

**AMENDED AND RESTATED
BYLAWS
OF
SUNCADIA
RESIDENTIAL OWNERS ASSOCIATION**

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**AMENDED AND RESTATED
BYLAWS
OF
SUNCADIA
RESIDENTIAL OWNERS ASSOCIATION**

**ARTICLE 1.
NAME, PRINCIPAL OFFICE, AND DEFINITIONS**

1.1. NAME. The name of the Residential Association is Suncadia Residential Owners Association (the “Residential Association”).

1.2. PRINCIPAL OFFICE. The principal office of the Residential Association shall be in the State of Washington. The Residential Association may have such other offices as the Board may determine or as the affairs of the Residential Association may require.

1.3. DEFINITIONS. Capitalized terms used in these Amended and Restated Bylaws (“Bylaws”) shall have the same meaning as set forth in the Amended and Restated Declaration of Covenants, Conditions, Restrictions, and Easements for Suncadia Residential Areas (“Declaration”), unless the context shall otherwise require.

**ARTICLE 2.
ASSOCIATION: MEMBERSHIP, MEETINGS, QUORUM,
VOTING, PROXIES**

2.1. MEMBERSHIP. The Residential Association shall have two classes of membership, Class A and Class B, as set forth in the Declaration. The terms pertaining to membership in the Declaration are specifically incorporated herein by reference.

2.2. PLACE OF MEETINGS. Meetings of the Residential Association shall be held at the principal office of the Residential Association or at such other suitable place convenient to the Members as the Board may designate.

2.3. ANNUAL MEETINGS. The first meeting of the Residential Association, whether a regular or special meeting, shall be held within one year from the date of incorporation of the Residential Association. Except for the annual meeting of Members and unless otherwise required, meetings shall be of the Voting Representatives or their alternates. Subsequent regular annual meetings shall be held at least 60 but not more than 180 days after the close of the Residential Association’s fiscal year on a date and at a time set by the Board.

2.4. SPECIAL MEETINGS. The President may call special meetings and shall call a special meeting if so directed by resolution of the Board or upon a petition signed by Voting Representatives representing at least ten percent of the total Class A votes of the Residential Association.

2.5. NOTICE OF MEETINGS. Written notice stating the place, day, and hour of any meeting of the Members and/or Voting Representatives shall be delivered, either personally (including public courier service) or by mail, to each Member or Voting Representative, as applicable, not less than fourteen (14) nor more than sixty (60) days before the date of such meeting, by or at the direction of the director, officer or other person calling the meeting. Such notice shall also state the business to be placed on the agenda.

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

If mailed, the notice of a meeting shall be deemed delivered when deposited in the United States mail addressed to the recipient at his or her address as it appears on the records of the Residential Association, with postage prepaid.

2.6. WAIVER OF NOTICE. Waiver of meeting notice of the Voting Representatives shall be deemed the equivalent of proper notice. Any Voting Representative may, in writing, waive notice of any meeting of the Voting Representatives, either before or after such meeting. Attendance at any meeting by a Voting Representative or alternate shall be deemed waiver by such Voting Representative of notice of the time, date, and place thereof, unless such Voting Representative specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted at such meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

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

2.8. VOTING. Members shall have such voting rights as set forth in the Articles and the Declaration. Such voting rights provisions are specifically incorporated herein.

(a) **Election of Voting Representatives.** Within one year after creation of the second Village within the Residential Areas, and annually thereafter, the Board shall call for the election of a Voting Representative from each Village and a Voting Representative from the Units, if any, not located within a Village. Each Class A Member who owns a Unit shall be entitled to cast one equal vote per Unit owned in the election affecting that Unit. The election shall be either by written ballot cast by mail or at a meeting, as the Board determines; provided, upon a petition signed by at least 10% of the votes eligible to participate in a specific election, the election shall be held at a meeting. If the election is held at a meeting, the representation of at least 30% of eligible votes, in person or by proxy, shall constitute a quorum. The candidate who receives the greatest number of votes shall be elected as Voting Representative and the candidate receiving the next greatest number of votes shall be elected as the alternate Voting Representative. Each shall serve a term of one year and until his or her successor is elected. Any Voting Representative may be removed, with or without cause, upon the vote or written petition of a majority of the Units represented by the Voting Representative.

