating Committee may nominate a single candidate or multiple candidates for each Board District and for each At Large Board position [*i.e.* the Nominating Committee may nominate a single candidate for some Board Districts and multiple candidates for other Board Districts, or a single candidate for some At Large positions and multiple candidates for other At Large positions]. The Nominating Committee may nominate one or more persons from the committee itself, but any committee member shall recuse him/herself from discussion or voting on that member’s selection to the slate of candidates. If at least thirty (30) days prior to the date of the election a person submits a nomination with signatures of support of at least (a) five percent (5%) of the Class “A” Members within the Board District for a District position or (b) one percent (1%) of all Class “A” Members for an At Large position, then the Nominating Committee shall place that person on the slate of candidates.

In making its nominations, the Nominating Committee shall use reasonable efforts to nominate candidates with varied backgrounds, interests in the community and experience, including consideration of the following (“Criteria”):

- Residency in Issaquah Highlands for at least twelve (12) months;
- Prior service on Issaquah Highlands task forces or advisory committees or volunteer efforts;
- Prior service or experience with non-profit or community organizations;
- Experience, expertise or training in areas of need or relevance for the Residential Association, such as financial literacy;
- General reputation and character for important board qualities such as leadership, integrity, collaboration, judgment and knowledge; and/or
- Other relevant factors.

Each candidate shall be given a reasonable, uniform opportunity to communicate his or her qualifications to the Class “A” Members and to solicit votes.

The slate of candidates selected by the Nominating Committee may be appealed to the Board for a final decision by any Member (including any Board member) who believes the Criteria were not reasonably applied with regard to one or more of the nominated candidates. To exercise this right, a written notice of appeal must be received at the office of the

Residential Association within ten (10) days after the slate of candidates is distributed to the Members. If an appeal is filed, then the Board shall promptly consider the appeal and give the appellant and other interested parties the opportunity to be heard. The Board's decision on appeal shall be final. If no appeal is timely filed within the 10-day period, then the slate of candidates selected by the Nominating Committee shall be deemed approved by and as the final action of the Board.

(b) Election Procedures. Each Member may cast the vote assigned to his or her Unit for each position to be filled from the slate of candidates on which such Member is entitled to vote, i.e. for the single director being elected from that Members Board District and for any At Large director positions. There shall be no cumulative voting. Directors may be elected to serve any number of consecutive terms.

4.5. Election and Term of Office.

Notwithstanding any other provision of these By-Laws:

(a) Intentionally Deleted [since more than 25% of the Units are owned by Class "A" Members other than Builders as of the date of these Amended and Restated Bylaws].

(b) Intentionally Deleted [since more than 50% of the Units are owned by Class "A" Members other than Builders as of the date of these Amended and Restated Bylaws].

(c) As of the date of these Amended and Restated Bylaws, the Board consists of seven (7) directors. Until the happening of the event described in subsection (d) below, three (3) of the seven (7) directors, who serve as At Large directors, shall be elected by the Class "A" Members and the remaining four (4) directors shall be appointed by the Class "B" Member. The directors elected by the Class "A" Members shall not be subject to removal by the Class "B" Member and are elected for a term of two (2) years or until the happening of the event described in subsection (d) below, whichever is shorter. If such directors' terms expire prior to the happening of the event described in subsection (d) below, then the Board shall determine if such directors shall continue serving or if successors shall be elected to serve until the happening of the event described in subsection (d) below.

(d) Within 90 days after termination of the Class "B" Control Period, the Class "A" Members shall be entitled to elect a majority of the seven (7) directors. One of the Class "B" Member director appointees shall resign and the Board shall call for an election at large by the Class "A" Members of a fourth (4th) director to the Board [i.e. joining the three Class "A" Member directors previously elected under subsection (c) above], which new director shall serve until the second (2nd) annual meeting after termination of the Class "B" Control Period, and thereafter such director position will serve a two (2) year term, except to the extent provided in subsection (e)(ii) below. The remaining three (3) directors shall be appointees of the Class "B" Member. The newly elected fourth (4th) director representing the Class "A" Members shall not be subject to removal by the Class "B" Member.

(e) Effective at the first annual meeting after the termination of the Class "B" Control Period, the Board shall continue to consist of seven (7) directors, but with six (6) directors elected by the Class "A" Members, one from each of the six (6) Board Districts shown on Exhibit 1, with the Class "A" Members electing a single director from their respective District, and one (1) director appointed by the Class "B" Member to serve as the At Large director. The Board in the future may elect to increase the number of directors to nine (9), in which event the additional two (2) positions shall be At Large directors. *[If the annual meeting would otherwise be held less than sixty (60) days after the termination of the Class "B" Control Period, then the Board shall reschedule the annual meeting to a date that is at least sixty (60) days after the termination of the Class "B" Control Period to allow for the determination of District directors and the nomination of directors as provided in Section 4.4 and this Section 4.5]*. Until termination of the Class "B" membership, the Class "B" Member shall appoint the one (1) At Large director. After termination of the Class "B" membership, the Class "A" Members will elect the At Large director, as provided below.

In order to provide for an orderly transition and staggered terms, the following director terms of office and procedures will apply in order to establish the future election sequence for the seven (7) directors by electing each year three (3) District directors and electing the one (1) At Large director in alternating years:

(i) three (3) of the four (4) existing Class "A" Member directors ("Existing Directors") [*i.e.* that were previously elected under subsections (c) and (d) above] shall continue to serve until the second annual meeting after the termination of the Class "B" Control Period, even if the term of one or more of those Existing Directors would otherwise expire at the first annual meeting after the termination of the Class "B" Control Period, as provided in subsection (ii) below.

(ii) At least sixty (60) days prior to the first annual meeting after the termination of the Class "B" Control Period, three (3) of the Existing Directors shall be designated as the director from the District in which they reside as follows: the most recently elected Existing Director [*i.e.* elected under subsection (d)] shall be the District director from his/her Board District, and two (2) of the three (3) remaining Existing Directors shall be the District director from the Board District in which they reside, respectively, to be determined by lottery conducted by the Board. The terms of these three (3) District Directors shall be extended and expire at the second annual meeting after the termination of the Class "B" Control Period. The term of the remaining 4th Existing Director shall end at the first annual meeting after the termination of the Class "B" Control Period.

