

**BYLAWS OF
FREESTONE TRAILSIDE HOME OWNERS ASSOCIATION**

ARTICLE 1. NAME AND LOCATION

1.1. Name and Office. The name of the corporation is Freestone Trailside Home Owners Association, hereinafter referred to as the **"Association"**. The principal office of the Association shall be located at 6820 – 20th Street East, Fife, Washington 98424, but meetings of Members and Directors may be held at such place within the State of Washington as may be designated by the Board of Directors (collectively, the **"Board"**, and each member individually, a **"Director"**).

ARTICLE 2. DEFINITIONS

2.1. Terms. The terms used in these Bylaws shall have the same meaning as those used in the Declaration of Covenants, Conditions, and Restrictions and Reservation of Easements for Freestone Trailside, recorded under Thurston County Auditor's File No. 4247485, and as amended from time to time (the **"Declaration"**).

ARTICLE 3. MEETINGS OF MEMBERS

3.1. Annual Meetings. The first annual meeting of the Members shall be held at the discretion of the Board within one (1) year from the date of incorporation of the Association. Thereafter, annual meetings shall be held on the anniversary of such date in each succeeding year, or on such date as approved by a majority vote of the Membership if they decide the annual meeting should be held on another day for each succeeding year. If the day for the annual meeting of the Members is a Saturday, Sunday, or legal holiday, the meeting shall be held at the same hour on the first day following which is not a Saturday, Sunday, or legal holiday.

3.2. Special Meetings. Special meetings of the Members may be called at any time by the President, a majority of the Board, or upon the written request of Members entitled to vote, in the aggregate, ten percent (10%) of the Association's total votes.

3.3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting by hand delivery or by mailing a copy of such notice, postage prepaid for first class mail, (or any other method of notice permitted by RCW 64.38 and RCW 24.03) at least fourteen (14) days before but not more than sixty (60) days before such meeting to each Member entitled to vote at the meeting, addressed to the Member's address last appearing on the books of the Association, or supplied in writing by such Member to the Association for the purpose of notice. Such notice shall specify the place, day, and hour of the meeting, and the items on the agenda to be voted on by the Members, including the general nature of any proposed amendment to the Declaration, Articles, or Bylaws, changes to a previously approved Budget that result in

assessment obligations, and any proposal to remove a Director or officer. All meetings shall be held at such place as is convenient for the Members as determined by the Board, but in any event, in Thurston County, Washington.

3.4. Manner of Voting.

3.4.1. Means. At all meetings of Members, each Member may vote in person, by proxy, or by mail, facsimile, email, or other electronic transmission. If voting by electronic transmission is contemplated, the Association must designate an address, location, or system to which the ballots must be electronically transmitted by an electronically transmitted record.

3.4.2. One Vote per Lot. There shall be one (1) voting Owner or Co-Owner for each Lot, with only one (1) vote per Lot. Such Owner or Co-Owner shall be designated by the Owner or Co-Owners of a Lot by written notice signed by each Co-Owner, which notice shall be filed with the Secretary. Any designation may be revoked at any time by any Co-Owner by written notice filed with the Secretary. Such designation shall be deemed revoked when the Secretary receives actual written notice of the death or judicially declared incompetence of an Owner or Co-Owner, or actual written notice of the conveyance of any portion of such Ownership interest in a Lot. When no designation is made, or where designation has been made and revoked and no new designation has been made, then no vote may be cast for such Lot. Thus, if Co-Owners cannot agree on a vote, their vote will not be counted in a vote by the Association Membership, even though those Co-Owners may be counted for purposes of a quorum (as if abstaining).

3.4.3. Proxies. A proxy is void if it is not dated or purports to be revocable without notice. Unless stated otherwise in the proxy, a proxy terminates eleven (11) months after its date of issuance.

3.5. Quorum. The presence at the beginning of any meeting of Members entitled to cast thirty-four (34%) of the votes of the Association shall constitute a quorum throughout that meeting for any action. If a quorum is not present or represented at any meeting, the Members entitled to vote may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented.

3.6. Classes. The Association shall have two (2) classes of voting Membership:

3.6.1. Class A. The Class A Members shall be all Owners (other than the Declarant), who shall be entitled to one (1) vote for each Lot owned.