(b) **Voting by Ballot.** Voting by the Voting Representatives may be by mailed ballots. Ballots shall be returned to the Secretary by the date specified on the ballot. The Board shall determine the method of voting, the form of all ballots, the wording of questions thereon and the deadline for return of ballots. The Board may include on ballots any questions on which it seeks an advisory vote. Any other matters may be voted on by mail-in ballot to the extent allowed by law.

2.9. PROXIES.

(a) **Voting Representatives.** Voting Representatives may not vote by proxy but only in person or through their designated alternates or by written ballot as provided above.

(b) **Members.** If a meeting of the Members is held by the Residential Association, Members may vote in person or by proxy. Also any Member who owns a Unit to which a vote is allocated pursuant to the provisions of the Declaration may cast such vote in person or by proxy until such time as the Board first calls for election of a Voting Representative to represent that Member.

Each proxy shall be in writing, dated, signed and filed with the Secretary prior to the meeting for which it is to be effective. Proxies may be delivered to the Secretary or the Residential Association's property manager by personal delivery, U.S. mail or facsimile. Unless otherwise provided in the proxy, a proxy shall cover all votes which the Member giving such proxy is entitled to cast, and in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid. No proxy shall be valid more than 11 months after its execution unless otherwise provided in the proxy. Every proxy shall be revocable and shall automatically cease upon conveyance of the Member's Unit.

2.10. MAJORITY. As used in these Bylaws, the term “majority” shall mean those votes, Owners, or other group as the context may indicate totaling more than 50% of the total number.

2.11. QUORUM. Except as otherwise provided in these Bylaws or in the Declaration, the presence in person or by alternate of the Voting Representatives representing one-third of the total vote of the Residential Association shall constitute a quorum at all meetings of the Residential Association. Any provision in the Declaration concerning quorums is specifically incorporated herein. The Voting Representatives present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of Voting Representatives leaving less than a quorum.

2.12. CONDUCT OF MEETINGS. The President shall preside over all meetings of the Residential Association, and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring at the meeting.

2.13. TELEPHONIC PARTICIPATION. One or more Voting Representatives may participate in and vote during any regular or special meeting of the Voting Representatives by telephone conference call or similar communication equipment by means of which all Persons participating in the meeting can communicate with each other at the same time, and those Voting Representatives so participating shall be present at such meeting. Any such meeting at which a quorum participates shall constitute a meeting of the Voting Representatives.

2.14. MEETINGS OF MEMBERS. At all meetings of the Members, the procedures and requirements applicable to the Voting Representatives set forth herein shall control; provided, however, the term “Voting Representative” shall refer to the Members of the Residential Association and provided that Members may vote by proxy as provided in Section 2.9(b). At all such meetings of the Members, the presence in person or by proxy of Members holding one-third of the total vote of the Residential Association shall constitute a quorum, except as otherwise provided in these Bylaws or in the Declaration.

ARTICLE 3.

BOARD OF DIRECTORS: NUMBER, POWERS, MEETINGS

A. COMPOSITION AND SELECTION.

3.1. GOVERNING BODY; COMPOSITION. The affairs of the Residential Association shall be governed by a Board of Directors, each of whom shall have one vote. Except for directors appointed by Declarant, the directors shall be Members or residents of Units; provided, however, no more than one representative from a Unit may serve on the Board at the same time. For purposes of this Section and Section 3.4, “resident” shall mean any natural person 18 years or older whose legal residence is

within the Residential Areas. In the case of a Member which is not a natural person, the person designated in writing to the Secretary of the Residential Association as the representative of such Member shall be eligible to serve as a director.

3.2. NUMBER OF DIRECTORS. The number of directors in the Residential Association shall be not less than three nor more than seven, as provided in Section 3.4 and as set by resolution of the Board.

3.3. INITIAL BOARD. Upon incorporation of the Association and until the first annual meeting after twenty-five percent (25%) of the Units authorized by the Master Plan have been sold and conveyed to individual residential purchasers (as opposed to builders), the Board shall be composed of three directors, all of whom shall be appointed by Declarant.

3.4. APPOINTMENT, NOMINATION, AND ELECTION PROCEDURES.

(a) When Twenty-Five Percent (25%) of the Units Have Been Sold. Commencing on the first annual meeting after twenty-five percent (25%) of the Units authorized by the Master Plan have been sold and conveyed to ultimate purchasers and until the first annual meeting after fifty percent (50%) of such Units have been conveyed, the Board shall be composed of three members, two of whom shall be appointed by Declarant and one of whom shall be elected by the Class A Voting Representatives. The elected director shall serve for a term of two years and until his or her successor is elected.

