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BYLAWS
OF THE
EDGEWATER ESTATES OWNERS ASSOCIATION

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**ARTICLE 1
BYLAWS**

These are the bylaws of Edgewater Estates Owners Association, a Washington mutual benefit non-profit corporation (the “Association”).

**ARTICLE 2
PURPOSE**

The purpose of the Association is to be the homeowners association for that certain real estate common interest development located in Douglas County, Washington, and platted or to be platted in two portions as EDGEWATER ESTATES DIVISION 1 CLUSTER SUBDIVISION (“Division 1”) and EDGEWATER ESTATES DIVISION 2 (“Division 2”). EDGEWATER ESTATES includes 19 numbered lots (each a “Residential Lot”) intended for single-family residential use, private drives and common areas as laid out on the plat of EDGEWATER ESTATES (the “Common Areas”), and one lot numbered as Lot 10 of Division 1 ____ (the “Reserve Lot,” sometimes called Tract A), which is subject to certain restrictions and is not intended as a single-family homesite. The term “Lot” includes both the Residential Lots and the Reserve Lot. The developer of EDGEWATER ESTATES may subdivide adjoining property and submit the additional subdivision to the control of the Association, in which case the numbered lots within the adjoining subdivision will be considered “Lots” for purposes of these bylaws and the Association. In furtherance of that purpose, but not otherwise, the Association may engage in any lawful act or activity. The Association will provide for the management, administration, maintenance, preservation, and architectural control of the Common Area within EDGEWATER ESTATES; enforcing the Rules and Regulations which may from time to time be adopted by the Board of Directors as well as the terms and conditions of the Declaration of Covenants, Conditions, and Restrictions for EDGEWATER ESTATES (The “Declaration”); and otherwise enhancing and promoting the use and enjoyment of the Common Areas and the common facilities by the Owners in common.

**ARTICLE 3
OFFICE**

The principal office of the Association shall be at a place as the Board of Directors may from time to time adopt by resolution. Unless the Board of Directors unanimously agrees to the contrary, the principal office of the Association will be within Douglas County, Washington or at a location reasonably convenient to the Association. The Association may maintain a registered office as required by Washington law that may be different from the principal office and that need not be in Douglas County.

**ARTICLE 4
ASSOCIATION MEMBERSHIP, VOTING,
MAJORITY OF OWNERS, QUORUM, PROXIES**

4.1 Membership in the Association. Upon recordation of a conveyance or contract to convey a Lot within EDGEWATER ESTATES, the grantee or purchaser named in the

conveyance or contract shall automatically become a member of the Association and shall remain a member of the Association until that person ceases to own a Lot. Lot ownership shall be determined on the basis of the records maintained by the Association. The record shall be established by the Lot owner filing with the Association a copy of the deed to or land sale contract for the owner's Lot, to which shall be affixed the certificate of the recording officer of Douglas County, Washington, showing the date and place of recording of the deed or contract. No person shall be recognized as a Lot owner unless a copy of the deed or contract showing that person to be the current owner or contract purchaser of a Lot has been filed with the Association as provided above. The Association may, however, obtain deed records from Douglas County and recognize as Lot owners and members the persons or entities named as grantees in the recorded deeds or conveyances.

4.2 Voting. The owner of each Lot shall be entitled to one (1) vote on any matter that the Association submits to the Lot owners for a vote.

4.3 Quorum. Except as otherwise provided in these Bylaws, the presence in person, by proxy, or by ballot of owners holding at least a majority of the outstanding voting rights in the Association shall constitute a quorum.

4.4 Proxies; Ballots. Votes may be cast in person, by proxy, or by written ballot. Proxies must be filed with the secretary of the Association (the "Secretary") before or during the appointed meeting. The proxies may require the holder to cast a vote for or against any special proposal set out in the notice calling the meeting. In the sole discretion of the Board of Directors, a meeting of the Association may be held by ballot rather than at a formal gathering. Ballots for the meeting must be properly executed and returned in sufficient quantity to constitute a quorum and/or to pass the proposal(s) specifically propounded on the ballot. Procedures for meetings by ballot shall comply with these Bylaws. Proxies and ballots must be retained by the Association for one year from the date of determination of the vote.

4.5 Authority to Vote. All owners shall be entitled to vote. An owner's right to vote may not be revoked. A purchaser under a land sale contract who is entitled to immediate possession of the Lot shall be deemed to be the owner thereof, unless the land sale contract provides that the vendor of the Lot retains the voting right and liability for assessments until the contract is satisfied.

4.6 Fiduciaries, Entities, and Joint Owners. A Lot owner may designate an executor, administrator, guardian, or trustee to vote on that Lot owner's behalf at any meeting of the Association by providing an acceptable notice of the proxy to the Secretary. Any officer or director of a corporation, any partner or officer of a partnership, and any member, manager or officer of a limited liability company shall be considered the owner for purposes of casting a vote and being eligible to serve on the Board of Directors with respect to any Lot owned by the corporation, the partnership, or the limited liability company. Whenever any Lot is owned by two or more persons jointly according to the records of the Association, the vote of the Lot may be exercised by any one of the owners then present, in the absence of protest by a co-owner. In the event of the protest, no one co-owner shall be entitled to vote without the approval of all co-

owners. In the event of a disagreement and protest, the vote of the Lot shall be disregarded completely in determining the proportion of votes given with respect to this matter.

4.7 Actions by Association: Legal Meeting. Except as otherwise provided in the Declaration, the Articles of Incorporation, these Bylaws, the Revised Code of Washington, or the Washington Nonprofit Corporation Act, decisions and resolutions of the Association shall require approval by at least a majority of votes. For purposes of these Bylaws, a legal meeting is one duly called pursuant to these Bylaws at which a quorum is present in person or by proxy or by ballot, or a ballot meeting where the number of owners casting written ballots constitutes a quorum.