(iii) at the first annual meeting after the termination of the Class "B" Control Period, three (3) new directors shall be elected by the Class "A" Members, with one new director to reside in and represent one of the remaining three (3) Districts [*i.e.* the Districts not represented by the three (3) Existing Director under subsection (e)(ii) above]. These three (3) new District directors shall each serve a term of two (2) years.

(iv) Until termination of the Class "B" membership, the Class "B" Member shall appoint the one (1) At Large director. Upon termination of the Class "B" membership, the director appointed by the Class "B" Member shall resign and the remaining directors shall be entitled to appoint a new At Large director to serve until the next annual meeting, at which time the Class "A" Members shall be entitled to elect the At Large director to fill such position for a term of two (2) years.

Except as provided in subsection (e)(i) above for Existing Directors to implement the transition to District directors, upon the expiration of the term of office of each director elected by the Class "A" Members, the Class "A" Members entitled to elect such director shall be entitled to elect a successor to serve a term of two (2) years or until their respective successors have been elected.

The following diagram illustrates Board composition. The diagrammatic summary exists for illustrative purposes only. In the event of a conflict between the diagram and the text of any of the Governing Documents, the Governing Documents shall control.

(Remainder of page intentionally left blank.)

Composition of Board of Directors						
Initial	Within 30 Days of When 25% of Units ² Sold to Homeowners ³	Within 30 Days of When 50% of Units ² Sold to Homeowners ³	At least 180 Days prior to Termination of Class "B": Control Period	Within 90 Days after Termination of Class "B" Control Period	First Annual Meeting After Termination of Class "B" Control Period ⁴	Termination of Class "B" Membership
Class "B"	Class "A"	Class "A"	Class "A"	Class "A"	Class "A"	Class "A"
Class "B"	Class "B"	Class "A"	Class "A"	Class "A"	Class "A"	Class "A"
Class "B"	Class "B"	Class "B"	Class "A"	Class "A"	Class "A"	Class "A"
		Class "B"	Class "B"	Class "A"	Class "A"	Class "A"
		Class "B"	Class "B"	Class "B"	Class "A"	Class "A"
			Class "B"	Class "B"	Class "A"	Class "A"
			Class "B"	Class "B"	Class "B"	Class "A"

¹Class "A" = Class "A" Members.

²Percentage based upon total number of Units permitted by Master Plan for property described in Exhibits "A" and "B."

³Sales to builders not counted.

⁴Create 6 Board Districts, with 6 elected by Class "A" Members from their respective Board Districts and 1 At Large appointed by Class "B" Member until the end of the Class "B" membership [2 years after termination of Class "B" Control Period]

4.6. Removal of Directors and Vacancies.

Any director may be removed, with or without cause, by the vote of Class "A" Members holding a majority of the votes entitled to be cast for the election of such director at a meeting where a quorum is present. For purposes of voting to remove a director under this Section 4.6, the quorum requirement is as follows: (a) for removal of a director from a Board District, quorum shall require a majority of the Class "A" Members of the Board District whose director is subject to the removal vote; and (b) for removal of an At Large director, the quorum shall require 10% of the Class "A" Members. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a

director, a successor shall be elected by the Class "A" Members entitled to elect the director so removed to fill the vacancy for the remainder of the term of such director.

Any director elected by the Class "A" Members who has three consecutive unexcused absences from Board meetings, or who is more than 30 days delinquent in the payment of any assessment or other charge due the Residential Association, may be removed by a majority of the directors present at a regular or special meeting at which a quorum is present, and the Board may appoint a successor to fill the vacancy for the remainder of the term.

In the event of the death, disability, or resignation of a director, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Members entitled to fill such directorship may elect a successor for the remainder of the term.

Any vacancy of a director from a Board District which the Board appoints shall be selected from among the Class "A" Members within the Board District represented by the director who vacated the position. Any vacancy of an At Large director which the Board appoints may be selected from any Board District.

This Section shall not apply to directors appointed by the Class "B" Member. The Class "B" Member shall be entitled to appoint a successor to fill any vacancy on the Board resulting from the death, disability, resignation, or removal of a director appointed by the Class "B" Member.

B. Meetings.

4.7. Organizational Meetings.

The first meeting of the Board following each annual meeting of the membership shall be held within 10 days thereafter at such time and place the Board shall fix.

4.8. Regular Meetings.

Regular meetings of the Board may be held at such time and place a majority of the directors shall determine, but at least four such meetings shall be held during each fiscal year with at least one per quarter. Notice of the time and place of a regular meeting shall be communicated to directors not less than four days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting.

4.9. Special Meetings.

Special meetings of the Board shall be held when called by written notice signed by the President or Vice President or by any two directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice

shall be given to each director by: (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (iv) facsimile, email or electronic network posting. All such notices shall be given at the director's telephone number, fax number, electronic mail address, or sent to the director's address as shown on the records of the Residential Association. Notices sent by first class mail shall be deposited into a United States mailbox at least seven business days before the time set for the meeting. Notices given by personal delivery, telephone, email or electronic network posting or other device shall be delivered or transmitted at least 72 hours before the time set for the meeting, and are effective when received.

(a) Consent to Notice by Email. If notice is provided to directors by email, it is effective only with respect to directors who have: (i) consented in writing or by email to receive notices transmitted by email; and (ii) designated in the consent the message format that is accessible to the recipient, and the address, location, or system to which these notices may be emailed. A director who has consented to receipt of emailed notices may revoke the consent by delivering (by mail, facsimile or email) a revocation to the Residential Association. The consent of any director is revoked if the Residential Association is unable to transmit by email two (2) consecutive notices given by the corporation in accordance with the director's consent, and this inability becomes known to the Secretary of the Residential Association or other person responsible for giving the notice. The inadvertent failure by the Residential Association to treat this inability as a revocation does not invalidate any meeting or other action.

(b) Delivery of Notice by Email. Notice provided by email to a director who has consented to receive notice by such means is effective when it is emailed to an address designated by the recipient for that purpose.

