

BYLAWS OF ASSOCIATION OF APARTMENT OWNERS

OF

YARROWOOD CONDOMINIUM

A Condominium

The following are Bylaws of the Association of Apartment Owners of Yarrowood Condominium, a condominium, established according to the laws of the state of Washington. These Bylaws provide for operation of the condominium. They apply to the entire condominium, each apartment therein, and all common areas and facilities. Each apartment owner automatically, by virtue of such ownership, becomes a member of the Association. All present and future owners, mortgagees and other encumbrancers, lessees, tenants, licensees, and occupants of apartments, and their guests and employees, and any other person who may use the facilities of the condominium are subject to these Bylaws, the Declaration and Covenants, Conditions, Restrictions and Reservations for Yarrowood Condominium, and the rules and regulations pertaining to use and operation of the condominium. These Bylaws have been established by the corporation that executed and filed the Declaration and created the condominium (the "Declarant"), and may be amended as provided herein.

Words and phrases that are defined in the Declaration shall have the same meaning in these Bylaws.

These Bylaws are applicable to Phase I of the condominium upon the recording of the Declaration. When (and if) Declarant records its Phase II Certificate these Bylaws will be immediately applicable to Phase II.

Until the Transition Date occurs these Bylaws shall be administered and may be amended (subject to such mortgagee approval as may be required) by Declarant, or by a Managing Agent appointed by Declarant, or by an interim board of directors designated by Declarant. All references herein to the "Board" shall apply with equal force and effect to Declarant, the Managing Agent, or the interim board of directors, whichever has the responsibility for administering the condominium.

ARTICLE I

Membership; Register; Voting

1. Membership. The owners of apartments in the condominium shall constitute the Association of Apartment Owners. Corporations,

partnerships, associations, and other legal entities, trustees under an express trust, and other fiduciaries, as well as natural persons, may be members of the Association. Owners of an apartment as joint tenants, tenants in common, community property, or other ownership involving more than one owner, shall be joint members of the Association, but the sum total of their vote shall not exceed the percentage of interest for voting power appurtenant to the apartment owned.

2. Persons under Disability. Minors and persons declared legally incompetent shall be eligible for membership in the Association, if otherwise qualified, but shall not be permitted to vote except through a legally appointed, qualified, and acting guardian of their estate voting on their behalf, or, in the case of a minor with no legal guardian of his estate, through a parent having custody of the minor.

3. Register of Members. The Board shall cause a register to be kept containing the names and addresses of all members of the Association. Persons who purchase an interest in an apartment shall promptly inform the Board of their interest. Persons who claim to be members of the Association shall, upon request, furnish the Board with copies of any documents under which they assert ownership to an apartment or any interest therein, and any mortgages thereon.

ARTICLE II

Meetings of Members

1. Place. Meetings of the members of the Association shall be held at such suitable place on the property as may be convenient to the membership and designated from time to time by the Board.

2. Annual Meeting. The annual meeting of the Association shall be held in the first quarter of each year, on a date fixed by the Board. At such annual meeting there shall be a financial report, the owners shall elect members to the Board or fill vacancies therein, and such other business as shall come before the meeting may be transacted.

3. Special Meetings. It shall be the duty of the president to call a special meeting of the Association as directed by resolution of the Board or upon the written request of a majority of the Board or upon the written request of owners having one-third of the total voting power of the Association. A meeting called at the request of the members shall be held at such time as the president may fix, which time shall not be less than 15 nor more than 30 days after the receipt of the written request therefor.

4. Notice of Meetings. It shall be the duty of the secretary to give notice of each annual and special meeting, stating the purpose thereof and the time and place where it is to be held,

to each member of the Association and to each mortgagee that has requested notice, all as provided in Article 15 of the Declaration. Notice shall be given at least 30 days before annual meetings and at least 10 days before special meetings. Before any meeting of the Association, any member may, in writing, waive notice of such meeting. Attendance by a member at a meeting of the Association shall be a waiver by him of timely and adequate notice unless he expressly challenges the notice when the meeting begins.

5. Quorum. The presence in person or by proxy of members of the Association or voting representatives holding 60% of the total vote shall constitute a quorum for the transaction of business at any meeting of members of the Association.

6. Proxies. Any apartment owner or voting representative may vote by proxy. Proxies shall be in writing, signed by the apartment owner, or voting representative, and filed with the Board. Proxies may be revoked at any time by written notice to the Board. Any designation of proxy must be signed by all owners of an apartment; but where husband and wife are owners, the proxy may be signed by only one spouse unless the other spouse notifies the Board not to accept the proxy.

