

CARLYON BEACH HOMEOWNERS ASSOCIATIONS, INC.

BY-LAWS

(As amended June 22, 2011)

ARTICLE I

Purposes

SECTION 1. This corporation shall be conducted as a non-profit maintenance corporation for the purposes set forth in the Articles of Incorporation for the area situated in Thurston County, Washington.

SECTION 2. The corporation shall have power to levy and collect assessments against its members and against the tracts owned or purchased by them for the purposes in its Articles of Incorporation, and By-Laws set forth, and to sell or forfeit their interest in the corporation for default with respect to any lawful provisions of said Articles Of Incorporation and By-Laws and upon forfeiture of any such property as by law and in the By-Laws provided may transfer the membership of such defaulting member.

SECTION 3. The purposes for which this corporation was created may be altered, modified, enlarged, or diminished, by an affirmative vote of two-thirds of the members voting in person or by absentee ballot, at any annual or special meeting duly called for such purpose, notice of which meeting shall be given in the manner provided by the By-Laws for giving notice of the election of trustees.

ARTICLE II

Membership

SECTION 1. The membership of the corporation shall consist of and be limited to the owners or purchasers of tracts in the area described in Article II of the Articles of Incorporation. A member shall have one membership in the corporation (Association) regardless of the number of land parcels owned or purchased by that member. Conversely, if any tract or tracts are held jointly or communally by two or more persons, the several owners of such parcels shall be entitled collectively to cast one vote, therewith representing a single membership. The privileges and entitlements conferred upon a single membership shall not be vested in more than one person. A purchaser under contract of purchase of record shall be deemed to be an owner for membership purposes.

A. The interest of each person or persons who enjoy a membership shall be equal to that of any other member; and no member shall acquire any interest which shall entitle that person or persons to any greater voice, vote, privilege, or authority in the corporation than any other member, except as specifically prescribed in Articles VI and VII, following.

B-1 Membership derived from and appurtenant to ownership of property is to be distinguished from a member shall be only if the member has no delinquent account with the corporation. A member not in good standing shall forfeit the following privileges accorded to members in good standing: voting, applying for any permit, rental of a marina slip, reserved use of the clubhouse, candidacy for a board position, appointment to a board position, recognition to speak at a board meeting or at either a general or special meeting the membership.

B-2 Homeowners may lease a marina slip for the year for their renter. The homeowner would be responsible for the yearly fee. Both parties would observe all marina rules.

C. Owners of tracts shall be verified by presentation to the corporation (Association) of a copy of the Deed of Trust or other document utilized by Thurston County or the State of Washington to determine ownership. A Certificate of Ownership shall be issued following submission to CBHA of ownership documentation.

D. Once membership is verified a Certificate of Membership by the Corporation (Association) in accordance with Article VIII, Section 1 of these By-Laws will be issued.

SECTION 2. Except as herein before otherwise provided and as declaratory of the foregoing, no membership shall be voted unless represented by the owner or purchaser as aforescribed of an individual tract or tracts to which it is and shall be inseparably appurtenant.

No conveyance of any manner of tracts in the area described in Article II of the Articles of Incorporation should be made until all assessments due and payable at the time of such conveyance are paid in full. In the event a conveyance is made without the payment in full of any such assessment, the purchaser shall be liable for such payment.

SECTION 3. Membership shall be inseparably appurtenant to tracts owned by the members, and upon transfer of ownership, or contract of sale, of any such tracts, membership or certificates of membership shall ipso facto be deemed to be transferred to the contract purchaser. No membership or certificate of membership may be transferred, assigned, or in any manner conveyed, other than in the manner herein before set forth. In the event of the death of a member, the membership and certificate of membership of such member shall be and become the property of the personal representative of such deceased member upon the appointment and qualification of such in a judicial proceeding and such personal representative shall have all of the rights, privileges and liabilities of the deceased member until title shall be transferred or contracted to be transferred.

No member, as defined in Article 11, Section 1, shall be a landlord renting or leasing more than one land parcel in the corporation regardless of the number of land parcels to which the membership is appurtenant. A member who enters into a rental or leasing arrangement shall within ten (10) days notify the Secretary of the Board of Trustees, such notice to contain the name and Carlyon Beach address of the person or persons to whom the property is rented or leased and the effective date of the arrangement. The entitlement of membership as heretofore delineated does not apply to persons renting or leasing property in the corporation. Any member unresponsive to the requirements of this section shall be prosecuted and shall be responsible for Association attorney fees consequent to this action.