ARTICLE 5 ADMINISTRATION

5.1 Association Responsibilities. The owners of the Lots constitute the members of the Association which, through its Board of Directors, has the responsibility of approving the annual budget, establishing and collecting assessments, and arranging for the operation, management, and maintenance of Edgewater Estates, including negotiating and contracting with and supervising any person, persons, or business entity with respect to these matters.

5.2 Place of Meetings. Formal meetings of the Association shall be held at the principal office of the Association or any other place that is convenient to the owners that the Board of Directors may designate. The outcome of a ballot meeting shall be determined by the Board of Directors within forty-eight (48) hours of the deadline for return of ballots, or in the event the ballot return date is postponed, within forty-eight (48) hours of the postponed date. Each Lot owner shall be notified within ten (10) days after the ballots have been counted, by mail or other delivery of written notice, of the results of the ballot meeting or that a quorum of ballots was not returned.

5.3 Annual Meetings. The annual meeting of the Association shall be held each year on the first Saturday in February. At the annual meeting, new members of the Board of Directors shall be elected by the owners in accordance with the requirements of these Bylaws, to replace those directors whose terms have expired. The owners may also transact any other business of the Association as may properly come before them. The annual meeting of the Association may be conducted by written ballot in the discretion of the Board of Directors.

5.4 Special Meetings. Special meetings of the Association may be called by the President of the Association (“President”), a majority of the Board of Directors, or upon the presentation to the Secretary of a petition signed by the owners of more than fifty percent (50%) of the Lots. All meetings called because of petition of Lot owners shall be held at a formal gathering and not by ballot, and shall be held within thirty (30) days after receipt of the petition. The notice of any special meeting shall state the time and place of the meeting and the purpose thereof. No business, except as stated in the notice therefore, shall be transacted at a special meeting unless by consent of all the owners of the Lots or as otherwise set out in these Bylaws.

5.5 Notice of Meetings. The Secretary shall mail by first class or certified mail, or shall hand deliver or deliver via electronic communication, a notice of each semi-annual or special meeting, stating the purpose thereof and the time and place where it is to be held, to each owner of record at least ten (10), but not more than fifty (50), days prior to the meeting or the date when ballots for a ballot meeting are required to be returned. The Secretary shall hand deliver, mail by first class or certified mail, or deliver via electronic communication, ballots for ballot meetings to an owner of record of each Lot not less than twenty (20) days prior to the date on which the ballots must be received by the Association in order to be counted. The mailing shall be to the owner's mailing or email address last given to the Secretary in writing by the Lot owner or the owner's vendee. If Lot ownership is split or the Lot has been sold on a contract, notice shall be sent to a single address, of which the Secretary has been notified in writing by the parties. If no address has been given to the Secretary in writing, then mailing to the Lot shall be sufficient. The mailing or emailing of a notice in the manner provided in this Section shall be considered notice served. An owner may decline to receive notice or ballots via electronic communication by delivering written notice to the Secretary.

5.6 Adjourned Meetings. If any gathering of owners is not a legal meeting because a quorum has not attended, the owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours nor more than twenty (20) days from the time the original meeting was called. The Board of Directors may extend the date for counting the ballots of a ballot meeting, in one or more extensions, for up to ninety (90) days after the originally scheduled ballot return date if a quorum of ballots has not been returned and/or for matters on which a certain percentage approval is required and that vote has not been received nor have sufficient votes in opposition been received to negate approval. Provided, however, if a secret ballot is required, secrecy ballots may not be examined or counted prior to the date certain specified in the notice or any extension thereof.

5.7 Ballot Meetings. Unless prohibited or limited by the Articles of Incorporation of the Association, any action that may be taken at any semi-annual or special meeting of the Lot owners may be taken without a meeting if the Association delivers a written or electronic ballot to every Lot owner entitled to vote on the matter. Each ballot must set forth each proposed action, provide an opportunity to vote for or against each proposed action, and, subject to the Board's right to extend, shall set forth a deadline for the return of ballots. A proposed action shall be deemed to be approved by written or electronic ballot when the number of votes cast by ballot equals or exceeds any quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

ARTICLE 6 BOARD OF DIRECTORS

6.1 Number and Qualifications. The affairs of the Association shall be governed by a Board of Directors composed of three persons, each of whom must be an owner or a co-owner of a Lot. Corporate officers of a corporation that owns a Lot, general partners of a partnership that owns a Lot, managers of a manager-managed limited liability company that owns a Lot, and

members of a member-managed limited liability company that owns a Lot are eligible to serve on the Board.

6.2 Powers and Duties. The Board of Directors shall have the powers and duties necessary to conduct the business of the Association and may do all acts and things as are not by law or by these Bylaws directed to be exercised and done by the owners.

6.3 Other Duties. In addition to duties imposed by these Bylaws or by resolutions of the Association, the Board of Directors shall have authority to carry out and shall be responsible for the following matters:

6.3.1 Caring for, maintaining, and supervising the management of Edgewater Estates, Association property, and the Common Areas.

6.3.2 Establishing and maintaining replacement reserve accounts as required or permitted by these Bylaws.

6.3.3 Designating and collecting regular and special assessments from the owners, in accordance with these Bylaws, the Declaration, and Washington law.

6.3.4 Establishing a budget for payment of all common expenses of the Association and instituting and maintaining a system for payment as may be reasonably necessary to prevent any misuse of Association funds.

6.3.5 Obtaining and maintaining insurance policies and paying premiums therefor out of the common expense funds with respect to the Common Areas and the common facilities of the Association.

6.3.6 Designating and dismissing the personnel necessary for the maintenance and operation of the Common Areas.

6.3.7 Causing the preparation and distribution of annual financial statements of Edgewater Estates to each of the Lot owners as more specifically provided in these Bylaws.

6.3.8 Adopting and amending administrative rules and regulations governing the details of operation and use of the Common Areas and the Lots and the administration of the Association, including a fine schedule for violations of these Bylaws, the Declaration, or any rules or regulations promulgated thereunder. Provided, however, that any rules or regulations always shall be subject to rescission or amendment by the Association upon a majority vote of owners present at any properly called meeting at which a quorum is present.