3.6.2. Class B. The Class B Member shall be the Declarant, who shall be entitled to three (3) votes for each Lot owned. The Class B Membership shall cease and be converted to Class A Membership upon the Turnover Date.

ARTICLE 4. BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

4.1. Number, Term, and Qualifications Under Declarant. The affairs of the Association shall be initially governed by a Board of one (1) Director, who shall be appointed by the Declarant pursuant to Section 2.3 of the Declaration and who shall serve until removed by

Declarant or until successors are elected and qualified. The Director appointed by the Declarant need not be an Owner and may be removed and replaced by the Declarant with or without cause. If the appointed Director dies, resigns, or is otherwise unable to serve, the Declarant shall appoint a successor. Within fifteen (15) days after the earlier of (i) the Turnover Date, or (ii) the date on which the Declarant elects to permanently transfer its authority to the Association and the Members by written notice to all Members, the Board shall call a special meeting of the Members (the "***Transitional Meeting***").

4.2. **Number and Terms After Transition.** At the Transitional Meeting, the Members shall elect a Board consisting of either three (3) or five (5) Directors, to replace the Board appointed by Declarant. The terms for the Directors shall be staggered such that the normal terms of no more than two (2) Directors shall expire in the same year. The terms of the Board elected at the Transitional Meeting shall be as follows:

Position No. 1 – one (1) year
Position No. 2 – two (2) years
Position No. 3 – three (3) years
Position No. 4 (if applicable) – one (1) year
Position No. 5 (if applicable) – two (2) years

4.3. **Subsequent Elections.** At each annual meeting after the election of the Board at the Transitional Meeting, the Members shall elect to a three (3) year term one (1) new Director for each Director whose term has expired that year. All Directors elected by the Members after the Turnover Date must be Members. If a corporation or other entity is a Member, any one of its officers, directors, shareholders, partners, or members may be elected to the Board.

4.4. **Compensation.** No Director shall receive compensation for any service rendered to the Association. However, a Director may be reimbursed for actual expenses incurred in the performance of duties.

4.5. **Removal.** Any Director elected by the Members may be removed with or without cause, upon the Majority Vote of the Members present, in person or by proxy, at a properly called meeting at which a quorum is present.

ARTICLE 5. STANDARD OF CARE FOR DIRECTORS

5.1. **Standard.** A Director shall perform the duties of a Director, including the duties as a member of any Board Committee (defined in Section 9.1) upon which the Director may serve, in good faith, in a manner such Director believes to be in the best interests of the Association, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

5.2. **Outside Reliance.** In performing the duties of a Director, a Director shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, in each case prepared or presented by:

5.2.1. **Officers or Employees.** One or more officers or employees of the Association whom the Director believes to be reliable and competent in the matter presented.

5.2.2. Professionals. Counsel, public accountants, or other persons as to matters which the Director believes to be within such person's professional or expert competence.

5.2.3. Committees. A Board Committee upon which the Director does not serve, duly designated in accordance with a provision in the Articles or Bylaws, as to matters within its designated authority, which Board Committee the Director believes to merit confidence; so long as, in any such case, the Director acts in good faith, after reasonable inquiry when the need therefore is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

5.3. Amendment. If the statutory standard of care required under RCW 24.03 or RCW 64.38 is different than the standard of care set forth in these Bylaws, then these Bylaws shall be deemed amended so that the required statutory standard of care is applicable.

5.4. Insurance. This ARTICLE 5 shall not apply where the consequences of an act, omission, error, or negligence are covered by the insurance obtained by the Board.

ARTICLE 6. MEETINGS OF DIRECTORS

6.1. Regular Meetings. Regular meetings of the Board shall be held no less than one (1) time a year at such place and hour as may be fixed by the Board. Notice shall be given annually to the Directors of next year's meeting times.

6.2. Special Meetings. Special meetings of the Board shall be held when called by the President or any Director after not less than three (3) days' notice to each Director. The meeting shall be held at the same place as the regular meetings, unless unavailable, in which event the President shall designate the place of the special meeting.

6.3. Notices. Notices of any Board meetings may be given by hand delivery, or by mail, or by electronic transmission such as fax or email, or any other method of notice permitted by RCW 64.38 and RCW 24.03. The notice of any meeting shall state the time and place of the meeting and the business to be placed on the agenda.