SECTION 4. No membership shall be forfeited nor membership be expelled except upon foreclosure for nonpayment of assessments, and no member may withdraw except upon transfer of title to the real property to which his/her membership is appurtenant as elsewhere herein provided. No compensation shall be paid by the corporation. upon any transfer of membership and no member whose membership is transferred shall be entitled to share or participate in any of the property or assets of the corporation.

ARTICLE III **Dissolution**

In the event of the dissolution of the corporation each person who is then a member shall receive his/her pro rata, proportion of the property and assets after all of its debts have been paid.

ARTICLE IV **Trustees and Officers**

SECTION 1. Corporate powers of the corporation shall be vested in the Board of Trustees. The affairs of the Association shall be managed by a Board of seven Trustees.

SECTION 2. Trustees shall be elected for terms of two years. At alternating annual meetings four trustees and then three trustees will be elected for full terms.

SECTION 3. Each trustee shall be a member in good standing who shall not have lost his/her right to vote by reason of having disposed of land to which his/her membership is appurtenant. In no case shall a member employed by the corporation serve as a trustee, nor shall a trustee accept employment by the corporation either part-time or full-time except by relinquishing his/her position on the Board of Trustees. Employees of CBHA, spouses or immediate family members, (identified as mother/father, brother/sister or son/daughter) of current board members may not serve on the board of directors at the same time as the already elected board member; nor may spouses or immediate family members of current board members be employed by CBHA.

SECTION 4. In the event a trustee is absent for more than two consecutive regular board meetings without being excused by a majority of the board, and/or the trustee ceases to be the owner of land to which his/her membership is appurtenant or of a contract for the purchase thereof, he/she shall thereby cease to be a trustee, and his/her office shall become vacant upon written notification without action other than to spread such fact upon the minutes of the Board of Trustees. Any trustee can be removed from the Board of Trustees and his/her position declared vacant by an affirmative vote of one less than the total number of members of the board. In this matter, the president shall vote as a member of the board.

SECTION 5. At the first meeting of the Board of Trustees after each annual meeting of the members the Board of Trustees shall elect by majority ballot only the following officers of the Board: President, Vice-President, Secretary and Treasurer. Vacancies that occur among officers of the board shall be filled in the same manner by majority ballot of all trustees then serving. An officer of the board so elected shall hold office for the term of one year and until his/her successor is elected. Any officer during his/her term on the board may be removed from that office by a majority affirmative vote of all of the trustees.

SECTION 6. Any vacancy occurring on the Board of Trustees shall be filled in progression from unsuccessful candidates from the last general membership election, starting with the unsuccessful candidate having the greatest number of votes providing the candidate received eight or more votes. Should this method of selection not be effective, then the vacancy shall be filled by appointment by a majority of the remaining trustees. The person appointed by either method shall hold office until the completion of the original term associated with the vacant position. No position on the Board of Trustees shall remain vacant for more than three months.

SECTION 7. In the execution of the board's authority to manage the affairs of the corporation, the President shall assign to each trustee, excluding the President, a specific area of managerial responsibility, for which that trustee shall be regularly accountable to the board and, hence, ultimately to the membership. The President's area of responsibility is administration.

SECTION 8. To the full extent permitted by the Washington Business Corporation Act pursuant to Title 23 B of the Revised Code of Washington, the corporation shall indemnify any person who was or is a party or is threatened to be made a party to any civil, criminal, administrative or investigative action, suit, or proceeding (whether brought by or in the right of the corporation or otherwise), by reason of the fact that he or she is or was a director/trustee or officer of the corporation, against expenses (including attorneys fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceedings; and the Board of Trustees may at any time approve indemnification of any other person whom the corporation has the power to indemnify under the Washington Business Corporation Act as set forth above. The indemnification provided by this Article shall not be deemed exclusive of any other rights to which a person may be entitled as a matter of law or by contract.

SECTION 9. The Officers and trustees shall, in the performance of their duties, exercise the degree of care and loyalty required of officers and trustees of a corporation organized under RCW Chapter 24.03.