6.3.9 Causing the Association to comply with RCW 64.38.045 relating to maintenance within the State of Washington of documents delivered to the Association by the Declarant, depositing all assessments in a separate bank account in the name of the Association, payment of all expenses of the Association from the Association's bank account, and maintenance and distribution of financial statements and to maintain copies suitable for

duplication of the following: the Declaration, the Articles of Incorporation, the Bylaws, the Association rules and regulations and any amendments thereto, the most recent annual financial statement, and the current operating budget of the Association. Further, the Board of Directors shall cause to be maintained and kept current the information required to enable the Association to comply with RCW 64.38.045.

6.3.10 Causing the Association to file an Annual Report with the Washington Secretary of State.

6.3.11 Causing the Association to file the necessary tax returns of the Association.

6.3.12 Establishing and maintaining a current mailing address for the Association.

6.4 **Management Agent.** The Board of Directors may employ a management agent, to be compensated in an amount established by the Board, to perform duties and services as the Board shall authorize, including, but not limited to, the duties listed in Section 6.3 hereof.

6.5 **Election: Term of Office.** At each annual meeting of the Association, the members will elect Directors to serve for terms of approximately one year, to run from the conclusion of that annual meeting of the members to the conclusion of the next annual meeting of the members, or until their successor have been duly elected or appointed.

6.6 **Vacancies.** Vacancies on the Board of Directors caused by any reason other than the removal of a Director by a vote of the Association shall be filled for the balance of the term of each directorship by vote of a majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected upon expiration of the term for which the person was elected by the other Directors to serve. Notwithstanding the foregoing, the Board of Directors, in its discretion, may hold an election for the owners to elect a Director to serve the remainder of the term of the vacant directorship. An election shall be required to fill a vacancy caused by a vote of the Association.

6.7 **Removal of Directors.** At any legal meeting of the members, any one (1) or more of the Directors may be removed with or without cause, by a majority vote of owners, and a successor may be elected simultaneously to fill the vacancy created. Any director whose removal has been proposed by the owners shall be given an opportunity to be heard at the meeting. Any Director(s) who fail(s) to attend three (3) successive meetings of the Board of Directors which have been properly called, or who has failed to attend more than one-third (1/3) of the Board of Directors meetings during a twelve (12) month period which have been properly called, may be removed by a majority of the remaining Directors.

6.8 **Organizational Meeting.** The first meeting of a newly-elected Board of Directors shall be held immediately after its election, or within ten (10) days after its election at any place as shall be fixed by the Directors at the meeting at which any Directors were elected,

and no notice need be given to the newly elected Directors, providing that a majority of the newly elected Directors are present.

6.9 Regular Meetings. Regular meetings of the Board of Directors may be held at a time and place as shall be determined, from time to time, by a majority of the Directors. Notice of regular meetings of the Board of Directors may be called by the President on three (3) days' notice to each Director, given personally or by mail, e-mail, telephone, facsimile, or other similarly reliable method, which notice shall state the time, place, and purpose of the meeting. Board of Directors meetings may be conducted by telephonic communication or by the use of a means of communication that allows all Board members participating to hear each other simultaneously or otherwise to be able to communicate during the meeting.

6.10 Special Meetings. Special meetings of the Board of Directors may be called by the President, Secretary, or on the written request of two Directors. Special meetings of the Board of Directors may be called on three (3) days' notice to each Director, given personally or by mail, e-mail, telephone, facsimile, or other similarly reliable method, which notice shall state the time, place, and purpose of the meeting.

6.11 Waiver of Notice to Directors. A Director may, in writing, waive notice of a meeting, and the waiver shall be deemed equivalent to the giving and receiving of notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by that Director. If all the Directors are present at any meeting of the Board, no notice to Directors shall be required and any business may be transacted at that meeting.

6.12 Board of Directors' Quorum. At all meetings of the Board of Directors, a majority of the existing Directors shall constitute a quorum for the transaction of business, and the acts of a majority of the Directors shall be the acts of the Board of Directors. A majority of those present may adjourn a meeting at which less than a quorum is present. At any adjourned meeting at which a quorum must also be present, any business that might have been transacted at the meeting as originally called may be transacted without further notice.

6.13 Board of Directors' Meetings Open to All Association Members. Except as provided in Section 6.14, all meetings of the Board of Directors shall be open to all members of the Association. The Director presiding over each meeting should encourage participation by non-Director Lot owners while retaining control over the orderly conduct of business. The President shall have authority to exclude any Association member who disrupts the proceedings at a meeting of the Board of Directors.

6.14 Executive Session. At its discretion, the Board may consider the following matters in executive sessions:

6.14.1 Consultation with legal counsel concerning rights and duties of the Association regarding existing or potential litigation or criminal matters;

6.14.2 Personnel matters, including salary negotiations and employee discipline;

6.14.3 Negotiations of contracts with third parties;

6.14.4 Collection of assessments; and

6.14.5 Any other matters for which the Revised Code of Washington permits the board of a homeowners' association to convene an executive session.

Except in the case of an emergency, the Board of Directors shall vote in an open meeting whether to meet in executive session. If the Board of Directors votes to meet in executive session, the presiding officer of the Board of Directors shall state the general nature of the action to be considered, as precisely as possible, when and under what circumstances the deliberations can be disclosed to owners. The statement, motion, or decision to meet in executive session must be included in the minutes of the meeting. A contract or an action considered in executive session does not become effective unless the Board of Directors, following the executive session, reconvenes in open meeting and votes on the contract or action, which must be reasonably identified in the open meeting and included in the minutes.

6.15 Notice to Association Members of Board of Directors' Meetings. For other than emergency meetings, notice of Board of Directors' meetings shall be posted at a place on Edgewater Estates property at least three (3) days prior to the meeting or notice otherwise shall be provided to each member of the Association in a manner that is reasonably calculated to inform each member of these meetings. The posting of notices shall be at a reasonable location which has been generally publicized to the Lot owners.