(b) When Fifty Percent (50%) of the Units Have Sold. Commencing on the first annual meeting after fifty percent (50%) of the Units authorized by the Master Plan have been sold and conveyed to ultimate purchasers and until the first annual meeting after ninety percent (90%) of the Units have been conveyed, the Board shall be composed of five directors, three of whom shall be appointed by Declarant and two of whom shall be elected by the Class A Voting Representatives. Each elected director shall serve for a term of two years and until his or her successor is elected.

(c) When Ninety Percent (90%) of the Units Have Been Sold. Commencing on the first annual meeting after ninety percent (90%) of the Units authorized by the Master Plan have been sold and conveyed to ultimate purchasers and until the first annual meeting after termination of the Class B membership, the Board shall be composed of five directors, two of whom shall be appointed by Declarant and three of whom shall be elected by the Class A Voting Representatives. Each elected director shall serve for a term of two years and until his or her successor is elected.

(d) After Termination of Class B Membership. Commencing on the first annual meeting after termination of the Class B membership, the Board shall be composed of seven elected directors. At that time the term of each previously appointed or elected director shall terminate and the seven director positions shall be filled through a new election by the Voting Representatives. Each director shall serve for a term of two

years and until his or her successor is elected, provided that the initial term of the seven directors elected upon termination of Class B membership shall be such that three director positions, as determined by the Board, come up for election one year later and four director positions come up for election two years later, in order to establish staggered terms.

(e) **Nomination Procedures.** Nominations for election to the Board shall be made by a Nominating Committee. The Nominating Committee shall consist of a chairman, who shall be a member of the Board, and two or more Class A members or representatives of Class A members. The Nominating Committee shall be appointed by the Board not less than 90 days prior to each election to serve a term of one year or until their successors are appointed. The Nominating Committee shall make as many nominations for election to the Board as it shall in its discretion determine, but in no event less than the number of positions to be filled. Nominations shall also be permitted from the Class A members. The Nominating Committee shall nominate separate slates for the directors to be elected at large by all Class A votes, and for the director(s), if any, to be elected by the votes within each Voting Group. In making its nominations, the Nominating Committee shall use reasonable efforts to nominate candidates representing the diversity that exists within the pool of potential candidates.

3.5. VOTING GROUPS. In connection with the election of those directors to be elected by the Class A Voting Representatives, Declarant may, from time to time, in its discretion, designate Voting Groups consisting of one or more Villages or the Units outside any Village for the purpose of electing directors to the Board, in addition to any at-large directors elected by all Class A Voting Representatives. Voting Groups may be designated to ensure groups with dissimilar interests are represented on the Board and to avoid allowing Voting Representatives representing similar Villages to elect the entire Board, due to the number of Units in such Villages, excluding the representation of others. The number of Voting Groups within the Residential Areas shall not exceed the total number of directors to be elected by the Class A Voting Representatives. The Voting Representatives representing the Villages within each Voting Group shall vote on a separate slate of candidates for election to the Board. Declarant shall establish Voting Groups, if at all, not later than the termination of Class B membership by filing with the Association and recording with the Auditor a supplemental declaration identifying each Voting Group by legal description or other means such that the Units within each Voting Group can easily be determined. Such designation may be amended from time to time by Declarant, acting alone, at any time prior to termination of the Class B membership. After termination of the Class B membership, the Board shall have the right to record with the Auditor a supplemental declaration changing the Voting Groups upon the vote of a majority of the total number of directors and approval of Voting Representatives representing a majority of the voting rights in the Association. Neither recordation nor amendment of such supplemental declaration by Declarant shall constitute an amendment to this Declaration and no consent or approval of the Owners shall be required, except as stated in this section. Until such time as Voting Groups are established, all of the members shall constitute a single Voting Group. After a Supplemental Declaration establishing Voting Groups has been recorded with the Auditor, any and all portions of

the Residential Areas which are not assigned to a specific Voting Group shall constitute a single Voting Group.

3.6. REMOVAL OF DIRECTORS AND VACANCIES. Any elected director may be removed, with or without cause, by the vote of at least 67% of the votes entitled to be cast for the election of such director, but shall not be subject to removal by the Class B Member acting alone. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, a successor shall then and there be elected by the Voting Representatives entitled to elect the director so removed to fill the vacancy for the remainder of the term of such director.