SECTION 10. No member of the board of directors, or any board committee shall participate in any vote on any subject in which he or she has a conflict of interest including but not limited to personal, professional, or financial. Trustees or Committee members with such conflicts of interest shall disclose them and recuse themselves from any discussion, participation or deliberation in the matter.

ARTICLE V

Meetings

SECTION 1. All meeting of the CBHA membership shall be held at the principal place of CBHA business or at such other place as the Board of Trustees may elect. Meetings shall be conducted in accordance with Robert's Rules of Order. Not less than fourteen, nor more than sixty days in advance of any meeting, the secretary shall cause notice to be hand delivered or sent prepaid by United States mail, including electronic mail, to the mailing address of each member or to any other mailing

address designated in writing by the member. The notice of any meeting shall state the time, place and agenda as set by the Board of Trustees. All meeting notices which include proposals to amend the Articles of Incorporation, the Covenants, the By-Laws, or the current Operating Budget; or to adopt a new Annual Operating Budget; or a proposal to remove a trustee, shall include an official ballot with instructions for use. The Annual meeting shall be held at 10:00AM on the second Saturday of June. The agenda for the annual meeting shall be prepared by the Board of Trustees at their Regular April meeting. The proposed agenda for the Annual Meeting shall include By-Law changes submitted by members in good standing for a vote of the membership.

SECTION 2. Special meetings of the members may be called at any time by the President or a majority of the Board of Trustees or by a petition signed by members in good standing who constitute a minimum ten percent (10%) of the membership of the Association. A petition calling for a special meeting shall be submitted to the Secretary of the Board of Trustees not less than 30 days prior to the date of the special meeting requested in the petition.

SECTION 3. At any annual or special meeting of the members, a motion introduced from the floor shall not be accepted for a seconding motion or for discussion if the motion proposes a change to these By-Laws or a direct monetary assessment or charge upon the membership. Any other motion introduced and seconded from the floor shall be certified as approved by secret ballot providing the following requirements are satisfied: (1) the motion receives a minimum two-thirds majority affirmative vote from those members in good standing who are present and casting ballots; (2) valid ballots cast shall equal no less than 99% of the quorum present; and (3) voting is conducted by secret ballot. (Motions intended only to facilitate the parliamentary process are exempt from the secret ballot requirement).

SECTION 4. Regular meetings of the Board of Trustees shall be held at 7:00 p.m. on the fourth Tuesday of each month, at the principal place of business of the corporation. Special meetings of the Board of Trustees shall be called at any time by the Secretary on order of the President or a majority of the Board of Trustees. Board meetings shall be conducted in accordance with Robert's Rules of Order. The Secretary shall give each trustee notice, personally or verbally, by mail or by telephone of all regular and special meetings at least one day previous thereto. The general membership shall be notified of such meetings by posting notice thereof on the community clubhouse bulletin board at least one day previous thereto. Except as provided in this section, all meetings of the Board of Trustees shall be open for observation by all members of record and their authorized agents. The Board of Trustees shall keep minutes of all actions taken by the board, which shall be available to all members. Upon the affirmative vote in open meeting to assemble in closed session, the Board of Trustees may convene in closed executive session to consider personnel matters; consult with legal counsel; and discuss likely or pending litigation, matters involving possible violations of the governing documents of the association, and matters involving the possible liability of a member to the association. The motion shall state specifically the purpose for the closed session. Reference to the motion and the stated purpose for the closed session shall be included in the minutes. The Board of Trustees shall restrict the consideration of matters during the closed portions of meetings only to these purposes specifically exempted and stated in the motion. No motion, or other action adopted, passes, or agreed to in closed session may become effective unless the Board of Trustees, following the closed session, reconvenes in open meeting and votes in the open meeting on such motion, or other action which is reasonably identified. The requirements of this section shall not require the disclosure of information in violation of law or which is otherwise exempt from disclosure.