(c) Delivery of Notice by Posting to Electronic Network. The Residential Association may provide notice of the time and place of any special meeting of the Board by posting the notice on an electronic network (such as a listserv), provided that the Residential Association also delivers to the director notice of the posting by email, facsimile, or email (pursuant to the recipient's consent to receive notices by email), together with comprehensible instructions regarding how to obtain access to the posting on the electronic network.

4.10. Waiver of Notice.

The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though 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 of the directors not present has executed 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 purpose of the meeting. For these purposes, "executed" means: (aa) a writing that is signed; or (bb) an email transmission that is sent with sufficient information to determine the sender's identity.

Notice of a meeting also shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

4.11. Meetings Held by Telephone or Similar Communications Equipment.

Members of the Board or any committee designated by the Board may participate in a meeting of the Board or committee by means of conference telephone or similar communications equipment, by means of which all persons participating in the meeting can hear each other at the same time. Participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting.

4.12. Quorum of Board of Directors.

At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board, unless otherwise specifically provided in these By-Laws or the Declaration. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any meeting of the Board cannot be held because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not less than five nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

4.13. Compensation.

Directors shall not receive any compensation from the Residential Association for acting as such unless approved by Members representing a majority of the total Class "A" votes in the Residential Association at a regular or special meeting of the Residential Association. Any director may be reimbursed for expenses incurred on behalf of the Residential Association upon approval of a majority of the other directors. Nothing herein shall prohibit the Residential Association from compensating a director, or any entity with which a director is affiliated, for services or supplies furnished to the Residential Association in a capacity other than as a director pursuant to a contract or agreement with the Residential Association, provided that such director's interest was made known to the Board prior to entering into such contract and such contract was approved by a majority of the Board, excluding the interested director.

4.14. Conduct of Meetings.

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

4.15. Open Meetings.

Subject to the provisions of Section 4.16, all meetings of the Board shall be open to all Owners, but attendees other than directors may not participate in any discussion or deliberation unless permission to speak is requested on their behalf by a director. In such case, the President may limit the time any such individual may speak. Notwithstanding the above, upon the affirmative vote of a majority of the directors to assemble in an executive session, the President may adjourn any meeting of the Board and reconvene in executive session, and may exclude persons other than directors, to consider personnel matters; consult with legal counsel or consider communications with legal counsel; discuss pending transactions or matters where disclosure would affect negotiations; and discuss likely or pending litigation or mediation or matters involving possible liability of an Owner to the Residential Association. The motion to adjourn must state specifically the purpose for the executive session. The meeting minutes shall contain a reference to the stated purpose for the executive session. The provisions of this Section shall not require the disclosure of information in violation of law.

4.16. Action Without a Meeting.

Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing or by email transmission, setting forth the action so taken, is executed (as defined herein) by all of the directors, and such consent shall have the same force and effect as a unanimous vote. For these purposes, "executed" means: (a) a writing that is signed; or (b) an email transmission that is sent with sufficient information to determine the sender's identity.

C. Powers and Duties.

4.17. Powers.

The Board shall have all of the powers and duties necessary for the administration of the Residential Association's affairs and for performing all responsibilities and exercising all rights of the Residential Association as set forth in the Declaration, these By-Laws, the Articles, and as provided by law. The Board may do or cause to be done all acts and things which the Declaration, Articles, these By-Laws or Washington law do not direct to be done and exercised exclusively by the membership generally.

4.18. Duties.

The duties of the Board shall include, without limitation:

(a) preparing and adopting, in accordance with the Declaration, an annual budget and establishing each Owner's share of the Common Expenses and any Neighborhood Expenses or Subneighborhood Expenses;

- (b) levying and collecting such assessments from the Owners;
- (c) providing for the operation, care, upkeep and maintenance of the Area of Common Responsibility;
- (d) designating, hiring and dismissing the personnel necessary to carry out the rights and responsibilities of the Residential Association and where appropriate, providing for the compensation of such personnel and for the purchase or leasing of equipment, supplies, and materials to be used by such personnel in the performance of their duties;
- (e) depositing all funds received on behalf of the Residential Association in a bank depository which it shall approve, and using such funds to operate the Association; provided, any reserve funds may be deposited, in the directors' business judgment, in depositories other than banks;
- (f) making and amending use restrictions and rules in accordance with the Declaration;
- (g) opening of bank accounts on behalf of the Residential Association and designating the signatories required;
- (h) making or contracting for the making of repairs, replacements, additions and improvements to or alterations of the Residential Common Area in accordance with the Declaration and these By-Laws;
- (i) enforcing by legal means the provisions of the Declaration, these By-Laws and the rules adopted by it and bringing any proceedings which may be instituted on behalf of or against any Owners concerning the Residential Association; provided, the Residential Association shall not be obligated to take action to enforce any covenant, restriction or rule which the Board in the exercise of its business judgment determines is, or is likely to be construed as, inconsistent with applicable law, or in any case in which the Board reasonably determines that the Residential Association's position is not strong enough to justify taking enforcement action;
- (j) obtaining and carrying property and liability insurance and fidelity insurance, as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;
- (k) paying the cost of all services rendered to the Residential Association and all taxes or assessments on all personal property the Residential Association owns and all Residential Common Area;
- (l) keeping books with detailed accounts of the receipts and expenditures of the Residential Association;

(m) making available to any prospective purchaser of a Unit, any Owner and the holders, insurers and guarantors of any Mortgage on any Unit, current copies of the Declaration, the Articles of Incorporation, the By-Laws, rules and all other books, records and financial statements of the Residential Association as provided in Section 7.4;

(n) permitting utility suppliers to use portions of the Residential Common Area reasonably necessary to the ongoing development or operation of the Residential Properties;

(o) indemnifying a director, officer or committee member or former director, officer or committee member of the Residential Association to the extent such indemnity is required by Washington law, the Articles of Incorporation or the Declaration;

(p) assisting in the resolution of disputes between Owners and others without litigation, as set forth in the Declaration; and

(q) establishing, adopting, and making available to Owners a schedule of fines for violations of the Governing Documents.

4.19. Right of Class "B" Member To Disapprove Actions.

So long as the Class "B" membership exists, the Class "B" Member shall have a right to disapprove any action, policy or program of the Residential Association, the Board and any committee which, in the sole judgment of the Class "B" Member, would tend to impair rights of Declarant or Builders under the Declaration or these By-Laws, or interfere with development or construction of any portion of the Residential Properties, or diminish the level of services being provided by the Residential Association.