Any elected director who has three consecutive unexcused absences from Board meetings or who is delinquent in the payment of any assessment or other charge due the Residential Association for more than 30 days may be removed by a majority of the directors present at a regular or special Board meeting at which a quorum is present, and the Board may appoint a successor to fill the vacancy for the remainder of the term. In the event of the death, disability, or resignation of an elected director, the Board may declare a vacancy and appoint a successor from the Voting Group represented by the director who vacated the position, who shall serve for the remainder of the term of such director.

B. MEETINGS.

3.7. ORGANIZATIONAL MEETINGS. The Board shall hold its first meeting within thirty days after each annual election of directors.

3.8. REGULAR MEETINGS. Regular Board meetings may be held at such time and place as determined from time to time by Board resolution, but at least one such meeting shall be held during each quarter. Notice of the time and place of the meeting shall be communicated to directors not less than four days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting. Notice of the regular schedule shall constitute notice of such meetings.

3.9. SPECIAL MEETINGS. Special Board meetings shall be held when called by written notice signed by the President of the Residential Association or by a majority of the directors. The notice shall specify the time and place of the meeting and the nature of any business to be considered. Notice shall be given to each director by one of the following methods: (a) personal delivery, including commercial courier service; (b) first class mail, postage prepaid; or (c) telephone communication, including facsimile, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director. All such notices shall be given at the director's telephone number or sent to the director's address as shown on the records of the Residential Association. Notices sent by first class mail shall be deposited into a United States mailbox at least four business days before the time set for the meeting. Notices given by personal delivery or telephone shall be delivered or telephoned at least 72 hours before the time set for the meeting.

3.10. WAIVER OF NOTICE. The transactions of any Board meeting, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (a) a quorum is present, and (b) either before or after the meeting each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting prior to its commencement about the lack of adequate notice.

3.11. QUORUM OF BOARD OF DIRECTORS. At all Board meetings, a majority of the directors shall constitute a quorum for the transaction of business, and the vote of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any Board meeting cannot be held because a quorum is not present, a majority of the directors present at such meeting may adjourn the meeting to a time not less than five nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

3.12. COMPENSATION. No director shall receive any compensation from the Residential Association for acting as such; provided this Section shall not prevent any director from being reimbursed for expenses authorized by the Board to be incurred on behalf of the Residential Association. Nothing herein shall prohibit the Residential Association from compensating a director, or any entity affiliated with a director, for services or supplies furnished to the Residential Association in a capacity other than as a director under a contract or agreement with the Residential Association, provided that such director's interest was made known to the Board prior to entering into such contract and such contract was approved by a majority of the Board, excluding the interested director.

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

3.14. OPEN MEETINGS. Subject to the provisions of Sections 3.15 and 3.16, all Board meetings shall be open to all Members, but Members other than directors may not participate in any discussion unless permission for the Member to speak is requested by a director. In such case, the President may limit the time any Member may speak. Notwithstanding the foregoing, upon an affirmative vote by the Board in open meeting to assemble in closed session, the Board may convene in closed executive session to consider personnel matters, consult with legal counsel, consider communications with legal counsel, discuss likely or pending litigation or matters involving possible violations of the governing documents of the Residential Association, or matters involving the

possible liability of an Owner to the Residential Association. The motion shall state specifically the purpose for the closed session. No motion, or other action adopted, passed or agreed to in the closed session may become effective unless the Board, following the closed session, reconvenes an open meeting and votes in the open meeting on such motion, or other action which is reasonably identified. Notwithstanding the foregoing, the Board shall not be required to disclose any information in violation of applicable law or which is otherwise exempt from disclosure.

3.15. ACTION WITHOUT A FORMAL MEETING. Any action to be taken or that may be taken at a Board meeting may be taken without a meeting if a written consent, setting forth the action so taken, is signed by all directors, and such consent shall have the same force and effect as a unanimous vote.

3.16. TELEPHONIC PARTICIPATION. One or more directors may participate in and vote during any regular or special meeting of the Board by telephone conference call or similar communication equipment by means of which all persons participating in the meeting can hear each other at the same time, and those directors so participating shall be present at such meeting for the purpose of establishing a quorum.