SECTION 5. A member in good standing may exercise his/her right to vote either in person or by absentee ballot. A ballot shall be mailed to each member together with the notice of an annual or special meeting, information pertaining to ballot measures and candidates, and the agenda of the meeting. The ballot shall provide an opportunity for each qualified member to exercise an affirmative or negative vote on each candidate and each ballot measure. To be valid an absentee vote must be returned to the Association's business address by 5:00 p.m. of the day before the specified annual or special meeting. Each absentee ballot is to be placed in the small envelope provided by the corporation. The small envelope is to be sealed and returned in the large envelope along with the signature and information slip detached from the ballot. The small envelope is to remain sealed until such time as all ballots are counted. No ballot from a member's absentee ballot package will be accepted on Election Day. An otherwise identical but different color ballot will be distributed at the annual meeting to members in good standing who did not vote by absentee ballot. Voting on

acceptable motions made and seconded from the floor of a meeting of the membership shall utilize a separate ballot distributed to members in good standing.

SECTION 6. Eight days prior to an annual or special meeting of the membership the Board Secretary shall determine and certify the names of those members who are entitled to vote, either in person or by absentee ballot, as specified elsewhere in these By-Laws.

SECTION 7. All members entitled to vote at any regular or special general membership meeting shall vote by secret ballot. Following balloting, all ballots shall be opened and tallied by a balloting committee of not less than three (3) persons appointed to the committee and identified by the President or his/her designee. Results of the balloting shall be announced before the adjournment of the general membership meeting and shall be recorded in the official minutes of that meeting. The results shall also be posted by 5:00 p.m. of the same day on the clubhouse bulletin board.

SECTION 8. A quorum is present throughout any annual or special meeting of the Association if twelve percent (12%) of the members entitled to vote are present in person at the beginning of the meeting or having submitted a valid ballot.

SECTION 9. At any annual or a special meeting of the members at which a quorum of CBHA members in good standing is present, a motion to initiate the removal of any Trustee from the Board, with or without cause, may be adopted by a majority of votes of those members in good standing present at the meeting. Within ten (10) days following the meeting, a ballot shall be mailed to each member in good standing, together with the adopted motion. The ballot shall provide an opportunity for each member in good standing to exercise an affirmative or negative vote on each ballot issue. Qualifying ballots must be received no later than 5:00 PM thirty (30) days from the date of the mailing. Mailing and tallying instructions are described in Section 5 and Section 7 of this Article.

SECTION 10. Between the annual meeting and the June board meeting, each year, the new board has to have a workshop meeting for the following: The board needs to read and discuss the Covenants, By-Laws and Rules and Regulations.

ARTICLE VI

Powers and Duties of Trustees

As established by Article IV, Section 1, subject to limitation in the Articles of Incorporation and the By-Laws and the laws of the State of Washington. All powers of the corporation shall be exercised by or under the authority of and the business and affairs of the corporation shall be controlled by the Board of Trustees. Without prejudice to such general powers and subject to the same limitation, it is hereby expressly declared that the trustees shall have the powers and duties established by the following sections:

SECTION 1. To require each trustee assigned a specific managerial responsibility as per Article IV, Section 7, to submit to the board at its regular April meeting a list of proposed projects and expenditures for the next fiscal year in his/her area of responsibility; and at the regular May meeting of the board to require each trustee to submit a report delineating and summarizing the problems, accomplishments, and expenditures in his/her area of responsibility during the current fiscal year (July 1 -June 30).

SECTION 2. To select and remove all other officers, agents and employees of the corporation, prescribe such powers and duties for them as may not be inconsistent with law, with the Articles of Incorporation or the By-Laws, fix their compensation and require from them security for faithful service.

SECTION 3. To conduct manage and control the affairs and business of the corporation. and to make such rules and regulations therefore not inconsistent with law, with the Articles of Incorporation or the By-Laws, as they may deem best; and furthermore, to annually review the Carlyon Beach Homeowners Association Rules and Regulations and make changes to the general membership available by the regularly scheduled August Board meeting. Membership comments and suggestions will be received by the Board through the-September regularly scheduled Board Meeting. The Board

will then vote to establish the revised Rules and Regulations at their regular October board meeting. In no case shall a change in a Rule or Regulation pertaining to a construction permit be applied retroactively to a completed construction authorized by a previous construction permit issued by the Carlyon Beach Homeowners Association. All costs, including but not limited to attorney fees, incurred by the Association to enforce compliance with said Rules and Regulations and By-Laws shall be charged to the offending member or members, and collected as prescribed in Article IX, Section 4B. Only the Board, Board President, Facilities Manager or their designee may contact the CBHA attorney on behalf of CBHA.

SECTION 4. To charge and/or assess the several parcels of land and the owners thereof as hereinafter more particularly set forth.

