

BYLAWS
OF
CHESTNUT TRAILS HOMEOWNERS ASSOCIATION

Article 1

NAME AND LOCATION

The name of the association is CHESTNUT TRAILS HOMEOWNERS ASSOCIATION, hereinafter referred to as the "Association." The principal office of the Association shall be located in Snohomish County, Washington and meetings of the members and directors may be held at such places within said County as may be designated by the Board of Directors.

Article 2

DEFINITIONS

2.1 Except as otherwise specified herein, the definition of any word used in these Bylaws shall be the same as such term is defined in the Declaration of Covenants, Conditions and Restrictions recorded with the County Recorder's Office in connection with the Property more particularly described in said Declaration.

2.2 "Member" shall mean and refer to those persons entitled to membership as provided in the Declaration and the Articles of Incorporation.

Article 3

MEETINGS OF MEMBERS

3.1 Annual Meetings. The organizational meeting of the Association shall be held not later than two months after the date of the termination of management by Declarant as provided in Section 3.2 of the Declaration. Thereafter, there shall be an annual meeting of the Owners at such reasonable place, time and date as may be designated by written notice of the Board delivered to the Owners no less than ten days prior to the date fixed for said meeting. At the annual meeting, there shall be presented a full and complete report of the common expenses, if any, and the allocation thereof to each Owner, itemizing receipts and disbursements for the preceding fiscal year, and there shall also be presented the estimated common expenses, if any, for the coming fiscal year. The Board at any time, or by written request of Owners having at least 40% of the total votes, may require that an audit of the Association and management books be presented at any special meeting. A Lot Owner, at his own expense, may, at any reasonable time, make an audit of the books of the Board and Association.

3.2 Special Meetings. Special meetings of the Owners may be called at any time for the purpose of considering matters which, by the terms of the Declaration, require the approval of all or some of the Owners, or for any other reasonable purpose. Such meeting shall be called by written notice of the president of the Association upon the decision of the president, or after request signed by a majority of a quorum of the Board, or by written request by the Owners having at least 40% of the total votes, which notice shall be delivered not less than ten days prior to the date fixed for said meeting. The notice shall specify the date, time and place of the meeting and, in general, the matters to be considered.

3.3 Quorum Requirements for Association Meeting. At all meetings of the Association, Owners, who are either present in person or by proxy and who hold 51% of the total voting power, shall constitute a quorum. Owners holding a majority of total voting power, present and entitled to vote, either in person or by proxy, shall be sufficient for the passage of any motion or the adoption of any resolution, except in connection with amendment or repeal of the Declaration. If the required quorum is not present, another meeting may be called subject to the requirement of written notice sent to all Members at least ten days in advance of such meeting, and the required quorum at the subsequent meeting shall be one-half of the required quorum for the preceding meeting. In the absence of a quorum at a members' meeting, a majority of those present in person or by proxy may adjourn the meeting to another time but may not transact any other business. An adjournment for lack of a quorum shall be to a date not more than 30 days from the original meeting date.

3.4 Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by a Member of his Lot.

3.5 Voting by Mail. The Board may decide that voting of the members shall be by mail with respect to any particular election of the Board or with respect to adoption of any proposed amendment to the Declaration or Bylaws, or with respect to any other matter for which approval by Owners is required by the Declaration or Bylaws, in accordance with the following procedure:

(a) In case of election of Board members by mail, the existing Board members shall advise the Secretary in writing of the names of proposed Board members sufficient to constitute a full Board and of a date at least 50 days after such advice is given by which all votes are to be received. The Secretary within five days after such advice is given shall give written notice of the number of Board members to be elected and of the names of the nominees to all Owners of each membership. The notice shall state that any such Owner may nominate an additional candidate or candidates, not to exceed the number of Board members to be elected, by notice in writing to the Secretary at the specified address of the principal office of the Association, to be received on or before a specified date 15 days from the date the notice is given by the Secretary. Within five days after such specified date the Secretary shall give written notice to all Owners, stating the number of Board members to be elected, stating the names of all persons

nominated by the Board and by the members on or before said specified date, stating that each Owner may cast a vote by mail and stating the date established by the Board by which such votes must be received by the Secretary at the address of the principal office of the Association, which shall be specified in the notice. Votes received after that date shall not be effective. All persons elected as Board members pursuant to such an election by mail by receipt of the number of votes required by applicable law shall take office effective on the date specified in the notice for receipt of such votes.

(b) In the case of a vote by mail relating to any other matter, the Secretary shall give written notice to all Owners, which notice shall include a proposed written resolution setting forth a description of the proposed action, and shall state that such persons are entitled to vote by mail for or against such proposal and stating a date not less than 20 days after the date such notice shall have been given on or before which all votes must be received and stating that they must be sent to the specified address of the principal office of the Association. Votes received after that date shall not be effective. Any such proposal shall be adopted if approved by the affirmative vote of not less than a majority of the votes entitled to be cast on such question, unless a greater or lesser voting requirement is established by the Declaration or Bylaws for the matter in question.