C. POWERS AND DUTIES.

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

The duties of the Board shall include, without limitation:

(a) preparing and adopting, in accordance with the Declaration, budgets in which the contribution of each Owner to the expenses of the Residential Association shall be established;

(b) making assessments to defray the expenses of the Residential Association, establishing the means and methods of collecting such assessments, and establishing the period of any installment payments of the assessments;

(c) providing for the operation, care, upkeep, and maintenance of the Common Areas;

(d) designating, hiring, and dismissing the personnel necessary for the operations of the Residential Association, providing for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in performing their duties;

(e) collecting the assessments, depositing all funds received on behalf of the Residential Association in a bank depository which the Board shall approve, and using such funds to operate the Residential Association; provided, any reserve funds may be deposited, in the directors' best business judgment, in depositories other than banks;

(f) making and amending use restrictions and rules;

(g) opening of bank accounts on behalf of the Residential Association and designating the signatories required;

(h) making or contracting for the making of repairs, additions, improvements or alterations as provided in the Declaration and these Bylaws;

(i) enforcing by legal means the provisions of the Declaration, these Bylaws, and the Policies and Procedures of the Residential Association and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Residential Association; provided the Residential Association shall not be obligated to take action to enforce any covenant, restriction or rule which the Board in the exercise of its business judgment determines is, or is likely to be construed as, inconsistent with applicable law, or in any case in which the Board reasonably determines that the Residential Association's position is not strong enough to justify taking enforcement action;

(j) obtaining and carrying insurance against casualties and liabilities, as provided in the Declaration, paying the premium cost thereof, and filing and adjusting claims, as appropriate;

(k) paying the cost of all services rendered to the Residential Association or its Members and not chargeable directly to specific Owners;

(l) keeping books with detailed accounts of the receipts and expenditures of the Residential Association;

(m) making available to any prospective purchaser of a Unit, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Unit, current copies of the Declaration, the Articles, the Bylaws, Policies and Procedures and all other books, records, and financial statements of the Residential Association as provided in Section 6.4;

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

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

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

(q) cooperating with the Suncadia Community Council in carrying out its purposes and responsibilities under the Declaration of Covenants and Easements for Suncadia Community Improvements.

3.18. RIGHT OF CLASS B MEMBER TO DISAPPROVE ACTIONS. So long as the Class B membership exists, the Class B Member shall have a right to disapprove any action, policy or program of the Residential Association, the Board and any committee which, in the sole judgment of the Class B Member, would tend to impair the rights of Declarant or builders under the Declaration or these Bylaws, or interfere with development, construction or marketing of any portion of the Residential Areas, or diminish the level of services being provided by the Residential Association. This right to disapprove is in addition to, and not in lieu of, any right to approve or disapprove specific actions of the Residential Association, the Board or any committee as may be granted to the Class B Member or Declarant in the Declaration or these Bylaws.

(a) The Class B Member shall be given written notice of all meetings of the Residential Association, the Board or any committee thereof and of all proposed actions of the Residential Association, the Board or any committee thereof to be approved at such meetings or by written request in lieu of a meeting. Such notice shall be given by certified mail, return receipt requested, or by personal delivery at the address it has registered with the Secretary of the Residential Association, which notice complies with the requirements for Board meetings set forth in these Bylaws and which notice shall, except in the case of the regular meetings held pursuant to the Bylaws, set forth with reasonable particularity the agenda to be followed at such meeting.

(b) The Class B Member shall be given the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein. The Class B Member, its representatives or agents may make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee.

(c) No action, policy or program subject to the right of disapproval set forth herein shall become effective or be implemented until and unless the requirements of subsections (a) and (b) above have been met and the time period set forth in subsection (d) below has expired.

(d) The Class B Member, acting through any officer or director, agent or authorized representative, may exercise its right to disapprove at any time within 10 days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within 10 days following receipt of written notice of the proposed action. This right to disapprove may be used to block proposed actions, but shall not include a right to require any action or counteraction on behalf of any committee, the Board or the Residential Association

unless such action or counteraction countermands an action, policy or program that was not properly noticed and implemented. The Class B Member shall not use its right to disapprove to reduce the level of services which the Residential Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

3.19. MANAGEMENT. The Board may employ a professional management agent or agents for the Residential Association, at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board may delegate to the management agent, subject to the Board's supervision, such powers as are necessary to perform the management agent's assigned duties but shall not delegate policy-making or budget-adoption authority. Declarant, or an affiliate of Declarant, may be employed as a management agent. The Board may delegate to one of its members the authority to act on its behalf on all matters relating to the duties of any management agent which might arise between meetings of the Board.