SECTION 5. To cause to be kept a complete record of all minutes and acts of regular and special general membership meetings held during the preceding fiscal year, and upon request, present to the general membership copies of these complete records along with a statement showing in detail the condition of the financial affairs of the corporation. The Association or its managing agent shall keep all financial and other records sufficiently detailed to enable the Association to fully declare to each member the true statement of its financial status. All financial and other records of the Association, including but not limited to checks, bank records, and invoices, in whatever form they are kept, are the property of the Association. Each Association managing agent shall turn over all original books and records to the Association immediately upon termination of the management relationship with the Association or upon such other demand as is made by the Board of Trustees. An Association managing agent is entitled to keep copies of Association records. All records which the managing agent has turned over to the Association shall be made reasonable available for the examination and copying by the managing agent. All records of the Association, including the names and addresses of members and other occupants of the lots, shall be available for examination by all members, holders of mortgages on the lots, and their respective authorized agents on reasonable advance notice during normal working hours at the offices of the Association or its managing agent. The Association shall not release the unlisted telephone number of any member. The Association may impose and collect a reasonable charge for copies and any reasonable costs incurred by the Association in providing access to records.

SECTION 6. Pursuant to Article V-Section 1 and for each annual meeting, the board shall cause to be prepared and submitted to the general membership for their approval, a budget for the ensuing fiscal year. If the proposed budget is rejected, the periodic budget last ratified by the members shall be continued until such time as the members ratify a subsequent budget.

SECTION 7. To approve by a majority vote of the trustees expenditures of moneys for capital improvements from any fund not to exceed \$3,000 for any one expenditure. No individual member shall cause solicitation of work or an expenditure of CBHA money without the authorization of an appropriate Board motion. Board A solicitation of work by the Board or authorized Staff that exceeds \$3,000 shall require written cost estimates requested from at least three appropriate vendors. In the case of emergency expenditures (emergency is defined as any situation the board determines has a potential to threaten the safety of anyone or the potential harm to the assets of CBHA greater than \$3,000, the expenditure of club funds shall require a unanimous affirmative vote of the current trustees.

SECTION 8. To cause to be prepared and submitted to the general membership before the sale or transfer of any Carlyon Beach Homeowners Association real property, Division 1 or Division 2, a copy of the proposed offer for the ensuing sale. This offer shall be reviewed and voted on by the membership, at either the annual meeting or through a special vote by mail, with a majority vote required, prior to any sale being authorized.

SECTION 9. To designate at least one day during each calendar year to close and post all roads in the Carlyon Beach Homeowners Association as private and not open to public thoroughfare.

ARTICLE VII

Duties of Officers

SECTION 1. President: The President shall preside at all meetings of the trustees and members; sign as President all contracts or other instruments in writing authorized by the Board of Trustees; call special meetings of the trustees or of the members whenever necessary; have and exercise under the direction of the Board of Trustees the general supervision of the affairs of the corporation; perform other duties as specified elsewhere in the By-Laws. Only the President or his/her designee shall, upon the advice, perceived need, or request of a trustee, assign a CBHA employee specific duties, tasks, and responsibilities. Employee accountability for work performance shall utilize specifically formulated, board approved performance objectives and shall be based upon specified standards by which an employee's attainment of the performance objectives can be evaluated. The evaluation of each employee's work performance shall at least once annually be accomplished by discussions and formal action undertaken by the Board of Trustees.

SECTION 2. Vice-President: The Vice-President shall preside at all meetings in the absence of the President, and in the case of the absence or disability of the President shall perform all other duties of the President which are incidental to his/her office.

SECTION 3. Secretary: The Secretary shall issue all notices and shall attend and keep the minutes of all meetings; he/she shall have charge of all corporate books, records and paper; he/she shall be custodian of the corporate seal, shall attest his/her signature and impress with the corporate seal all written contracts of the corporation and shall perform all such other duties as are incidental to his/her office.