7. Majority Vote. Except as otherwise provided by statute, by the Declaration, or by these Bylaws, passage of any matter submitted to vote at a meeting where a quorum is in attendance, shall require the affirmative vote of at least 51% of the voting power present.

8. Order of Business. The order of business at meetings of the Association shall be as follows unless dispensed with on motion:

- (a) Roll call;
- (b) Proof of notice of meeting or waiver of notice;
- (c) Minutes of preceding meeting;
- (d) Reports of officers;
- (e) Reports of committees;
- (f) Election of directors (annual meeting or special meeting called for such purpose);
- (g) Unfinished business;
- (h) New business;
- (i) Adjournment.

9. Parliamentary Authority. In the event of dispute, the parliamentary authority for the meetings shall be the most current available edition of Roberts Rules of Order.

ARTICLE III

Board of Directors

1. Number and Qualifications. The affairs of the Association shall be governed by a Board of not fewer than five nor more than nine directors, who shall be elected by ballot from the members of the Association. The members of the Association at any annual meeting may change the number of directors within those limits, but shall not reduce the number in such a manner to deny an incumbent director (unless removed for cause) a full term of office. If a corporation is a member of the Association, any one of its officers, directors, or shareholders may be elected to the Board; if a partnership is a member, any one partner of such partnership may be elected to the Board.

2. Powers and Duties. The Board shall have the powers and duties provided for the administering authority of the condominium in the statutes and in the Declaration, and all other power necessary for the administration of the affairs of the Association, and may do all such acts and things as are not prohibited by statute or the Declaration required to be done in another manner. No contract made by the Board or any officer for the Association shall have a fixed term longer than one year.

3. Managing Agent. Management of the condominium shall initially be carried out by Declarant or a Managing Agent appointed by Declarant or by an interim Board selected by Declarant as provided in Article 16 of the Declaration. The interim Board, if one is selected, and the permanent Board after the Transition Date, shall employ an experienced professional managing agent to assist the Board in the management and operation of the condominium. Neither Declarant, the Board, nor the apartment owners shall discontinue the use of experienced professional management and assume self-management without the prior written consent of all federal or state agencies that may then own or have insured or guaranteed a mortgage, and each institutional holder of a first mortgage, then on an apartment in the condominium.

4. Election and Term of Office. On the Transition Date or as soon after it as possible there shall be a meeting of the Association to elect a Board of seven directors to serve until the first day of the calendar month following the date of adjournment of the first annual meeting. Thereafter, the term of office for directors will begin on the first day of the calendar month following the date of adjournment of the annual meeting at which they are elected. The normal term of office for directors will be for three years and until their successors are elected and take office. However, to provide for staggered terms, at the first annual meeting two directors will be elected for three years, two for two years, and three for one year.

5. Vacancies. Vacancies on the Board caused by reasons other than the removal of a director by a vote of the Association shall be filled by vote of the majority of the remaining directors, even though they may constitute less than a quorum; and each person so selected shall be a director until a successor is elected at the next annual meeting of the Association to serve the balance of the unexpired term.

6. Removal of Directors. At any regular or special meeting after the Transition Date, any one or more of the directors may be removed, with or without cause, by the holders of a majority of the total voting power of the Association and a successor may then be elected to fill the vacancy thus created and to serve the balance of the unexpired term. Any director whose removal has been proposed shall be given an opportunity to be heard at the meeting.

7. Compensation. No compensation shall be paid to directors for their services as directors.

8. Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined from time to time by a majority of the directors, but at least two such meetings shall be held during each fiscal year. Notice of regular meetings of the Board shall be given to each director personally or by mail, telephone, or telegraph, at least three days before the day fixed for the meeting.

9. Special Meetings. Special meetings of the Board may be called by the president on three days' notice to each director, given personally or by mail, telephone, or telegraph, which notice shall state the time, place, and purpose of the meeting. Special meetings of the Board shall be called by either the president or secretary in like manner and on like notice on the written request of any two directors.

10. Waiver of Notice. Before any meeting of the Board, any director may, in writing, waive notice of such meeting. Attendance by a director at any meeting of the Board shall be a waiver by him of timely and adequate notice unless he expressly challenges the notice when the meeting begins.

11. Quorum. At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business, and the acts of the majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board.

12. Open Meeting. Any apartment owner or voting representative may attend any meeting of the Board, but shall not be entitled to participate.

ARTICLE IV

Officers

1. Designation. The principal officers of the Association shall be a president, a vice president, a secretary, and a treasurer, all of whom shall be elected by and from the Board. The directors may appoint from the Board such other officers as in their judgment may be necessary or desirable.