3.20. ACCOUNTS AND REPORTS. The following management standards of performance will be followed unless the Board by resolution specifically determines otherwise:

- (a) accrual accounting, as defined by generally accepted accounting principles, shall be employed;
- (b) accounting and controls should conform to generally accepted accounting principles;
- (c) cash accounts of the Residential Association shall not be commingled with any other accounts;
- (d) no remuneration shall be accepted by the managing agent from vendors, independent contractors, or others providing goods or services to the Residential Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Residential Association;
- (e) any financial or other interest which the managing agent may have in any firm providing goods or services to the Residential Association shall be disclosed promptly to the Board; and
- (f) annual financial statements, prepared in accordance with generally accepted accounting principles, shall, not less than 120 days after the close of each fiscal year and prior to the annual meeting, be distributed to all Members. Once the assessments collected by the Residential Association equal or exceed \$50,000 on an annual basis, the financial statements of the Residential Association shall be audited by an independent certified public accountant; provided, however, the audit may be waived for any year if votes representing at least 67% of the total Class A votes of the Residential Association are cast at a meeting at which a quorum is present to waive such audit.

3.21. BORROWING. The Residential Association shall have the power to borrow money for any legal purpose; provided, the Board shall obtain voted approval in the same manner provided in the Declaration for Special Assessments if the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed ten percent of the budgeted gross expenses of the Residential Association for that fiscal year.

3.22. RIGHT TO CONTRACT. The Residential Association shall have the right to contract with any person or entity for the performance of various duties and functions. Without limiting the foregoing, this right shall include the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, Village and other owners or residents associations, or the Community Council, within and outside the Residential Areas.

The Residential Association shall not be bound, either directly or indirectly, by any contract, lease, or other agreement (including any management contract) executed during the Class B Control Period unless such contract, lease or other agreement contains a right of termination exercisable by either party without penalty at any time, with or without cause, upon not more than ninety (90) days' notice to the other party.

3.23. ENFORCEMENT. In addition to those rights provided in the Declaration, the Board shall have the power to impose monetary fines, which shall constitute a lien upon the property of the violating Owner, and to suspend an Owner's right to vote or any person's right to use the Common Areas for violation of any duty imposed under the Declaration, these Bylaws, or any Policies and Procedures; provided, however, nothing herein shall authorize the Residential Association to limit ingress and egress to or from a Unit. Any such fine shall be in accordance with a previously established schedule adopted by the Board and furnished to the Owners. If any occupant, tenant, employee, guest or invitee of a Unit violates the Declaration, Bylaws, or Policies and Procedures and a fine is imposed, the fine shall first be assessed against the occupant with notice to the Owner; provided, however, if the fine is not paid by the occupant within the time period set by the Board, the Owner shall pay the fine upon notice from the Residential Association. The failure of the Board to enforce any provision of the Declaration, Bylaws, or any Policies and Procedures shall not be deemed a waiver of the right of the Board to do so thereafter.

(a) **Notice.** Prior to imposition of any sanction hereunder or under the Declaration, the Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a statement that the alleged violator may present a written request for a hearing to the Covenants Committee, if any, or Board within ten days of the notice; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a request for a hearing is received within ten days of the notice. If a timely request for a hearing is not made, the sanction stated in the notice shall be imposed; provided the Board or the Covenants Committee may, but shall not be obligated to, suspend any proposed sanction

if the violation is cured within the ten-day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any person.

(b) Hearing. If a hearing is requested within the allotted ten day period, the hearing shall be held before the Covenants Committee, if any, or the Board, if no Covenants Committee has been appointed, in executive session. The alleged violator shall be afforded a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(c) Appeal. If a hearing is held before a Covenants Committee, the violator shall have the right to appeal the decision to the Board. To perfect this right, a written notice of appeal must be received by the manager, President or Secretary of the Residential Association within 30 days after the hearing date before the Covenants Committee.

(d) Additional Enforcement Rights. Notwithstanding anything to the contrary in this Article, the Board may elect to enforce any provision of the Declaration, these Bylaws, or the Policies and Procedures of the Residential Association by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules), by suspension of services, or by suit at law or in equity to enjoin any violation or to recover monetary damages or both without the necessity of compliance with the procedure set forth above. In any such action, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs thereof, including reasonable attorney's fees actually incurred. Entry onto a Unit for purpose of exercising this power of self-help shall not be deemed a trespass.