6.16 Emergency Meetings. No notice to Directors or Association members shall be required for emergency meetings of the Board of Directors. Provided, however, that no meeting shall occur unless a quorum of Directors participates and unless a reasonable attempt has been made to reach each Director.

6.17 Compensation of Directors. No Director shall be compensated in any manner except for out-of-pocket expenses, unless compensation is approved by a majority vote of the Lot owners.

ARTICLE 7 OFFICERS

7.1 Designation. The principal officers of the Association shall be a President, Vice President, and Secretary, all of whom shall be Directors, and who shall be elected by the owners. The Directors may appoint an assistant treasurer and assistant secretary and any other officers as in their judgment may be necessary, none of whom need be a member of the Association.

7.2 Election of Officers. The principal officers of the Association shall be elected by the Lot owners at the annual meeting of members as a part of the election of Directors.

7.3 Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and a successor shall be elected at any regular or special meeting of the Board of Directors.

7.4 President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Association and of the Board of Directors. The President shall have all of the general powers and duties that are usually vested in the office of the President of an association, including, but not limited to, the power to appoint committees from among the owners from time to time as the President may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Association.

7.5 Vice President. The Vice President shall assist the President with the President's duties, at the President's discretion.

7.6 Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Association; shall have charge of books and papers as the Board of Directors may direct; and shall, in general, perform all the duties incident to the office of Secretary.

7.7 Directors as Officers. The President, Vice President, and Secretary must each be a director. The subordinate officers need not be directors.

ARTICLE 8 RESERVES AND ASSESSMENTS

8.1 Assessments. All owners shall be obligated to pay assessments imposed by the Association to meet the expenses of the Associations. In the discretion of the Board of Directors, the assessments may be made payable semi-annually, quarterly, or monthly. An annual assessment shall be charged beginning when the Declarant first conveys a Lot to a Lot owner. All of the reserve accounts set up pursuant to these Bylaws shall be funded by allocation and payment from the assessment of Lot owners. The assessment of all Lot owners who may be benefited by expenditure of reserve funds may be increased as necessary, so the reserve fund in question can be maintained in an amount sufficient to meet the needs for which the fund was established. Pursuant to the Declaration, each Lot shall be equally liable for the common expense. The assessment of Lots shall include the following items, which shall be common expenses:

8.1.1 Expense Items:

- (a) Expenses of administration.
- (b) Expenses of maintenance, repair, or replacement of the Common Areas, the common facilities, and Association property.
- (c) Any deficit in common expenses for any prior period.

(d) The costs of utilities for the common areas and other utilities that have a common meter or that are commonly billed, such as water, sewer, and garbage services.

(e) At the discretion of the Board of Directors, the expense of basic cable or satellite television service to all Lots, together with maintenance and repair expenses for the system and service.

(f) The cost of insurance or bonds obtained in accordance with these Bylaws.

(g) The cost of any professional management or other personnel if required by mortgagees or desired by the Board of Directors.

(h) Legal, accounting, and other professional fees.

(i) Any other items that are properly chargeable as an expense of the Association.

8.2 Reserve Account. The Board of Directors may, but is not required to, establish a reserve account for the purpose of effecting replacements of the common facilities which will normally require replacement in more than one (1) year and less than thirty (30) years. Payment into this account shall be deemed a contribution to capital as and when made.

8.3 General Operating Reserve. The Board of Directors may create and maintain a general operating reserve account by allocation and payment monthly of an amount determined by the Board of Directors. This account shall be used to pay expenses which exceed budgeted amounts.

8.4 Special Reserves. The Board of Directors may establish other special reserve funds by special assessments of the Lot owners who benefit thereby as may be required by the Declaration or otherwise determined by the Association to be appropriate, including a reserve fund for any lease payments.

8.5 Reserve Accounts. If a reserve account or accounts are established, each reserve account shall be kept in an account with a safe and responsible depository, shall be accounted for separately, and, if invested, the obligation or security shall be fully guaranteed as to principal by the United States of America or one of its agencies. Assessments paid into the reserve accounts are the property of the Association and are not refundable to sellers of Lots. However, nothing contained herein shall prevent sellers of Lots from treating their outstanding allocable share of reserve accounts as a separate or reimbursable item in a sales agreement. No Lot owner shall have any individual rights in any of these reserves, although it is understood that the value of their respective Lots may increase in proportion to each Lot's right to receive repair, maintenance, and replacement therefrom.

8.6 Special Assessments. The Board of Directors shall have the power to levy special assessments against all owners for the following purposes and in the following manner:

8.6.1 To correct a deficit in the operating budget by vote of a majority of the Board;

8.6.2 To make repairs or renovations to the common elements if sufficient funds are not available from the operating budget or replacement reserve accounts by vote of a majority of the Board;

8.6.3 To make new capital acquisitions or additions costing less than Two Thousand Five Hundred Dollars (\$2,500) (this limit shall not apply to maintenance, repair, or replacement of existing improvements, regardless of whether they are capital in nature); or

8.6.4 To make new capital acquisitions or additions costing \$2,500 or more by vote of at least two-thirds (2/3) of all votes allocated to Lots in Edgewater Estates (this limit shall not apply to maintenance, repair or replacement of existing improvements, regardless of whether they are capital in nature).