(a) The Class "B" Member shall be given prior written notice of all meetings and proposed actions approved at meetings (or by written consent in lieu of a meeting) of the Residential Association, the Board or any committee. Such notice shall be given by certified mail, return receipt requested, or by personal delivery at the address the Class "B" Member has registered with the Secretary of the Residential Association, or by electronic transmission to such address for receipt of electronic transmissions as the Class "B" Member may provide to the Board, which notice complies as to the Board meetings with Sections 4.8, 4.9, 4.10, and 4.11 and which notice shall, except in the case of the regular meetings held pursuant to the By-Laws, set forth with reasonable particularity the agenda to be followed at such meeting; and

(b) The Class "B" Member shall be given the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein.

No action, policy or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met.

The Class "B" Member, its representatives or agents shall make its concerns, thoughts, and suggestions known to the Board or the members of the subject committee. The Class "B" Member, acting through any officer or director, agent or authorized representative, may exercise its right to disapprove at any time within 10 days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within 10 days following receipt of written notice of the proposed action. This right to disapprove may be used to block proposed actions but shall not include a right to require any action or counteraction on behalf of any committee, or the Board or the Residential Association. The Class "B" Member shall not use its right to disapprove to reduce the level of services which the Residential Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

4.20. Management.

The Board may employ for the Residential Association a general manager or executive director ("Manager") and other employees of the Residential Association and/or retain a third party professional management agent or agents ("Managing Agent") at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board may delegate such powers as are necessary to perform the Manager's or Managing Agent's assigned duties, but shall not delegate policymaking authority or those duties set forth in Sections 4.18(a) (with respect to adopting an annual budget), 4.18(b), 4.18(f), 4.18(g) and 4.18(i). Declarant or an affiliate of Declarant may be employed as the Manager or retained as the Managing Agent.

The Board may delegate to one of its members authority to act on behalf of the Board on all matters relating to the duties of the Managing Agent or Manager, if any, which might arise between meetings of the Board.

The Residential Association shall not be bound, either directly or indirectly, by any management contract executed during the Class "B" Control Period unless such contract contains a right of termination exercisable by the Residential Association, with or without cause and without penalty, at any time after termination of the Class "B" Control Period upon not more than 90 days' written notice.

4.21. Accounts and Reports.

The following management standards of performance shall be followed unless the Board by resolution specifically determines otherwise:

(a) accrual accounting, as defined by generally accepted accounting principles, shall be employed;

(b) accounting and controls shall conform to generally accepted accounting principles;

(c) cash accounts of the Residential Association shall not be commingled with any other accounts;

(d) no remuneration shall be accepted by the Manager or Managing Agent from vendors, independent contractors, or others providing goods or services to the Residential Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; anything of value received shall benefit the Residential Association;

(e) any financial or other interest which the Manager or Managing Agent may have in any firm providing goods or services to the Residential Association shall be disclosed promptly to the Board;

(f) commencing at the end of the quarter in which the first Unit is sold and closed, financial reports shall be prepared for the Residential Association at least quarterly containing:

(i) an income statement reflecting all income and expense activity for the preceding period on an accrual basis;

(ii) a statement reflecting all cash receipts and disbursements for the preceding period;

(iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;

(iv) a balance sheet as of the last day of the preceding period; and

(v) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments which remain delinquent (any assessment or installment thereof shall be considered to be delinquent on the 15th day following the due date unless otherwise specified by Board resolution); and

(g) an annual report consisting of at least the following shall be made available to all Members within 120 days after the close of the fiscal year: (i) a balance sheet; (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 basis by an independent public accountant; provided, upon written request of any holder, guarantor or insurer of any first Mortgage on a Unit, the Residential Association shall provide an audited financial

statement. During the Class "B" Control Period, the annual report shall include certified financial statements.

4.22. Borrowing.

The Residential Association shall have the power to borrow money for any legal purpose; provided, the Board shall obtain Member approval in the same manner provided in Section 8.4 of the Declaration for Special Assessments if the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed 10% of the budgeted gross expenses of the Residential Association for that fiscal year. During the Class "B" Control Period, no Mortgage lien shall be placed on any portion of the Residential Common Area without the affirmative vote or written consent, or any combination thereof, of Members representing at least 51% of the total Class "A" votes in the Residential Association and the Class "B" Member's consent.

4.23. Right To Contract.

The Residential Association 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 with trusts, condominiums, cooperatives, or Neighborhood or Subneighborhood and other owners or residents associations, within and outside the Residential Properties; provided, any common management agreement shall require the consent of a majority of the total number of directors of the Residential Association.

4.24. Enforcement.

In addition to such other rights as are specifically granted under the Declaration, the Board shall have the power to impose reasonable monetary fines, which shall constitute a lien upon the Unit of the violator, and to suspend an Owner's right to vote for violation of any duty imposed under the Declaration, these By-Laws, or any Residential Association rules. In addition, the Board may suspend any services provided by the Residential Association to an Owner or the Owner's Unit if the Owner is more than 30 days delinquent in paying any assessment or other charges owed to the Residential Association. In the event that any occupant, tenant, employee, guest or invitee of a Unit violates the Declaration, By-Laws, or a rule and a fine is imposed, the fine shall be assessed against both the Owner (and the occupant if different than the Owner) to be paid within the time period set by the Board. The failure of the Board to enforce any provision of the Declaration, By-Laws, or any rule shall not be deemed a waiver of the right of the Board to do so thereafter.

(a) Notice. Prior to imposition of any sanction hereunder or under the Declaration, the Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a period of not less than 10 days within which the alleged violator may present a written

request for a hearing to the Board or the Covenants Panel, if one has been appointed pursuant to Article VI, and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a challenge is begun within 10 days of the notice. If a timely request for a hearing is not made after notice of a proposed sanction is given, the sanction stated in the notice shall be imposed; provided the Board or the Covenants Panel may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the 10-day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person. If an Member has consented to email notice under Section 3.5(a) above, then notice under this Section 4.24 may be by email, as well as by personal delivery or mail.