3.24. LIABILITY. A member of the Board or an officer, employee, agent or committee member of the Association shall not be liable to the Association or any member of the Association for any damage, loss or prejudice suffered or claimed on account of any action or failure to act in the performance of his or her duties, except for acts of gross negligence or intentional wrongful acts. In the event any member of the Board or any officer of the Association is made a party to any proceeding because the individual is or was a director or officer of the Association, the Association shall indemnify such individual against liability and expenses incurred to the maximum extent permitted by law.

ARTICLE 4. OFFICERS

4.1. OFFICERS. The officers of the Residential Association shall be a President, Secretary, and Treasurer. Officers may, but need not be, elected from among the members of the Board. The Board may appoint such other officers, including one or more Vice Presidents, Assistant Secretaries or Assistant Treasurers, as it shall deem desirable. Any two or more offices may be held by the same person, except the offices of President and Secretary.

4.2. ELECTION AND TERM OF OFFICE. The Board shall elect the officers of the Residential Association at the first Board meeting following each annual meeting of the Voting Representatives.

4.3. REMOVAL AND VACANCIES. The Board may remove any officer with or without cause. A vacancy in any office arising because of death, resignation, removal, or otherwise may be filled by the Board for the unexpired portion of the term.

4.4. POWERS AND DUTIES. The officers of the Residential Association shall each have such powers and duties as generally pertain to their respective offices under applicable law, as well as such powers and duties as may from time to time specifically be conferred or imposed by the Board.

4.5. PRESIDENT. The President shall be the chief executive officer of the Residential Association and shall preside at all meetings of the Residential Association and of the Board.

4.6. VICE PRESIDENT. The Vice President, if any, shall act in the President's absence and shall have all powers, duties, and responsibilities provided for the President when so acting.

4.7. SECRETARY. The Secretary shall, personally or with the assistance of a designee, keep the minutes of all meetings of the Residential Association and of the Board, and shall have charge of such books and papers as the Board may direct and shall, in general, perform all duties incident to the office of the secretary of a corporation organized in accordance with Washington law.

4.8. TREASURER. The Treasurer shall have the responsibility for the Residential Association's funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, for preparing all required financial statements and tax returns, and for the deposit of all monies and other valuable effects in the name of the Residential Association or the managing agent in such depositories as may from time to time be designated by the Board.

4.9. RESIGNATION. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on

the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

4.10. AGREEMENTS, CONTRACTS, DEEDS, LEASES, CHECKS, ETC. All agreements, contracts, deeds, leases, checks, and other instruments of the Residential Association shall be executed by at least two officers or by such other person or persons as may be designated by Board resolution.

4.11. COMPENSATION. Compensation of officers shall be subject to the same limitations as compensation of directors under Section 3.12.

ARTICLE 5. COMMITTEES

5.1. GENERAL. Committees are hereby authorized to perform such tasks as may be delegated to a committee under Washington law and to serve for such periods as may be designated by a Board resolution. Each committee shall operate under the terms of the Board resolution designating the committee and the rules adopted by the Board governing such committee.

5.2. COVENANTS COMMITTEE. In addition to any other committees which the Board may establish, the Board may appoint a Covenants Committee consisting of at least three and no more than seven members. Acting in accordance with the provisions of the Declaration, these Bylaws, and resolutions the Board may adopt, the Covenants Committee, if established, shall be the hearing tribunal of the Residential Association and shall conduct all hearings held under Section 3.23.

5.3. VILLAGE COMMITTEES. Each Village Committee shall be a committee of the Residential Association. The Board shall have all of the power and control over any Village Committee that it has under applicable law over other committees of the Residential Association. The Board shall have the power to veto any action taken or contemplated to be taken by any Village Committee or Village Association which the Board reasonably determines to be adverse to the interests of the Residential Association or the Owners or inconsistent with the Community-Wide Standard.

5.4. MANAGEMENT COMMITTEE. The Board may establish a committee consisting of one or more of its members with the authority to act on the Board's behalf on all matters relating to the duties of the managing agent or manager, if any, which might arise between Board meetings.

ARTICLE 6. MISCELLANEOUS

6.1. FISCAL YEAR. The fiscal year of the Residential Association shall be the calendar year unless otherwise established by Board resolution.