8.7 **Individual Assessments.** The Board of Directors shall have the power to levy assessments against less than all owners for the following purposes:

8.7.1 To collect amounts due to the Association from an owner or owners for breach of the owner's obligations under the Declaration, these Bylaws, or the Association's rules and regulations, by vote of a majority of the Board;

8.7.2 Fines or other charges imposed pursuant to the Declaration, these Bylaws or the Act for violation of the Declaration, these Bylaws, or rules and regulations; or

8.7.3 Amounts due to the Association from an Owner pursuant to the Declaration or other provisions of these Bylaws.

ARTICLE 9 BUDGET

9.1 **Adoption of Budget.** At least sixty (60) days before the beginning of each fiscal year, the Board of Directors shall adopt a budget for the Association containing an estimate of the total amount considered necessary to pay the cost of maintenance, management, operation, repair, and replacement of the common elements and those parts of the Lots as to which it is the responsibility of the Association to maintain, repair, and replace, and the cost of wages, materials, insurance premiums, services, supplies, and other expenses that may be declared to be common expenses pursuant to the Revised Code of Washington, Edgewater Estates instruments, or a resolution of the Association and that shall be required during the ensuing fiscal year for the administration, operation, maintenance, and repair of Edgewater Estates and the rendering to the Lot owners of all related services.

Any budget also shall include reasonable amounts as the Board of Directors considers necessary to provide working capital and general operating reserve accounts, contingency, and

other reserve accounts as the Board shall determine. The amount designated for replacement reserves shall be adjusted annually to reflect current replacement cost and remaining useful life. Within thirty (30) days after adopting the annual budget, the Board shall provide a summary of the budget to all owners. A budget shall constitute the basis for determining each Lot owner's assessment for the common expenses of Edgewater Estates.

9.2 Failure to Prepare Budget. The failure of the Board of Directors to prepare and/or to present, in a timely manner, a budget to the Lot owners shall not be cause for any owner to fail or refuse to pay assessments. Assessments shall continue, based upon the last adopted or accepted budget, until a new budget is created and announced. Retroactive increases and/or special assessments may be made by the Board of Directors to make up for any deficiency.

9.3 Determination of Fiscal Year. The fiscal year of the Association shall be the calendar year unless otherwise determined by the Board of Directors.

9.4 Filing of Income Tax Returns. The Board of Directors, in its sole discretion, shall determine the manner in which all necessary income tax returns are filed and of selecting any and all persons to prepare the tax returns.

ARTICLE 10 DEFAULT

10.1 Default. The failure of an owner to pay any assessment of the Association shall be a default by the owner of the owner's obligations pursuant to these Bylaws and the Revised Code of Washington and, in addition to the Association's other remedies provided in the Declaration, these Bylaws shall entitle the Association to declare the balance of the owner's annual assessment otherwise being paid in installments to be immediately due and payable in full. Interest shall be charged on delinquent assessments at a rate as may be set by the Board of Directors from time to time not to exceed the lower of eighteen percent (18%) per annum or the highest rate permitted by applicable law. Before a change in the interest rate charged on delinquent assessments, the Board of Directors shall give thirty (30) days' written notice to all owners.

10.2 Late Charge. The Board may impose a late charge penalty on any assessment that is delinquent for ten (10) or more days. The penalty shall not exceed the sum of twenty-five percent (25%) of the delinquent assessment and shall be imposed only once on each regular or special assessment or installment of the assessments.

10.3 Liens. The Association shall be entitled to a lien that may be enforced against the Lot owners. In any foreclosure suit by the Association with respect to the lien, the Association shall be entitled to collect reasonable rent from the defaulting owner for the use of the owner's Lot or shall be entitled to the appointment of a receiver. Liability for all assessments, fines, charges, interest, fees (including attorneys' fees, whether or not a suit or an action is commenced), and other sums owing by the Lot owner pursuant to the Declaration, these Bylaws, the Revised Code of Washington, and rules and regulations of the Association, shall be the

personal obligation of the Lot owner and may be enforced by suit for a money judgment, in addition to all other remedies of the Association. Any default by the owner in any provisions of these Bylaws or of the Revised Code of Washington shall be deemed to be a default by the owner of any mortgage to which the owner is a party or to which the Lot is subject.

ARTICLE 11 STATEMENT OF ASSESSMENTS

11.1 Statements. The Association shall provide, within ten (10) business days of receipt of a written request from an owner, a written statement providing:

11.1.1 The amount of assessments due from the owner and unpaid at the time the request was received, including:

- (i) Regular and special assessments;
- (ii) Fines and other charges;
- (iii) Accrued interest; and
- (iv) Late payment charges.

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

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

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

ARTICLE 12 MAINTENANCE AND REPAIR

12.1 Owner's Duty to Maintain. Each owner shall perform promptly all maintenance and repair work that is needed on the owner's Lot, and each owner shall be responsible for the damages and liabilities that the owner's failure to maintain and repair may cause. The owner's responsibility to maintain the owner's Lot includes, but is not limited to, the maintenance, repair, and replacement of exterior and interior walls, floors, ceilings, partitions, fixtures and furnishings contained within the Lot, all utility services, including pipes and wires servicing the Lot, and decks and patios attached to the Lot.

12.2 Owner's Expenses. All maintenance, repair, and replacement of installations of each Lot, such as lights, gas, power, telephones, air conditioners, heaters, and sanitary

installations, doors, windows, lamps, and all other accessories and appliances belonging to the Lot area, shall be at the sole expense of the owner of the Lot.

12.3 Reimbursement of Association. An owner shall reimburse the Association for any expenditures incurred in repairing or replacing any common elements and/or facility that was damaged through the owner's fault and that is not otherwise covered by insurance policies carried by the owner or the Association for the owner's and the Association's benefit. The insurance obtained by the owner shall be deemed to be the primary coverage.

ARTICLE 13 RIGHT OF ENTRY; EASEMENT FOR MAINTENANCE; ENCROACHMENTS

13.1 Association Right of Entry. In case of an emergency originating in or threatening an owner's Lot, the owner shall grant the right of entry to the management agent or to any other person authorized by the Board of Directors or the Association, whether the owner is present at the time or not.

13.2 Easement for Maintenance. An easement for the benefit of the Association is reserved in and through all Lots and the common elements providing access at reasonable times and with reasonable notice for purposes of maintenance, repair, and replacement of the common elements. If, in the process of repair and maintenance by the Association, it is necessary to alter or damage any Lot or common elements, the alterations or damages shall be permitted without compensation, provided that the Lot and/or common elements are promptly restored to substantially their prior condition by the Association.