2. Election of Officers. The officers of the Association shall be elected annually by the Board at the first Board meeting after the annual meeting of the Association. They shall hold office at the pleasure of the Board.

3. Removal of Officers. At any regular meeting of the Board or at any special meeting of the Board called for such purpose, upon an affirmative vote of a majority of the members of the Board, any officer may be removed, either with or without cause. A successor to such removed member may be elected at any such meeting.

4. President. The president shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board and shall have all powers and duties usually vested in the office of the president.

5. Vice President. The vice president shall perform the duties of the president when the president is absent or unable to act, and shall perform such other duties as may be prescribed by the Board.

6. Secretary. The secretary shall keep the minutes of all meetings of the Board and of the Association and shall have custody of the business records of the Board and the Association, other than financial records kept by the treasurer. He shall also perform such other duties as may be prescribed by the Board.

7. Treasurer. The treasurer shall have responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association.

8. Other Officers and Employees. Other officers of the Association and any persons employed to assist the officers, shall have such authority and shall perform such duties as the Board may prescribe within the provisions of the applicable statutes, the Declaration, and these Bylaws.

9. Compensation. The Board may pay reasonable compensation to any officer or owner who performs substantial services for the condominium in carrying out the management duties of the Board. The Board's decision to compensate an officer shall not become final until 60 days after notice of it (including the amount of compensation to be paid) has been given to all persons entitled to notice of meetings of the Association, and such decision may be reversed by the members of the Association at a meeting duly called and held within 60 days after the notice of the decision was given.

10. Declarant's Powers. In accordance with the Declaration, the Declarant, Declarant's managing agent, or the interim board of directors may exercise the powers of the officers until the Transition Date.

ARTICLE V

Committees

1. Committees of Directors. The Board may appoint one or more committees that consist of one or more directors. Such

committees, if composed entirely of Board members, shall have and exercise, to the extent provided in the resolution establishing the committee, the authority of the Board in the management of the Association; but the appointment of any such committee shall not relieve the Board of its ultimate responsibility for the administration and management of the condominium.

2. Other Committees. Other committees, not having or exercising the authority of the Board in the management of the Association, may be appointed by the president or the directors, and such committees may be composed of one or more members of the Association other than Board members, but at least one member must be a Board member.

ARTICLE VI

Obligations of Apartment Owners

1. Contribution to Working Capital. The original first purchaser of each apartment from Declarant shall pay to the Association as a contribution to the Association's initial working capital an amount equal to three times the estimated monthly assessment against such apartment.

2. Monthly Assessments. All owners are obligated to pay monthly assessments imposed by the Association to meet the common expenses of the condominium as provided in the Declaration.

3. Compliance with Covenants, Bylaws, and Administrative Rules and Regulations. Each apartment owner shall comply strictly with the Declaration, these Bylaws, and with the administrative rules and regulations adopted pursuant thereto, as they may be lawfully amended from time to time, and with the covenants, conditions, and restrictions set forth in the deed to his apartment. Failure to comply with any of the foregoing shall be ground for an action to recover sums due, damages, and for injunctive relief, or any or all of them, maintainable by the Board or the managing agent on behalf of the Association or by a particularly aggrieved apartment owner.

ARTICLE VII

Handling of Funds

1. Accounts. The Association shall establish the necessary funds or accounts to provide properly for the operation and maintenance of the condominium. Overall superintendence of these funds shall be the responsibility of the treasurer of the Association. All accounts with banks or other depositories shall require the signature of two officers on checks or other withdrawals. There shall be at least three separate funds as outlined in Sections 2, 3, and 4 of this Article VII.

2. Reserve Fund for Insurance Premiums. The treasurer shall cause to be established an interest-bearing savings account in

a savings bank or savings and loan association, which shall be known as the "Reserve Fund for Insurance Premiums." Each month the treasurer shall cause to be deposited into this fund an amount equal to at least one-twelfth of the total cost of all premiums for the policy or policies and bonds the Association is required by the Declaration to purchase. Such premiums shall be paid out of this fund.

3. Reserve Fund for Replacement of Common Areas and Facilities. The Association shall maintain an interest-bearing savings account in a savings bank or savings and loan association, which account shall be known as the "Reserve Fund for Replacement of Common Areas and Facilities." The purpose of the reserve account will be to provide for major redecorating and repair of common areas and facilities, for replacement of structural elements and mechanical equipment of the condominium, and for other expenditures for common areas and facilities of the kind treated as capital expenditures according to good accounting practices. An amount equal to 3% of the operating expenses of the condominium shall be budgeted and included in the monthly assessments for allocation of this fund until it is equal to 30% of current annual budget for operating expenses, at which time the Board may reduce or suspend the monthly allocation to this fund. If subsequent expenditures of this fund reduce its balance below the 30% level, deposits of equal to 3% or more of the monthly operating expenses shall be resumed until the fund level is restored to 30% of the current annual budget for operating expenses.