(c) Delivery of a vote in writing to the principal office of the Association shall be equivalent to receipt of a vote by mail at such address for the purpose of this Section 3.5.

3.6 Voting Owner. There shall be one voting representative of each Lot. Declarant shall be considered an "Owner" as that term is used herein, and shall be the voting representative, with respect to any Lot or Lots owned by Declarant. If a person (including Declarant) owns more than one Lot, he shall have the votes for each Lot owned. The voting representative of a Lot shall be designated by the Owner or Owners of each Lot by written notice to the Board, and need not be an Owner. The designation shall be revocable at any time by actual notice to the Board from a party having an ownership interest in a Lot, or by actual notice to the Board of the death or judicially declared incompetence of any party with an ownership interest in the Lot. This power of designation and revocation may be exercised by the guardian of a Lot Owner and the administrators or executors of an Owner's estate. Where no designation is made, or where a designation has been made but is revoked and no new designation has been made, the voting representative of each Lot shall be the group composed of all of its Owners.

3.7 Joint Owner Disputes. The vote for any Lot must be cast as a single vote, and fractional votes shall not be allowed. In the event that joint Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. In the event more than one vote is cast for a particular Lot, none of said votes shall be counted and said votes shall be deemed void.

3.8 Pledged Votes. If an Owner is in default under a first mortgage on the Lot

for 90 consecutive days or more, the Mortgagee thereof (as defined in the Declaration) shall automatically be authorized to declare at any time thereafter that the Lot Owner has pledged his or her vote on all issues to the Mortgagee during the continuance of the default. If the Board has been notified of any such pledge to a Mortgagee, or in the event the record Owner or Owners have otherwise pledged their vote regarding special matters to a Mortgagee under a duly recorded Mortgage or to the vendor under a duly recorded real estate contract, only the vote of such Mortgagee or vendor will be recognized in regard to the special matters upon which the vote is so pledged. Amendments to this subsection shall only be effective upon the written consent of all the voting Owners and their respective Mortgagees and vendors, if any.

3.9 Order of Business. The order of business at all meetings of the Owners of Lots shall be as follows:

- (a) Roll call;
- (b) Proof of Notice of meeting or waiver of notice;
- (c) Reading of minutes of preceding meeting;
- (d) Reports of officers;
- (e) Reports of committees;
- (f) Election of Board members (annual meeting only);
- (g) Unfinished business; and
- (h) New business.

Article 4

NOMINATION AND ELECTION OF DIRECTORS

4.1 Number of Directors; Term of Office. The affairs of the Association shall, upon all Class B membership ceasing, be managed by a Board of three Directors, who need not be members of the Association. At the first annual meeting after the date all Class B membership ceases (or at a special meeting called after that date), the members shall elect a three-member Board of Directors. One director shall serve for a term of one year, one director for a term of two years and one director for a term of three years; and at each annual meeting thereafter the members shall elect to a three-year term the number of directors equal to the number of directors whose term shall expire that year. The number of directors may be changed by Amendment of these Bylaws.

4.2 Nomination. Nomination for election to the Board of Directors shall be made by

a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election of the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

4.3 Election. Election to the Board of Directors shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected.

4.4 Vacancies. Vacancies in the Board caused by any reason other than removal of a Board member by a vote of the Association shall be filled by vote of the majority of the remaining Board members, even though they may constitute less than a quorum. Each person so elected shall be a Board member until a successor is elected at the next annual meeting of the Association.

4.5 Removal of Board Members. Any one or more Board members may be removed with or without cause by a majority of the Lot Owners, at any regular meeting or special meeting called for that purpose. A successor may then and there be elected to fill the vacancy thus created. Any Board member whose removal has been so proposed by the Owners shall be given an opportunity to be heard at the meeting. Notwithstanding the above, until the organizational meeting referred to in Section 3.1, only Declarant shall have the right to remove a Board member.

4.6 Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Article 5 .

MEETINGS OF DIRECTORS

5.1 Organizational Meeting. The first meeting of a newly elected Board shall be held immediately following the organizational meeting of the Association. No notice shall be necessary to the newly elected Board members in order to legally constitute such meeting.

5.2 Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined, from time to time, by a majority of the Board members. At least one such meeting shall be held during each fiscal year, within 30 days following the annual meeting of Owners. Notice of regular meetings of the Board shall be given to each Board

member, personally or by mail, telephone or telegraph, at least ten days prior to the day named for such meeting.

5.3 Special Meetings. Special meetings of the Board may be called by the President on ten days' notice to each Board member, given personally, by mail, telephone or telegraph. Said notice shall state the time, place and purpose of the meeting. Special meetings of the Board shall be called by the President or Secretary in like manner and on like notice on the written request of at least two Board members.