13.3 Encroachment. If any portion of the common elements encroaches upon a Lot, or a Lot encroaches upon any portion of the common elements, a valid easement for the encroachment and for the maintenance of the same, so long as the affected Lot or common element stands, shall and does exist. In the event that the affected Lot or common element is either partially or totally destroyed, and then rebuilt, the owners of the Lots agree that minor encroachment of parts of the common elements due to rebuilding shall be allowed and an easement shall exist for that purpose.

ARTICLE 14 USE AND OCCUPANCY RESTRICTIONS; RULES OF CONDUCT

14.1 Failure to Comply. The failure of an owner (the owner's family, invitees, or tenants) to comply with the rules of conduct and restrictions set forth herein, in the Declaration, or others promulgated by the Board of Directors, shall be cause for which the Board of Directors may deny or restrict the owner's right to use any common element facility with respect to which the owner otherwise had a right of use.

14.2 Use as Private Dwelling Only. Each of the Residential Lots shall be occupied as a private dwelling by its owner or the owner's visitors and guests, including, without limitation,

guests of a residential tenant under a rental or lease agreement conducted at Edgewater Estates, and for no other purpose.

14.3 Renting and Leasing of Lots. Each of the Residential Lots may be rented or leased in the discretion of the Lot owner for periods of one month or more, subject to the provisions of the Declaration. To the extent income from the renting or leasing of Residential Lots is collected and administered through a manager or central rental agency, the income from renting or leasing a Lot shall not be “pooled” with other Lots, but shall be attributable to the individual Residential Lot. Lot owners may rent or lease Lots through a central rental service administered by the Association or Residential Lot owners may list Residential Lots for rental individually. All rental or lease agreements shall be in writing and shall provide that guests are subject to the rules and regulations of Edgewater Estates as adopted by the Board of Directors. No owner will offer the house or other structure on the owner’s Residential Lot for vacation rental or through any online vacation rental agency or other means.

14.4 Restriction on Alteration to Residential Lot. No owner shall make structural alterations or installations on any Residential Lot without previously notifying the Association in writing by certified mail to the management agent, if any, or to the President, if no management agent is employed. The Association shall answer within thirty (30) days of receipt of notice, and failure to do so within the stipulated time shall mean that it does not object to the proposed alteration, or installation.

14.5 Use of the Common Elements. No owner shall place or cause to be placed in the common elements of Edgewater Estates any furniture, packages, or objects of any kind.

14.6 Appearance of Edgewater Estates Property. No Lot owner shall cause anything to be hung, displayed, or placed on any common Edgewater Estates elements, or otherwise change the appearance of any portion of the common elements without the prior written consent of the Board of Directors. Notwithstanding, Lot owners may reasonably display United States flags and political yard signs in accordance with RCW 64.38.033 and 64.38.034.

14.7 Nuisances. Except for those uses of Tract A (the Reserve Lot) and Tract B that are inherent to agriculture, viticulture, and hospitality, no use or practice that is the source of unreasonable annoyance to residents or that interferes with the peaceful possession and proper use of the property by its residents and guests shall be allowed within Edgewater Estates. Residents and guests shall exercise extreme care about creating disturbances, making noises, or using musical instruments, radios, televisions, and amplifiers that may disturb other residents. All parts of Edgewater Estates shall be kept in a clean and sanitary condition; no rubbish, refuse or garbage shall be allowed to accumulate; and no fire or environmental hazard shall be allowed to exist. No Residential Lot owner shall make or permit any use of the owner’s Lot or make any use of the common elements that would increase the cost of insurance upon Edgewater Estates property.

14.8 Improper, Offensive, or Unlawful Use. No improper, offensive, or unlawful use shall be made of Edgewater Estates property or any part of it; all valid laws, zoning ordinances, and regulations of governmental bodies having jurisdiction shall be observed. The responsibility

for meeting the requirements of governmental bodies for maintenance, modification, or repair of Edgewater Estates property shall be carried out and paid for in the same manner as the responsibility for the maintenance and repair of the property concerned.

14.9 Use of Common Facilities. The Association may establish reasonable rules and regulations for the use of Common Areas so that they may be enjoyed by all Lot owners.

14.10 Fines. After giving written notice and an opportunity to be heard, the Board of Directors may levy reasonable fines for violations of the Declaration, Bylaws, and rules and regulations of the Association, provided that fines levied are based on a schedule previously adopted by Board resolution that is mailed to the mailing address of each Lot or mailed to the mailing address designated in writing by the owner(s).

14.11 Additional Rules. Rules and regulations concerning other use of Edgewater Estates property and Lots and administration of the Association may be made and amended from time to time by the Association or the Board of Directors. Copies of the rules and regulations shall be furnished to all Lot owners and residents of Edgewater Estates upon request.

ARTICLE 15 INSURANCE

15.1 General. The Board of Directors shall obtain and maintain at all times insurance of the type and kind and in the amounts hereinafter provided, including insurance for other risks of a similar or dissimilar nature as are covered with respect to other similar planned developments, and which insurance is governed by the provisions in this numbered section.

15.2 Types of Insurance Policies. For the benefit of the Association and the owners, the Board of Directors shall obtain and maintain at all times, and shall pay for out of the common expense funds, the following insurance to the extent that it is available at reasonable cost:

15.2.1 A policy or policies of property insurance, including, but not limited to, fire, extended coverage, vandalism and malicious mischief, for the full insurable replacement value, if available, of all Lots and common elements, and other fire and casualty insurance as the Board of Directors shall determine, to give substantially equal or greater protection to the owners and their mortgagees, as their respective interests appear, which policy or policies shall provide for a separate loss payable endorsement in favor of the mortgagee or mortgagees, if any, of each Lot.