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

6.3. CONFLICTS. If there are conflicts between the provisions of Washington law, the Articles, the Declaration, and these Bylaws, the provisions of Washington law, the Declaration, the Articles, and the Bylaws (in that order) shall prevail.

6.4. BOOKS AND RECORDS.

(a) **Inspection by Members and Mortgagees.** The Declaration, Bylaws, and Articles, any amendments to the foregoing, the rules of the Residential Association, the membership register, books of account, and the minutes of meetings of the Members, the Board, and committees shall be made available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a Unit, Member of the Residential Association, or by the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in the Unit at the office of the Residential Association or at such other place within the Residential Areas as the Board shall prescribe.

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

(c) **Inspection by Directors.** Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Residential Association and the physical properties owned or controlled by the Residential Association. The right of inspection by a director includes the right to make extracts and a copy of relevant documents at the expense of the Residential Association in furtherance of such director's duties as a director.

6.5. NOTICES. Unless otherwise provided in the Declaration or these Bylaws, all notices, demands, bills, statements, or other communications under the Declaration or these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by United States Mail, first class postage prepaid:

(a) if to a Member or Voting Representative, at the address which the Member or Voting Representative has designated in writing and filed with the Secretary

or, if no such address has been designated, at the address of the Unit of such Member or Voting Representative; or

(b) if to the Residential Association, the Board, or the managing agent, at the principal office of the Residential Association or the managing agent, if any, or at such other address as shall be designated by notice in writing to the Members under this Section.

6.6. INDEMNIFICATION. The Residential Association, to the fullest extent allowed by law, shall indemnify every officer, director, and committee member against all expenses, including counsel fees, reasonably incurred by or imposed upon such officer, director, or committee member in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the Board) to which he or she may be a party by reason of being or having been an officer, director, or committee member.

The officers, directors, and committee members shall not be liable for any mistake of judgment, except for their own individual misfeasance, malfeasance, misconduct, or bad faith and shall have no personal liability to third parties with respect to any contract or action taken by them in good faith on behalf of the Residential Association. The Residential Association shall indemnify and hold each such officer, director and committee member harmless against all liability to others on account of any such contract, commitment or action. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled. The Residential Association shall, as a Common Expense, maintain adequate general liability and officers and directors liability insurance to fund this obligation, if such insurance is reasonably available.

6.7. AMENDMENT.

(a) Prior to the sale and conveyance of the first Unit to the ultimate purchaser of the Unit, the Board may unilaterally amend these Bylaws. After such conveyance, the Board may amend these Bylaws with the consent of the Class B Member but without a vote of the Class A Members at any time if such amendment is necessary to: (a) bring any provision into compliance with any applicable governmental statute, regulation or judicial determination; (b) enable any reputable title insurance company to issue title insurance coverage on the Units; (c) enable any institutional or governmental lender, purchaser, insurer or guarantor of Mortgage loans, including, for example, the Federal National Mortgage Association (“Fannie Mae”) or Federal Home Loan Mortgage Corporation (“Freddie Mac”), to make, purchase, insure or guarantee Mortgage loans on the Units; or (d) otherwise satisfy the requirements of any governmental agency or governmental regulations. However, any such amendment shall not adversely affect the title to any Unit without the written consent of the affected Owner. So long as the Declarant still owns property described in EXHIBIT A or EXHIBIT B of the Declaration for development as part of the Residential Areas, it may unilaterally amend these Bylaws for any purpose, provided the amendment has no material adverse effect upon any

substantive right of any Owner and does not adversely affect the title to any Unit without the consent of the affected Owner.

(b) These Bylaws may also be amended upon a resolution duly adopted by the Board and approved by the affirmative vote of a majority of the total Class A votes, so long as such membership exists. In addition, the approval requirements set forth in Section 3.18, above, shall be met, if applicable. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

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

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

CERTIFICATION

I hereby certify:

That I am the duly elected Secretary of Suncadia Residential Owners Association, a Washington nonprofit corporation; and

That the foregoing Amended and Restated Bylaws were adopted by the Declarant as of June 28, 2004 for the purpose of reflecting the change in the name of the Residential Association from MountainStar Resort Residential Owners Association to Suncadia Residential Owners Association, all pursuant to Section 6.7(a) of the original Bylaws.

DATED this _____ day of _____, 2004.

Secretary

A copy of the executed document is available upon request.