In the event that, in an emergency situation, the Board enforces any provision of the Declaration, these By-Laws, or the rules of the Residential Association by self-help, in accordance with subsection (d), the Board shall provide notice of the self-help action to the alleged violator within five days of taking such action. Such notice shall describe (i) the nature of the alleged violation, (ii) the self-help action taken, and (iii) any Specific Assessment to be levied for the expenses associated with taking such action.

(b) Hearing. If a hearing is requested within the allotted 10-day period, the hearing shall be held before the Covenants Panel, or if none has been appointed, then before the Board in executive session. The alleged violator shall be afforded a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(c) Appeal. Following a hearing before the Covenants Panel, the violator shall have the right to appeal the decision to the Board. To exercise this right, a written notice of appeal must be received by the Manager or Managing Agent, President, or Secretary of the Residential Association within 10 days after the hearing date.

(d) Additional Enforcement Rights. Notwithstanding anything to the contrary in this Article, the Board may elect to enforce any provision of the Declaration, these By-Laws, or the rules of the Residential Association by self-help in an emergency situation (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules) or, following compliance with the dispute resolution procedures set forth in Article XIV of the Declaration, if applicable, by suit at law or in equity to enjoin any violation or to recover monetary damages or both, without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including

reasonable attorney's fees actually incurred. Any entry onto a Unit for purposes of exercising this power of self-help shall not be deemed as trespass.

(e) Covenants Panel. The Board may appoint a Covenants Panel consisting of five (5) or seven (7) Class "A" Members. Acting in accordance with the provisions of the Declaration, these By-Laws, and resolutions the Board may adopt, the Covenants Panel, if established, shall be the hearing tribunal of the Residential Association and shall conduct all hearings held pursuant to this Section 4.24.

4.25. Interpretations and Determinations under By-Laws.

The Board shall have the authority to interpret the provisions of these By-Laws and make determinations to resolve ambiguities, conflicts in terms or provisions or matters not directly covered by the provisions herein.

Article V **Officers**

5.1. Officers.

The officers of the Residential Association shall be a President, Vice President, Secretary, and Treasurer. The President and Secretary shall be elected from among the members of the Board; other officers may, but need not be members of the Board. The Board 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 such authority and perform such duties as the Board prescribes. Any two or more offices may be held by the same person, except the offices of President and Secretary.

5.2. Election and Term of Office.

The Board shall elect the officers of the Residential Association at the first meeting of the Board following each annual membership meeting, to serve until their successors are elected.

5.3. Removal and Vacancies.

The Board may remove any officer whenever in its judgment the best interests of the Residential Association will be served, 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.

The officers of the Residential Association each shall have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may be specifically conferred or imposed by the Board. The President shall be the chief executive

officer of the Residential Association. The Treasurer shall have primary responsibility for the preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, Manager or Management Agent, or both. The President or the Secretary may prepare, execute, certify, and record amendments to the Governing Documents on behalf of the Residential Association after required approvals are obtained.

5.5. Resignation.

Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the 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 Residential Association shall be executed by at least two officers or by such other person or persons as may be designated by Board resolution.

5.7. Compensation.

Compensation of officers shall be subject to the same limitations as compensation of directors under Section 4.13.

Article VI
Committees; Task Forces and Member Advisory Committees

6.1. General.

The Board may appoint such committees, as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each committee shall operate in accordance with the terms of such resolution. Committee members shall be appointed, and may be removed, by the Board acting in its discretion.

Except as may be provided in the resolution creating the committee, and unless it shall consist of at least two (2) or more Board directors, no Board committee shall have the authority to take final action on behalf of the Board on any matter, and, in any event, no Board committee shall have the authority of the Board to amend, alter or repeal these By-Laws; elect, appoint, or remove any member of any such committee or any director or officer of the Residential Association; amend the Articles of Incorporation; adopt a plan of merger or adopt a plan of consolidation with another corporation; authorize the voluntary dissolution of the Residential Association or revoke proceedings therefor; adopt a plan for the distribution of the assets of the Residential Association not in the ordinary course of business; or amend, alter, or repeal any resolution of the Board 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 or any individual director of any responsibility imposed upon it, him, or her by law.

6.2. Finance Committee.

The Board may establish a Finance Committee to assist the Treasurer, who shall serve as Chair of the Finance Committee, in preparation of the budget, as provided in Section 5.4 of these By-Laws, and other financial matters as determined by the Board.

6.3. Executive Committee.

The officers of the Board, along with any additional director appointed by the Board, may serve as an Executive Committee and may act on behalf of the Board to the extent provided by resolution or ratification of the Board. Any action taken by the Executive Committee shall be reported promptly to the other Board members.

6.4 Task Forces ; Member Advisory Committees.

In addition to formal Board committees, the Board may establish from time to time one or more task forces, advisory committees and/or ad hoc committees (collectively "Advisory Committee") comprised of Members, residents or others, as the Board deems 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 directors. Advisory Committee members shall be appointed, and may be removed, by the Board acting in its discretion. No Advisory Committee shall have any authority to bind or commit the Board or the Residential Association, but rather the purpose shall be to advise or make recommendations to the Board for action, in the Board's discretion.

6.5 Neighborhood and Subneighborhood Committees.

If a Neighborhood or Subneighborhood has been created as provided in Section 6.4 of the Declaration, then in addition to any other committees appointed as provided above, each Neighborhood or Subneighborhood which has no formal organizational structure or association may elect, by the vote of at least 51% of the Owners of Units within the Neighborhood or Subneighborhood, to establish a Neighborhood Committee or Subneighborhood Committee and the members of the Committee to determine the nature and extent of services, if any, to be provided to the Neighborhood or Subneighborhood by the Residential Association in addition to those provided to all Members of the Residential Association in accordance with the Declaration. Further, the Board may create and appoint members to a Neighborhood Committee or Subneighborhood Committee if a committee has not been formed by the Owners but Board determines such a committee would be beneficial. A Neighborhood Committee or Subneighborhood Committee may advise the Board on any other issue, but shall not have the authority to bind the Board. Such Neighborhood