5.4 Quorum. At all meetings of the Board, a majority thereof shall constitute a quorum for the transaction of business. The acts of the majority of the Board members present at a meeting at which a quorum is present shall be the acts of the Board. If, at any meeting of the Board, there shall be less than a quorum present, the majority of those present may adjourn the meeting from time to time. An adjournment for lack of a quorum shall be to a date not more than 30 days from the original meeting date. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

5.5 Waiver of Notice. Before, at or after any meeting of the Board, any Board member may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Board member at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Board members are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

5.6 Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

Article 6

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

The Board of Directors shall have such powers and duties as are expressly set forth in, or necessarily implied by, the Declaration and Articles.

Article 7

OFFICERS AND THEIR DUTIES

7.1 Enumeration of Offices. The officers of this Association shall be a president, a secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create.

7.2 Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

7.3 Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

7.4 Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

7.5 Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time upon giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

7.6 Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

7.7 Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 7.4.

7.8 Duties. The duties of the officers are as follows:

7.8.1 President. The president shall preside at all meetings of the Board of Directors and of the Members; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments; and shall co-sign all checks and promissory notes.

7.8.2 Vice President. The vice president shall act in the place and stead of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

7.8.3 Secretary. The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses, and shall perform such other duties as required by the Board.

7.8.4 Treasurer. The treasurer shall receive and deposit in appropriate bank

accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association; keep proper books of account; and shall prepare and distribute to the members such financial statements as the Board shall be required to prepare and distribute from time to time pursuant to the Declaration

7.8.5 Assistant Secretary. The Board may appoint one or more assistant secretaries to perform all of the duties of the secretary in the absence of the secretary.

7.8.6 Assistant Treasurer. The Board may appoint one or more assistant treasurers to perform all of the duties of the treasurer in the absence of the treasurer.

Article 8

COMMITTEES

The Board shall appoint a Nominating Committee, as provided in these Bylaws. In addition, the Board shall appoint other committees as deemed appropriate in carrying out its purpose.

Article 9

MORTGAGES

9.1 Notice to Association. An Owner who mortgages his Lot shall notify the Association through the Managing Agent, if any, or the president of the Board, giving the name and address of his Mortgagee. The Association shall maintain such information in a book or list entitled "Mortgagees of Lots."

9.2 Notice of Unpaid Assessments. The Association shall at the request of a Mortgagee of a Lot report any unpaid assessments due from the Owner of such Lot.

Article 10

EVIDENCE OF OWNERSHIP, REGISTRATION OF MAILING ADDRESS AND REQUIRED PROXIES

10.1 Proof of Ownership. Any person on becoming an Owner shall furnish to the Managing Agent, if any, or Board a photocopy of a copy of the recorded instrument vesting that person with an interest or ownership, which instrument shall remain in the files of the Association. A member shall not be deemed to be in good standing nor shall he be entitled to vote at any annual or at a special meeting of Members unless this requirement is first met.

10.2 Registration of Mailing Address. The Owners of each Lot shall have one and the

same registered mailing address to be used by the Association for mailing of monthly statements, notices, demands and all other communications; and such registered address shall be the only mailing address of a person or persons, firm, corporation, partnership, association or other legal entity or any combination thereof to be used by the Association. Such registered address of a Lot Owner or Owners shall be furnished by such Owners to the Secretary within five days after transfer of title; such registration shall be in written form and signed by all of the Owners of the Lot or by such persons as are authorized by law to represent the interests of the Owners thereof. If no such address is registered or if all of the Owners cannot agree, then the address of the Lot shall be the registered address until another registered address is furnished as permitted under this section. Registered addresses may be changed from time to time by similar designation.

10.3 Completed Requirement. The requirements contained in this Article 10 shall be first met before an Owner of a Lot shall be deemed in good standing and entitled to vote at any annual or special meeting of Members.

Article 11

AMENDMENTS

These Bylaws may be amended, at a regular or special meeting of the Members, by a vote of a majority of a quorum of Members present in person or by proxy.

Article 12

CONFLICT WITH DECLARATION, ARTICLES OR LAW

These Bylaws are intended to comply with and supplement the requirements of the Declaration and the Articles of Incorporation for the Association. If any of these Bylaws conflict with the provisions of Title 24 RCW, the Articles or the Declaration, the provisions of Title 24 RCW, the Declaration, and the Articles will apply.

ARTICLE 13

NONPROFIT ASSOCIATION

This Association is not organized for profit. No Member, member of the Board, or person from whom the Association may receive any property or funds shall receive or shall be lawfully entitled to receive any pecuniary profit from the operations thereof, and in no event shall any part of the funds or assets of the Association be paid as salary or compensation to, or distributed to, or inure to the benefit of any members of the Board. The foregoing, however, shall neither prevent nor restrict the following: (1) reasonable compensation may be paid to any Member or manager while acting as an agent or employee of the Association for services rendered in effecting one or more of the purposes of the Association, and (2) any Member may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection

with the administration of the affairs of the Association.

Article 14

MISCELLANEOUS

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

IN WITNESS WHEREOF, Declarant hereunder has hereunto set its hand this 31st day of JULY, 1995.

DECLARANT:

BY: _____