SECTION 4. Treasurer: The Treasurer shall cause to be maintained: a General Fund, a Sewer Fund, a Marina Fund, and a Capital Fund in which the official CBHA fiscal records and transactions shall be recorded. Within each fund, capital expenditures shall be so identified. The Treasurer shall keep safely all moneys and securities of the corporation and disburse the same under the direction of the Board of Trustees. He/she shall cause to be deposited all funds of the corporation in financial institutions selected by the Trustees. At each annual meeting of the members and at any time directed by the trustees, he/she shall issue and present a full statement showing in detail the condition of the financial affairs of the corporation. The funds of the Association shall be kept in accounts in the name of the Association and shall not be commingled with the funds of any other association, or with the funds of any manager of the Association or any other person responsible for the custody of such funds.

SECTION 5. The executive secretary and/or assistant secretary and/or assistant treasurer, if appointed by the Board of Trustees shall perform such duties as may be designated by it.

SECTION 6. Any officer, other than the President, may occupy two offices concurrently if the Board of Trustees so directs.

ARTICLE VIII

Transfers

SECTION 1. All memberships shall be inseparably appurtenant to the tract, tracts, or fractional tracts owned by the holders thereof and upon sale or contract to sell such memberships shall become the property of the grantee or purchaser as herein before provided. No transfer of membership shall entitle a transferee to vote the same or enjoy any of the privileges of membership until the Secretary establishes to his/her satisfaction that such transfer is bona fide and that all assessments due and payable at the time of such transfer are paid in full.

ARTICLE IX
Assessments and Charges

SECTION 1. The members of the corporation shall be liable for the payment of such charges or assessments as may from time to time be fixed and levied by the Board of Trustees pursuant to the provisions of said Articles and By-Laws. Provided, however, that excluding Capital Fund Assessments, in no year shall all such charges or assessments exceed a 10 percent increase over those of the previous year. The amount of such charges including water levied upon the several parcels of land and the owners thereof, shall in no event exceed in any one year the sum of twelve (12) monthly payments of Fifty dollars (\$50.00)-per lot and any additional ownership of a portion or portions of additional lots as prorated accordingly. Provided that the owners of contiguous full or partial lots, one of which must be undeveloped, may merge not more than two lots into one. The merged lots will be assessed at 1 1/2 times and considered one lot, and only the newly created lot will be provided utilities (sewer and water), by CBHA in the future. Such a designation will be completed by December 31st of each year in order to have the assessment apply in July of the following year. Such merger must be verified by a formal boundary line adjustment with Thurston County and shall not be changed back in the future. A formal copy of the merger by the county must be filed with the CBHA office by December 31st.

Unless otherwise noted, the fund created by the assessment approved within this section shall be a dedicated fund, with expenditures authorized exclusively for the Maintenance and Operation of the CBHA, exclusive of the marina and the wastewater collection and treatment system.

The Board shall cause to be prepared a yearly Capital Fund Budget for purchasing new assets or extending the life of existing assets. Expenditures for capital improvements shall be financed from the Capital Fund. Revenues for the Capital Fund are derived from two sources, specific "Capital Assessments" authorized by votes of the membership in good standing, and a monthly assessment of five dollars (\$5.00) per lot as defined in Article IX, Section 1. The Capital Fund Budget shall finance all Capital expenditures in the General, Sewer and Marina Funds.

Further, the Board of Trustees shall fix and levy those properties identified and designated as being materially affected by the landslide the reduced sum amount of Fifty Dollars (\$50.00), in any one year, per lot and any additional ownership of a portion or portions of additional lots as prorated accordingly. The effective date for the reduced sums shall be July 1, 1999.

The determination of "material affected" shall be defined as a designation of real property determined to be uninhabitable by the Thurston County Health and/or Engineering Departments due to a landslide or other similar natural disaster.

The Board of Trustees shall review each property listed as material affected" on an annual basis for determination of the continued assessment in the reduced amount of Fifty Dollars (\$50.00). Should the Board of Trustees find that the property is no longer material affected, then the levy amount for the property shall be reset for the following year pursuant to amounts identified in this section.

SECTION 2. Utility charges shall be charged against the owners of the several parcels according to a fee schedule adopted by the Board of Trustees which schedule shall be based on the amount of private usage of such facilities. Utilities and other Association services, including water, sewerage, storm water drainage, road repair, weed/grass control, etc., shall in all cases be limited to the platted lots of the Carlyon Beach Homeowners Association, Divisions I and 2. Specifically, extensions of any CBHA service to a non-CBHA lot or extension of a non-CBHA service to a CBHA lot is strictly prohibited. Revenues derived from user fees paid by individual CBHA shareholders for services or benefits not financially supported by assessment shall create funds dedicated to the purposes for which the payments are made. Two such funds are the Marina Fund and the Wastewater System Fund. Revenues derived from any other source shall be expended only pursuant to Article VI, Section 7, except that by an affirmative vote of at least 5 trustees, such funds may be transferred in part or in their entirety to the CBHA maintenance and operation Fund.