Committees or Subneighborhood Committee, if established by a vote of the Owners, shall consist of three (3) Members elected by the Owners of Units within the Neighborhood or Subneighborhood (comprised of the three (3) Members receiving the most votes), unless the committee is increased to five (5) Members by the vote of at least 51% of the Owners of Units within the Neighborhood or Subneighborhood. The election period for any election under this Section 6.5 shall not exceed two (2) months. If the Board creates the Neighborhood Committee or Subneighborhood Committee, then the Board shall determine the number of Members to serve and shall appoint the Members of the Committee

Neighborhood Committee or Subneighborhood Committee members shall be elected by the Members or appointed by the Board, as applicable, for staggered terms of two years or until their successors are elected; provided, the terms of one or more members of a Neighborhood Committee or Subneighborhood Committee may be reduced to one year or extended to three years on a one-time basis in order to establish staggered terms among the Neighborhood Committee or Subneighborhood Committee members, and elections or appointments, as applicable, will be held annually for the expiring term(s). In the case of a vacancy caused by resignation, removal, or any other reason, the Board, upon recommendation of the remaining members of the Neighborhood Committee or Subneighborhood Committee, shall appointment a replacement to fill the remaining term of the committee member whose position has been vacated. Any director elected to the Board that resides in a Neighborhood or Subneighborhood, as applicable, that has a Neighborhood Committee or Subneighborhood Committee shall be an *ex officio* but non-voting member of the Neighborhood Committee or Subneighborhood Committee. If any Neighborhood or Subneighborhood Committee has failed to meet for a period of at least twelve (12) consecutive months, then the Board may declare the Neighborhood or Subneighborhood Committee abandoned, and any future committee for such Neighborhood or Subneighborhood shall be re-established, if at all, in the manner provided in this Section for the initial establishment of a Neighborhood or Subneighborhood Committee. Further, if the Neighborhood Committee or Subneighborhood Committee was originally established by the Board, then the Board may abolish the Neighborhood Committee or Subneighborhood Committee, but such abolition shall not preclude the right of the owners to elect a Neighborhood Committee or Subneighborhood Committee thereafter.

In the conduct of its duties and responsibilities, each Neighborhood Committee and Subneighborhood Committee shall abide by the notice and quorum requirements applicable to the Board under Sections 4.8, 4.9, 4.10 and 4.11. Meetings of a Neighborhood Committee or Subneighborhood Committee shall be open to all Owners of Units in the Neighborhood or Subneighborhood and their representatives. Members of a Neighborhood Committee or Subneighborhood Committee may act by unanimous written consent in lieu of a meeting. The Neighborhood Committee or Subneighborhood Committee may elect a Chairperson, or if no such election has taken place, then the Board may appoint a Chairperson from among the members of the Neighborhood Committee or Subneighborhood Committee. In the event of dispute between a Neighborhood Committee or Subneighborhood Committee and a third party, the Board shall have the right but not obligation to represent the committee in

negotiations, dispute resolution, and/or to commence or defend litigation involving the Units and Owners within the Neighborhood.

Article VII **Miscellaneous**

7.1. Fiscal Year.

The fiscal year of the Residential Association shall be July 1 to June 30 unless the Board establishes a different fiscal year by resolution.

7.2. Parliamentary Rules.

Except as may be modified by Board resolution, *Robert's Rules of Order* (current edition) shall govern the conduct of Residential Association proceedings when not in conflict with Washington law, the Articles of Incorporation, the Declaration, or these By-Laws.

7.3. Conflicts.

If there are conflicts between the provisions of Washington law, the Articles of Incorporation, the Declaration, and these By-Laws, the provisions of Washington law, the Declaration, the Articles of Incorporation, and the By-Laws (in that order) shall prevail.

7.4. Books and Records.

(a) Inspection by Members and Mortgagees. The Board shall make available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a Unit, any Member, or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Unit: the Declaration, By-Laws and Articles of Incorporation, including any amendments, the rules of the Residential Association, the membership register, books of account and the minutes of meetings of the Members, the Board and committees. The Board shall provide for such inspection to take place at the office of the Residential Association or at such other place within the Residential Properties as the Board shall designate.

(b) Rules for Inspection. The Board shall establish 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 documents requested.

(c) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Residential Association and the physical properties owned or controlled by the Residential Association. The right of

inspection by a director includes the right to make a copy of relevant documents at the expense of the Residential Association.

7.5. Notices.

Except as otherwise provided in the Declaration or these By-Laws, all notices, demands, bills, statements, or other communications under the Declaration or these By-Laws 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 or electronically as follows:

(a) if to a Member, at the address which the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Unit of such Member, or if the Member has consented to email notice pursuant to Section 3.5(a) above, then at the electronic address designate by the Member; or

(b) if to the Residential Association, the Board, or the Manager or Managing Agent, at the principal office of the Residential Association or the Manager or Managing Agent or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

7.6. Amendment.

(a) By Class "B" Member. The Class "B" Member may unilaterally amend these By-Laws at any time and from time to time if such amendment is necessary (i) to bring any provision into compliance with any applicable governmental statute, rule or regulation, or judicial determination; (ii) to enable any reputable title insurance company to issue title insurance coverage on the Units; or (iii) 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 on the Units; provided, however, any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent thereto in writing. So long as the Class "B" membership exists, the Class "B" Member may unilaterally amend these By-Laws for any other purpose, provided the amendment has no material adverse effect upon any right of any Member.

(b) By Members Generally. Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing 51% of the total Class "A" votes in the Residential Association, and consent of the Class "B" Member, if such exists. In addition, the approval requirements set forth in Article XV of the Declaration shall be met, if applicable. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(c) Validity and Effective Date of Amendments. Amendments to these By-Laws shall become effective upon recordation in the Public Records, unless a later effective date is

specified therein. Any procedural challenge to an amendment must be made within six months of its recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without the written consent of Declarant, the Class "B" Member, or the assignee of such right or privilege.

IN WITNESS WHEREOF, these Bylaws were recorded in the public record on June 7, 2012 [as Exhibit D of the Amended and Restated Declaration of Covenant, Conditions, and Restrictions for Issaquah Highlands Residential Properties recorded by the Declarant under King County Recording No. 20120607000111], and these Bylaws became effective on June 7, 2012 pursuant to Section 7.6(c) above.