6.4. Quorum; Attendance. A quorum is deemed present throughout any Board meeting if a majority of the Board is present at the beginning of the meeting. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as an act of the Board. Members of the Board or any Board Committee may participate in a meeting of the Board or Board Committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time and participation by such means shall constitute presence in person at a meeting.

6.5. Open Meetings. Except as provided in this Section 6.5, all meetings of the Board shall be open for observation by all Members of record and their authorized agents. The Board shall keep minutes of all actions taken by the Board, which shall be available to all Members. Upon the affirmative vote in an open meeting to assemble in closed session, the Board may convene in closed executive session to consider personnel matters; consult with legal counsel

or consider communications 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 an Owner or 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 shall restrict the consideration of matters during the closed portions of meetings only to those purposes specifically exempted and stated in the motion. No motion or other action adopted, passed, or agreed to in closed session may become effective unless the Board, 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 6.5 shall not require the disclosure of information in violation of law or which is otherwise exempt from disclosure.

ARTICLE 7. POWERS AND DUTIES OF BOARD

7.1. Powers. The Board shall have the power to do the following:

7.1.1. Vested Powers. Exercise for the Association all powers, duties, and authority vested in or delegated to this Association and not reserved to the Membership by other provisions of these Bylaws, the Articles, or the Declaration or as set forth in RCW 64.38 and/or RCW 24.03, as currently enacted or hereafter amended.

7.1.2. Agency Powers. As necessary to pursue Association responsibilities, employ an independent contractor or such other employees as the Board deems necessary, and to prescribe their duties.

7.1.3. Enforcement Powers. Enforce the Declaration as amended (this power does not in any way reduce the power of any Member to enforce the Declaration, nor does it require enforcement unless the Board deems such enforcement necessary).

7.2. Prohibitions. The Board shall not act on behalf of the Association to:

7.2.1. Amend Declaration. Amend the Declaration in any manner that requires the vote or approval of the Members.

7.2.2. Amend Articles. Amend the Articles.

7.2.3. Owner Actions. Take any action that requires the vote or approval of the Members.

7.2.4. Termination. Terminate the Association.

7.2.5. Direct Election of Directors. Elect Directors or determine the qualifications, powers, and duties, or terms of office of Directors; provided, however, that the Board may fill vacancies in its membership for the unexpired portion of any term.

7.3. Duties. It shall be the duty of the Board to do, in its discretion, as follows:

7.3.1. Recordation. Keep a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by any one of the Members who is entitled to vote.

7.3.2. Supervision. Supervise all officers, agents, and employees of the Association, and see that their duties are properly performed.

7.3.3. Declaration Authorizations. As more fully provided in the Declaration, to do as follows:

7.3.3.1. Fix the amount of the General Assessment against each Lot for each Assessment Period, as provided in the Declaration.

7.3.3.2. Fix the amount of any Special Assessment, against each applicable Lot, as provided in the Declaration.

7.3.3.3. Send written notice to each Owner of any Assessments, as provided in the Declaration.

7.3.3.4. Within thirty (30) days after adoption by the Board of any proposed Budget, set a date for a meeting of the Members to consider ratification of the Budget, which meeting shall be not less than fourteen (14) nor more than sixty (60) days after mailing of a Budget summary.

7.3.3.5. File a lien if an Assessment is not paid within thirty (30) days of its due date, as provided in the Declaration.

7.3.3.6. Foreclose on an Association Lien, as provided in the Declaration.

7.3.4. Certificate of Assessment. Issue, or cause an appropriate officer (the Treasurer or the President, or an authorized agent thereof, if neither the President nor Treasurer is available) to issue, certificates stating the indebtedness of an Owner or Lot to the Association for Assessments and charges, or lack thereof. Any certificate so issued shall be conclusive upon the Association as to the amount of such indebtedness on the date of the certificate, in favor of all persons who rely thereon in good faith. Such a certificate shall be furnished to any Owner or any Mortgagee of a Lot within a reasonable time after request, in Recordable form, at a reasonable fee.