SECTION 3. Charges and assessments against all members shall be levied by the Board of Trustees at a uniform rate per lot and any additional ownership of parts of additional lots as prorated accordingly without distinction or preference of any kind, except as specifically provided for in these By-Laws. All charges or assessments, when collected by the corporation, shall remain the property of

the members until such time as charges or assessments are expended pursuant to the Articles of Incorporation and the By-Laws of the corporation, or to pay delinquencies on loans approved by the membership.

SECTION 4. Whenever assessments in this Article IX are levied, each member shall pay the full amount of such assessment to the corporation at its office by August 31 or shall pay a monthly payment of twelve (12) equal monthly installments, July 1 through June 30 of the fiscal year. If, as of August 31, the assessment is not paid in full or if the monthly payment is delinquent at any point during a fiscal year, such assessment shall be subject to interest at the rate of eighteen percent 12% per annum from that date; and the amount of such assessment, together with all expenses, interest, attorney fees and costs reasonably incurred in enforcing the same, shall be paid by the member and shall be a lien upon said land and the membership appurtenant thereto, superior to any and all other liens (except as noted in Section 5 of this Article) created or permitted by the owner of such land and enforceable by foreclosure proceedings in the manner provided by law for foreclosure of mortgages or deeds of trust upon land. PROVIDED THAT, in the event the notice of assessment is not mailed within 50 days prior to August 31, interest will not accrue until the 50th day after mailing PROVIDED THAT, no foreclosure proceedings of any said lien shall be commenced earlier than January 30 of the following year.

- A. For the 1991 assessments and those thereafter the following procedures shall be implemented by every Board of Trustees of the corporation.
 - 1. The initial July statement shall contain the following message: Full payment is due by August 31 or in a timely monthly manner. If payment in full is not received by August 31 or if a monthly payment is 30 days past due, a legal lien will be placed upon your property and the unpaid balance shall be charged an interest rate of 12% per annum, retroactive to the date of delinquency.
 - 2. Every member who has a delinquent assessment account shall be mailed a statement at the time of delinquency accompanied by the following message: Failure to make full payment or timely monthly payments shall result in the initiation of collection procedures. All legal costs shall be borne by the delinquent member.
- B. In the matter of delinquencies in accounts other than annual or special assessments, any resident or member whose account is delinquent by being 60 or more days in arrears on an Association bill shall from the 60th day be charged interest on the unpaid balance at the rate of 1 % per month 12% per annum) or at the maximum rate allowed by law, whichever is less. Upon expiration of the 60 day grace period, the next monthly statement shall contain the following message: If full payment of this account is not received within 10 days, a legal lien will be placed upon your property. All costs shall be borne by the delinquent resident/owner.
- C. The board shall have the authority to:
 - (a) Enact late charges for the late payment of fees for services, regular and special assessments, and other charges owed by members to the Association.
 - (b) Assess costs of collection, including but not limited to legal fees and collection agency charges, incurred in attempt to collect fees, assessments and other amounts owed by a member to the Association.

SECTION 5. First mortgage liens placed upon any of said tracts which are recorded in accordance with the laws of the State of Washington shall be from the date of recording such superior to such assessments and the liens resulting therefrom as are levied by the corporation subsequent to the date of recording the first mortgage; provided, however, that the corporation is notified in writing of such first mortgage within thirty days after it is recorded.

SECTION 6. Special charges and assessments in addition to those charges and assessments identified in Section I above may be levied if approved by a majority of members casting valid votes for the specific purpose of corporate improvement and/or capital investment as identified and described to the membership. The dollar amount of such special assessments shall be carefully controlled by members voting for or against the proposed special assessment(s) as directed in this section. Any fund created

within this Section by an approved special assessment shall be a dedicated fund, with expenditures made only to achieve the specific purposes for which the fund was created.