DECLARANT: GRAND-GLACIER LLC, a
Washington limited liability company

By PORT BLAKELY COMMUNITIES, a
Washington corporation, its Manager

By:  _____

Exhibit 1 Map of Board Districts

EXHIBIT 1 MAP OF BOARD DISTRICTS

PAGE 1 of 4

BDI = Board District Designation

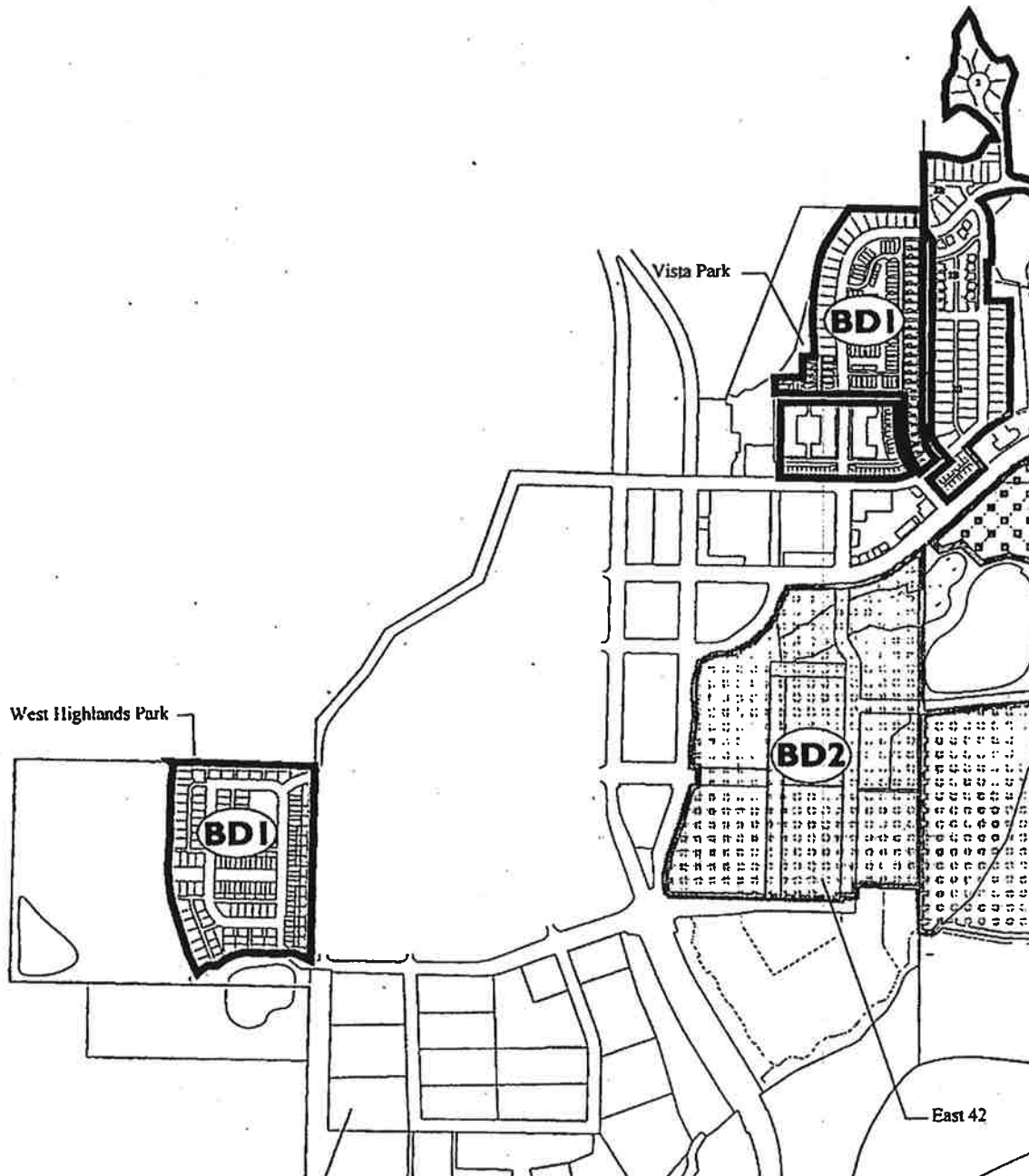


EXHIBIT 1 MAP OF BOARD DISTRICTS