4. Working Capital Fund. The treasurer shall cause to be established a checking account in a commercial bank to be known as the "Working Capital Fund." This fund will be used for the normal operation of the condominium and will normally receive all monthly assessments, first purchasers' initial contributions to the fund, and other monies received by the Association. Checks shall be issued from this account for all management, maintenance, and operation expenditures necessary for the condominium. Funds for the Reserve Fund for Insurance Premiums and the Reserve Fund for Replacement of Common Areas and Facilities will normally be deposited in the Working Capital Fund and checks immediately issued to the other funds so an overall account of the funds received and disbursed by the Association is centralized in the check register of the Working Capital Account.

ARTICLE VIII

Amendment of Percentage of Interest in Common Areas and Facilities

1. Appraisal. The condominium and all parts thereof shall be reappraised upon the happening of any event which, in the judgment of the Board, requires a reappraisal and reapportionment of the values of one or more apartments or appurtenant common areas and facilities. The appraisal shall be made by a competent appraiser selected by the Board. After the appraisal has been made, it shall be considered by the apartment owners at an annual or special meeting.

any apartment owner shall have the right to be heard at the meeting and to introduce evidence if he desires.

2. Consent Required. The value of the property and of each apartment and the percentage of undivided interest in the common areas and facilities shall not be altered without first amending the Declaration, and any such amendment shall require the unanimous consent of the apartment owners and their mortgagees.

ARTICLE IX

Keeping Records and Reports

1. General. The Board shall cause to be kept complete, detailed, and accurate books and records of the receipts and expenditures of the Association, in a form that complies with generally accepted accounting principles. The books and records, authorizations for payment of expenditures, and all contracts, documents, papers, and other records of the Association shall be available for examination by the apartment owners, apartment mortgagees, and the agents or attorneys of either of them, during normal business hours and at any other reasonable time or times.

2. Financial Reports. The Board shall cause to be issued and mailed to all members of the Association and to all apartment mortgagees that request them, within 90 days following the end of each fiscal year of the condominium, an audited financial statement for that fiscal year, which shall include a balance sheet, a statement of operations, and a comparison between the actual expenses of operation and the expenses that had been projected for that year. Holders of first mortgages on apartments may require the submission of additional financial data of the condominium as is reasonably required by prudent mortgage loan management.

ARTICLE X

Amendments

Any apartment owner or owners who desire that these Bylaws be amended may propose amendments to the Board. A majority of the members of the Board may cause a proposed amendment to be submitted to the members of the Association for their consideration. If an amendment is proposed by owners of 20% or more of the apartments in the condominium, then irrespective of whether the Board concurs in the proposed amendment it shall be submitted to the members of the Association for their consideration at their next regular or special meeting for which timely notice may be given. Notice of a meeting at which an amendment is to be considered shall include the text of the proposed amendment. Amendments may be adopted at a meeting of the Association or by written consent of the requisite number of persons entitled to vote, after notice has been given to all persons (including mortgagees) entitled to receive notice of a meeting of the Association. The unanimous vote of all apartment owners shall be required for adoption of either an amendment altering the value of the property and of each apartment or the percentages of undivided interest in the common areas and facilities, or an amendment of this Article X. All other amendments shall be adopted if approved by 60% of the apartment owners. No material amendment of the Declaration or of these Bylaws may be made without the prior written approval of each institutional holder of a first mortgage lien on an apartment.

ARTICLE XI

Abandonment or Termination of Condominium Status

Except in cases of substantial damage to the property as provided in Article 24 of the Declaration, the condominium status of the property shall not be abandoned or terminated by reason of any act or omission by the owners or the Association except with the consent of all apartment owners by an instrument to that effect duly recorded, and then only if the mortgagees and holders of all liens affecting any of the apartments consent thereto or agree, in either case by an instrument duly recorded, that their mortgages and liens be transferred to the percentage of the undivided interest of the apartment owner in the property.

Adopted as Bylaws of the Association by Declarant on the 16th day of December, 1975.

DECLARANT

COLDWELL BANKER MANAGEMENT CORPORATION

ATTEST:

Michael A. Fichelle
Secretary

By Richard C. Clotfelter
Executive Vice President