SECTION 7. Pursuant to Sections 4, 4A, and 4B of this Article, neither the Board of Trustees nor any employee of the corporation is empowered to enter into a trust agreement, promissory note, or any other legal document that establishes between the Association and a member a creditor-debtor relationship.

ARTICLE X
Property Maintenance Responsibility

SECTION 1. All members shall have a reasonable right to light, view, air, and a safe, healthy environment. Every member shall be required to maintain his/her property in a manner that does not infringe upon the rights of their neighbors and/or fellow members. Whenever two or more written complaints from members who are not trustees are received by the board regarding a perceived violation of the letter or intent of this Section, the Board of Trustees shall be empowered to investigate such complaints.

SECTION 2. No planting of trees, shrubs, or other forms of growth of any kind shall be allowed on any property which will deny other property owners their right to reasonable light, view, and air.

To preserve and enhance the aesthetic character of the community and to minimize erosion and surface ground water runoff, the following are required:

- A. Undeveloped lots are not to be bulldozed or cleared for planned or speculative future development without a permit. Clearing may occur with a permit for construction of a residence or other approved activity. A request for land clearing or tree removal should include a plot plan showing which areas are to be cleared and which areas or trees are to be preserved.
- B. For new development, the minimum tree density required is approximately 1 tree/1500 square feet of lot size. The required number of trees can be reduced by preserving existing trees. For example, a tree with an existing trunk diameter of 14" is equivalent to 2 newly planted trees. The complete specifications of this requirement are available at the CBHA office or website and are included in the building permit packet.
- C. For existing homes, no permit is required to remove a tree if the minimum number of trees is maintained. Variances to this rule may be granted by the Board of Trustees or a designee to meet the expectations of Section 2 (reasonable light, view and air).
- D. Tree removal may be allowed if the trees pose an immediate danger or have been determined to be hazardous by a certified arborist.
- E. Nothing in this section shall be deemed to impose any liability upon CBHA or any of its officers or employees, or to relieve the owner of any private property from the duty to keep in safe and healthy condition the trees upon their property.

SECTION 3. The Board of Trustees shall have full authority through such committee or representative as the board shall designate to maintain the Carlyon Beach Homeowners Association's wastewater treatment plant(s) and to do all things necessary to keep the Association in compliance with such duly adopted federal, state and county water quality and health regulations as may now exist or hereafter be enacted. In furtherance and not in limitation of this power, the board through such committee or representative may with prior notice if feasible but without notice if necessary enter upon any lot for the purpose of inspecting the wastewater/sewage system of said lot and/or pumping out the septic and/or holding tank thereon. The owner(s) of said lot(s) shall pay the actual costs and charges associated with such pumping. An owner whose wastewater/sewage system is determined by inspection or by accumulated evidence to be not functioning as intended by design or to be in violation of county or state regulations shall be so notified by certified mail (with return receipt) and shall within thirty (30) days of such notification take action to assure that the specified problem(s) is solved within sixty (60) days of said notification. An owner's failure to take action as prescribed in

this section shall in effect authorize the board to initiate and supervise essential repairs or replacements, with the owner being assessed the actual costs incurred.

- A. Every member shall be responsible for conserving the corporation's freshwater supply by maintaining a freshwater system free of leaking pipes, faucets, valves, etc. This shall include reduction in outdoor water use for watering lawns and washing cars if an emergency water warning is deemed necessary and issued by the Board of Trustees. An owner whose water system is found to be defective is responsible for making immediate repairs. An owner's failure to take immediate action when faced with a water leak will authorize the board to initiate and supervise essential repairs, with the owner being assessed the actual expenses incurred. Furthermore, the board is herein authorized to assess absentee owners for the actual costs of emergency repairs performed by the association.

ARTICLE XI
Audit

SECTION 1. The Board of Trustees shall cause a full audit of that year's fiscal activities to be conducted. All audits shall be conducted by an outside independent CPA firm. The report from the CPA shall be presented to the general membership at a regular board meeting within 60 days of receipt, be reported in the Newsletter, and be available in its entirety in the Association office for any member review.

ARTICLE XII
Amendments

SECTION 1. These By-Laws may only be amended at any regularly called annual meeting or special meeting of the membership upon an affirmative vote of a majority of members voting in person or by absentee ballot, if there is a quorum present in person at the beginning of the meeting.

ARTICLE XIII
Corporation Seal