PAGE 2 of 4

BDI = Board District Designation

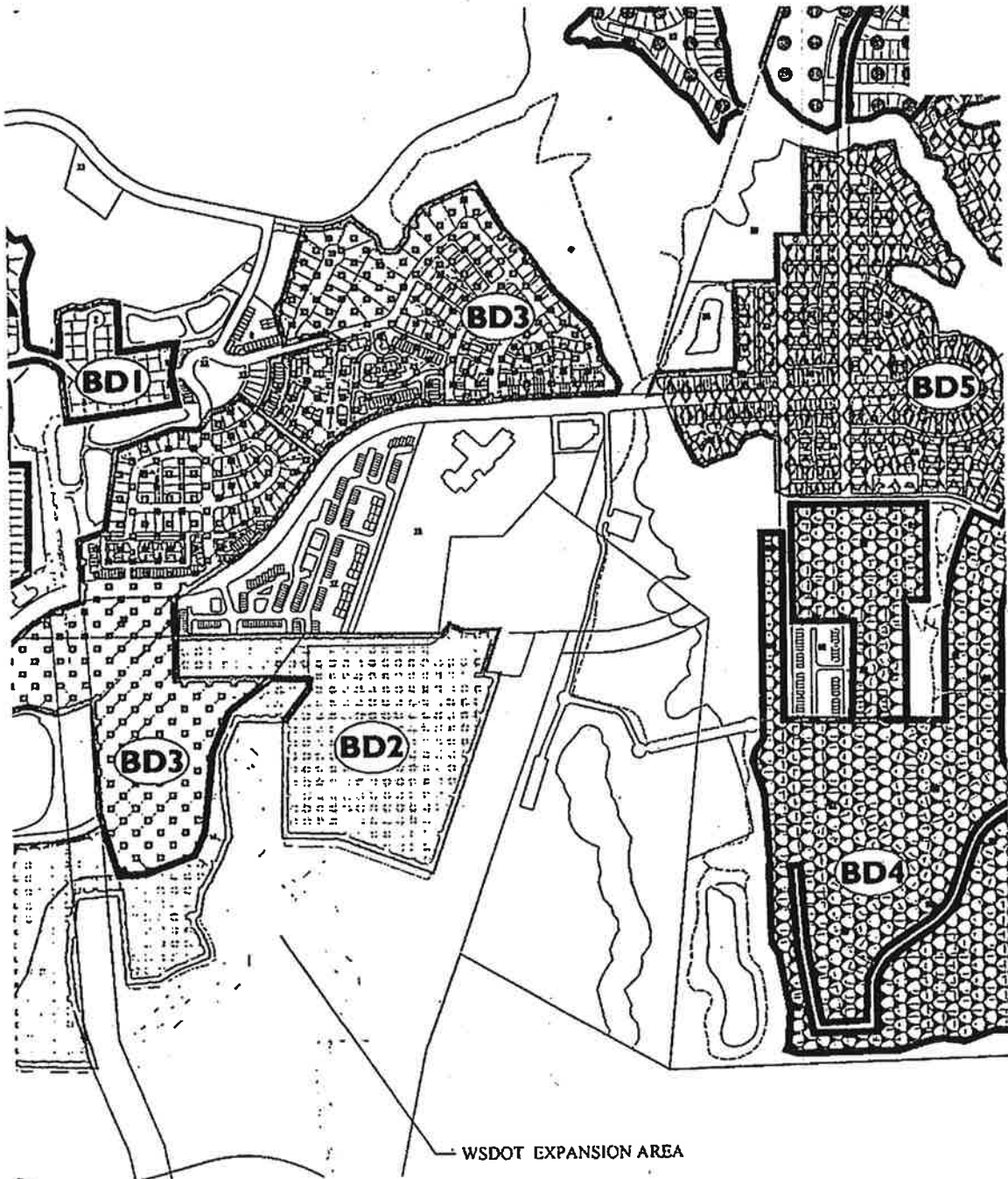


EXHIBIT 1 MAP OF BOARD DISTRICTS

PAGE 3 of 4

(BDI) = Board District Designation

North Sewage Lift Station
(2080 NE Newton Street)

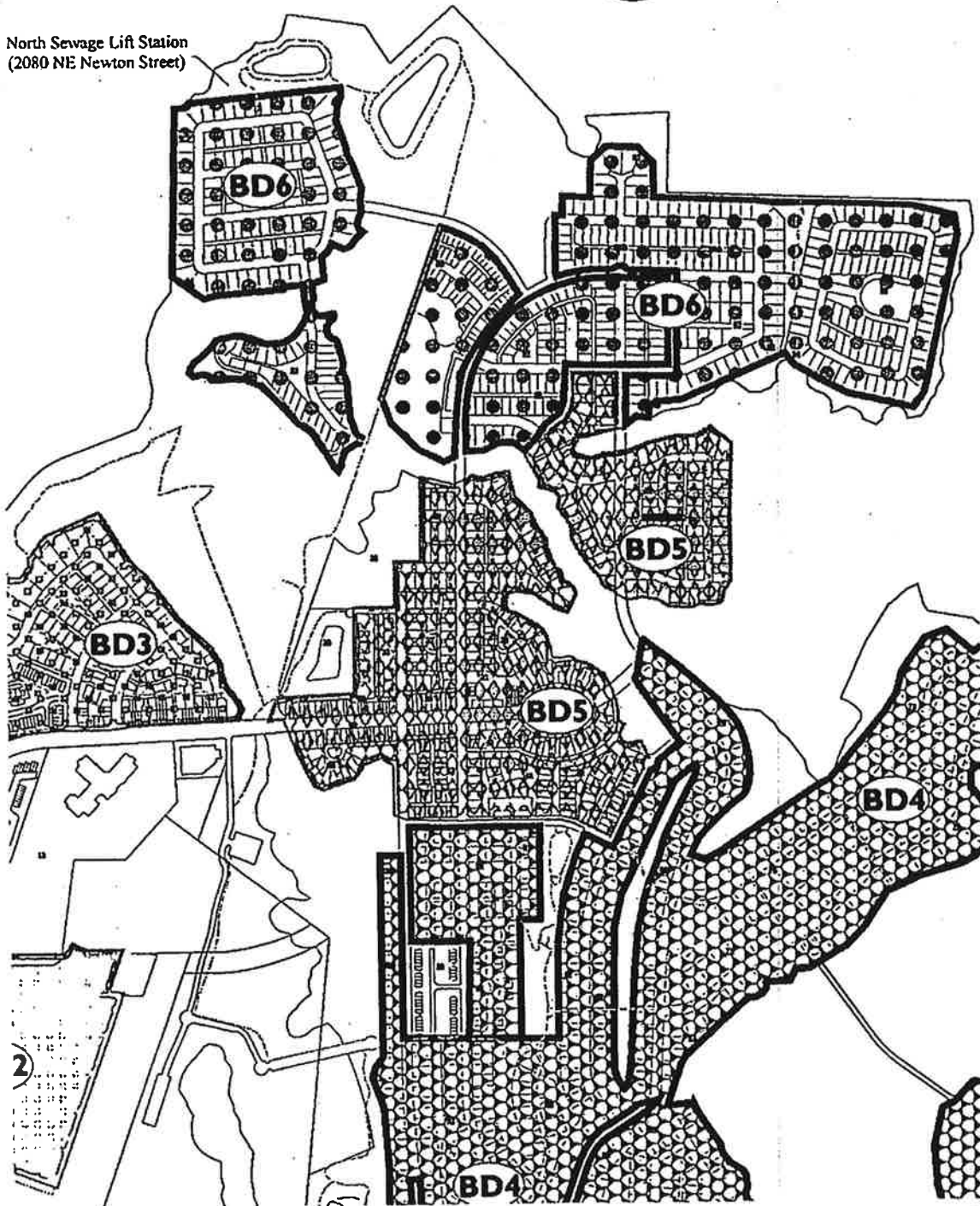


EXHIBIT 1 MAP OF BOARD DISTRICTS

PAGE 4 of 4

BD1 - Board District Designation