15.2.2 A policy or policies insuring the Association, its Board of Directors, the Lot owners individually, and the manager against any liability to the public or the owners of Lots and their invitees or tenants, incident to the ownership, supervision, control, or use of the common elements. Any limit and coverage shall be reviewed at least annually by the Board of Directors which, in its discretion, may increase. Any policy shall be issued on a comprehensive liability basis and shall provide cross liability endorsements wherein the rights of a named insured under the policy or policies shall not be prejudiced with respect to the insured's action against another named insured.

15.2.3 Worker's compensation insurance to the extent necessary to comply with any applicable laws.

15.3 Personal Losses. The Association shall not be responsible for any loss or damage to personal property of any owner, whether stored on the common elements or in the owner's Lot. The Association may not maintain any insurance coverage for the losses.

15.4 Authority to Adjust Losses. All losses under policies hereafter in force regarding the property shall be settled exclusively with the Board of Directors or its authorized representative; provided, however, that where a first mortgagee has been designated as a loss payee by a Lot owner and the first mortgagee has requested the opportunity to exercise the rights provided by these Bylaws, the mortgagee shall be entitled to settle losses as to the mortgaged Lot, provided that the loss which occurs is severable. Releases and proofs of loss shall be executed by at least two Directors.

15.5 Provisions in Insurance Policies. The Board of Directors shall make every effort to secure insurance policies that provide for the following:

15.5.1 A waiver of subrogation by the insurer as to any claims against the Board of Directors, the manager, the Lot owners, and their respective servants, agents, and guests.

15.5.2 A provision that the master policy on Edgewater Estates cannot be canceled, invalidated, or suspended on account of the conduct of any one or more individual owners.

15.5.3 A provision that the master policy on Edgewater Estates cannot be canceled, invalidated, or suspended on account of the conduct of any officer or employee of the Board of Directors or the manager without prior demand in writing that the Board of Directors or manager cure the defect.

15.5.4 A provision that any "no other insurance" clause in the master policy exclude individual owners' policies and not otherwise prevent the individual policies from providing coverage for damage to Lots or common elements.

15.6 Reconstruction Costs. If the Association is required or elects to reconstruct any common element or Lot that has been damaged or destroyed, an affected Lot owner shall contribute to the Association all amounts received by the owner from property loss insurance policies to help pay for the repairs. To the extent that insurance proceeds are unavailable or unpaid when needed, the Association shall assess the owner the amount of the Association's "deductible" under its policy to pay the cost of repairing or reconstructing the owner's Lot or limited common elements. The assessment shall be both a personal obligation of the owner and a lien against the owner's Lot in the same manner as any other Association assessment.

15.7 Insurance Deductible/Owner and Tenant Insurance. The Board of Directors shall determine the amount of the deductible for property loss insurance policies, as well as other

insurance policies required to be procured by the Association under this Article 15. In determining the deductible under the policies, the Board shall take into consideration, among other factors, the availability, cost, and loss experience of the Association. In this regard, as in other Board responsibilities, the Board members shall exercise their reasonable business judgment. The responsibility for payment of the deductible shall be set forth in a resolution adopted by the Board of Directors. The Association shall have no responsibility to procure or assist in procuring property loss insurance for any owner or tenant for: (a) damage to a Lot or limited common elements not covered by the Association's policy; or (b) for any damage or loss to the owner's or tenant's personal property. Tenants shall be responsible for insuring their own personal property for any loss or damage. The Board of Directors shall notify all owners of the amount of the deductible under the Association policies.

15.8 Review of Insurance Policies. At least annually, the Board of Directors shall review all insurance carried by the Association, which review shall include a consultation with a representative of the insurance carrier writing the master policy.

15.9 Duplicate Insurance Coverage. In the event of duplicate insurance coverage, the insurance policy obtained by the Lot owners shall be deemed to be the primary coverage.

ARTICLE 16 DAMAGE AND DESTRUCTION

16.1 Insurance Proceeds Sufficient to Cover Loss. In case of fire, casualty, or any other damage and destruction, the insurance proceeds of the master policy, if sufficient to reconstruct the common elements damaged or destroyed, shall be applied to reconstruction.

16.2 Insurance Proceeds Insufficient to Cover Loss. If the insurance proceeds are insufficient to reconstruct the damaged or destroyed common elements, the damage to, or destruction of, the common elements shall be promptly repaired and restored by the manager of the Board of Directors, using the proceeds of insurance, if any. All Lot owners shall be liable for assessment for any deficiency for the reconstruction.

ARTICLE 17 CONDEMNATION

The Board of Directors shall have the sole authority to negotiate with any public or private body or person having the power of eminent domain and to sue or defend any litigation involving any bodies or persons with respect to the common elements of Edgewater Estates and shall assist any Lot owner whose Lot or a part thereof, is the subject of any condemnation or eminent domain proceeding. However, nothing in this or any document or agreement relating to Edgewater Estates shall be construed to give a Lot owner or any party priority over the rights of the first mortgagees of any Lots in the case of a distribution to the Lot owner of any condemnation awards for losses to or a taking of a Lot and/or the common elements. In the event of a taking or acquisition of part or all of the common elements by a condemning authority, the award or proceeds of settlement shall be payable to the Association for the use and benefit of

the Lot owners. The Board of Directors shall distribute the proceeds of any award or settlement on a reasonable and equitable basis among the Lot owners.

ARTICLE 18 AMENDMENTS TO BYLAWS

These Bylaws may be amended by the owners holding a majority of the total voting rights allocated to the Lots in a duly constituted meeting or ballot meeting called for that purpose. No amendment shall take effect unless approved by owners holding a majority of the voting rights as otherwise set forth in the Declaration. Any amendments adopted hereunder shall be reduced to writing and certified by the President and Secretary of the Association to be the amendment so adopted by the Association. Any amendment so certified shall be recorded in the Deed Records of Douglas County, Washington. No amendment of these Bylaws reducing or eliminating the right of any first Mortgagee shall be made without the prior written consent of the first Mortgagees.

ARTICLE 19 RECORDS AND AUDITS

19.1 General Records. The Board of Directors shall keep detailed records of the actions of the Board of Directors, minutes of the meetings of the Board of Directors, and minutes of the meetings of the Association as required by RCW 64.38.035. The Board of Directors shall maintain a list of owners entitled to vote at meetings of the Association and a list of all Mortgagees of Lots insofar as names have been provided to the Board by the owner or Mortgagee. Proxies and ballots must be retained by the Association for one year from the date of determination of the vote.

19.2 Records of Receipts and Expenditures. The Board of Directors shall keep detailed, accurate records in chronological order of the receipts and expenditures affecting the common elements, itemizing the maintenance and repair expenses of the common elements and any other expenses incurred. The records and the vouchers authorizing the payments shall be available for examination by the Lot owners and Mortgagees during convenient weekday hours.

19.3 Assessment Roll. The assessment roll shall be maintained in a set of accounting books in which there shall be an account for each Lot. The account shall designate the name and address of the owner or owners, the amount of each assessment against the owners, the dates and amounts in which the assessment comes due, the amounts paid upon the account, and the balance due on the assessments.

19.4 Payment of Common Expenses. The Board of Directors shall authorize an individual or entity to pay all legitimate expenses of the Association. The payments shall be made pursuant to the payment system provided in these Bylaws.

19.5 Reports and Audits. The Board of Directors shall prepare or cause to be prepared an annual financial statement consisting of a balance sheet and income and expense statement setting forth the financial condition of the Association as of the end of each year.

19.6 Notice of Sale, Mortgage, Rental or Lease. Immediately upon the sale, mortgage, rental or lease of any Lot, the Lot owner shall promptly inform the Secretary or manager of the name and address of the purchaser, vendee, mortgagee, lessee, or tenant.

19.7 Annual Report. The Board of Directors shall cause an Annual Report, including any amendments, to be filed with the Washington Secretary of State.

ARTICLE 20 COMPLIANCE

These Bylaws are intended to comply with the provisions of the Revised Code of Washington, which are incorporated herein, and to supplement the provisions of Edgewater Estates Declaration. If any of the provisions hereof conflict with the provisions of said statutes, the statutory provisions shall apply. If any of the provisions hereof conflict with the provisions of the Declaration, the provisions of the Declaration shall apply.

ARTICLE 21 INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND AGENTS

The Association shall indemnify any Director, officer, employee or agent who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by the Association) by reason of the act that he or she is or was a Director, officer, employee, or agent of the Association, or is or was serving at the request of the Association as a Director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by said person in connection with any suit, action, or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had no reasonable cause to believe that his or her conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or with a plea of nolo contendere or its equivalent, shall not of itself create a presumption that a person did not act in good faith and in a manner which he or she reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had reasonable cause to believe that his or her conduct was unlawful.

Payment under this clause may be made during the pendency of any claim, action, suit, or proceeding as and when incurred, subject only to the right of the Association to be reimbursed, should it be proven at a later time that said person had no right to payments. All persons who are ultimately held liable for their actions on behalf of the Association as a Director, officer, employee, or agent shall have a right of contribution over and against all other Directors, officers, employees, or agents and members of the Association who participated with or benefited from the acts which created said liability.

ARTICLE 22
ASSESSMENT AND FINE COLLECTIONS COSTS;
ENFORCEMENT; SUITS AND ACTIONS

Whether or not suit or action is commenced, Lot owners shall be obliged to pay reasonable fees and costs, including, but not limited to, attorney's fees (whether or not suit or action is commenced) incurred in connection with efforts to collect delinquent and unpaid assessments, fines, and enforcement of the Declaration, Bylaws, or rules and regulations of the Association. In addition to the assessment for operating expenses and the funding of reserves, the assessments may include fees, late charges, fines, and interest imposed pursuant to RCW 64.38.020.

In the event suit or action is commenced by the Directors for the collection of any amounts due pursuant to these Bylaws or for the enforcement of any provisions of the Bylaws or of the Revised Code of Washington, the owner or owners, jointly and severally, will in addition to all other obligations, pay the costs of the suit or action, including reasonable attorneys' fees to be fixed by the trial court and, in the event of an appeal, the cost of the appeal, together with reasonable attorneys' fees in the appellate court to be fixed by the court.

ARTICLE 23
MISCELLANEOUS

23.1 Notices. All notices to the Association or to the Board of Directors shall be sent care of the managing agent, or if there is no managing agent, to the principal office of the Association or to any other address as the Board of Directors may hereafter designate from time to time. All notices to any Lot owner shall be sent to the address as may have been designated by the owner from time to time, in writing, to the Board of Directors, or if no address has been designated, then to the owner's Lot.

23.2 Waiver. No restriction, condition, obligation, or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

23.3 Invalidity; Number; Captions. The invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability, or effect of the balance of these Bylaws. As used herein, the singular shall include the plural, and the plural the singular. The masculine and neuter shall each include the masculine, feminine, and neuter, as the context requires. All captions used herein are intended solely for convenience of reference and shall in no way limit any of the provisions of these Bylaws.

The President and Secretary hereby certified that these Bylaws will be recorded in the Deed Records of Douglas County.

DATED this _____ day of May, 2020.

**EDGEWATER ESTATES
OWNERS ASSOCIATION,**
a Washington nonprofit corporation

By: _____
David M. Dufenhorst, President

CERTIFICATION

The undersigned President and Secretary certify that the foregoing Bylaws of the Edgewater Estates Owners Association were adopted in accordance with the Bylaws and the provisions of RCW 24.03.070.

By: _____
President

By: _____
Secretary

State of Washington)
County of _____)

These Bylaws of the Edgewater Estates Owners Association were acknowledged before me on May __, 2020 by David M. Dufenhorst, as the President of Edgewater Estates Owners Association, as its voluntary act.

Notary Public for Washington
My commission expires _____