7.3.5. Covenant Enforcement. Enforce the covenants contained in the Declaration, as provided in the Declaration (this power of enforcement is in addition to the powers of the enforcement of any individual Member).

7.3.6. Insurance. Procure and maintain adequate insurance in accordance with the Declaration.

7.3.7. Common Areas. Maintain any Common Areas as set forth in the Declaration.

7.3.8. General. Perform any and all other functions provided in the Declaration, or by law, which are necessary for maintenance and continuance of the Association.

ARTICLE 8. OFFICERS AND THEIR DUTIES

8.1. Enumeration of Officers. The officers of this Association shall be a President, Vice President, Secretary, and Treasurer and such other officers as the Board may from time to time by resolution create. Only Directors may serve as officers.

8.2. Election of Officers. The election of officers shall take place at the first meeting of the Board following each annual meeting of the Members.

8.3. Term. The officers of the Association shall be elected annually by the Board and each shall hold office for one (1) year or until that officer's successor is elected, unless the officer sooner resigns, or is removed, or otherwise is disqualified to serve.

8.4. 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.

8.5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time 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.

8.6. 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 who is replaced.

8.7. Multiple Offices. Any two or more offices may be held by the same person, except the offices of President and Secretary.

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

8.8.1. President. The President shall: preside at all meetings of the Board; see that orders and resolutions of the Board are carried out; and sign all written instruments and promissory notes.

8.8.2. Vice President. The Vice President shall: act in the place and stead of the President in the event of absence, inability, or refusal to act; and exercise and discharge such other duties as may be required by the Board.

8.8.3. Secretary. The Secretary shall: record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; serve notices of meetings of

the Board and of the Members; keep appropriate current records showing the Members together with their addresses; prepare, execute, certify and record amendments to the Declaration on behalf of the Association; and perform such other duties as required by the Board.

8.8.4. Treasurer. The Treasurer shall: receive and deposit in appropriate bank accounts all monies of the Association; disburse such funds as directed by resolution of the Board; sign all checks and promissory notes of the Association; cause an annual audit of the Association books to be made by a public accountant whenever the annual Assessments exceed \$50,000 (or such other amount as required by RCW 64.38.045), unless waived by sixty-seven (67%) of the votes of the Association (or such other vote as required by RCW 64.38.045); and prepare an annual Budget and a statement of income and expenditures as set forth above. The desired time for preparation shall be just prior to the annual meeting so that the Budget and statement can be presented to the Membership at its annual meeting.

ARTICLE 9. COMMITTEES

9.1. Board Authority. The Board shall appoint such committees ("**Board Committee(s)**") as it deems appropriate in carrying out its purpose.

ARTICLE 10. RULES AND REGULATIONS

10.1 Rules and Regulations. The Board shall at all times have the authority to prescribe rules and regulations in accordance with the Declaration and these Bylaws (the "**Rules and Regulations**"). The discretion to interpret the Rules and Regulations as written shall rest exclusively with the Board.

10.2 Rules and Regulations Committee. The Board shall have the authority to create a Rules and Regulations Committee, and to defer the Board's authority to issue, interpret, and enforce the Rules and Regulations to the Rules and Regulations Committee.

ARTICLE 11. BOOKS AND RECORDS

11.1. Inspection Rights. The books, records, and papers of the Association shall at all times, during normal business hours, be subject to inspection by any Member and Mortgagee, and their respective agents, on reasonable advance notice. The Declaration, the Articles, and the Bylaws shall be available for inspection by any Member at the office of the Secretary, where copies may be purchased at reasonable cost.

ARTICLE 12. AMENDMENTS

12.1. Bylaws. These Bylaws may be amended only with the written approval of a majority of the Board. Any amendment shall be signed by the approving Directors and copies shall be delivered to all Members within thirty (30) days of adoption.

12.2. Conflict. In case of any conflict between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

ARTICLE 13. INDEMNIFICATION OF DIRECTORS AND OFFICERS

13.1. Right of Indemnification. The Association shall indemnify its Directors and officers against all liability, damage, or expense resulting from the fact that such person is or was a Director or officer, to the maximum extent and under all circumstances permitted by law.

13.2. Effect of Other Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Articles, Bylaws, agreement, vote of Members or disinterested Directors, or otherwise.

13.3. Insurance. The Association may maintain insurance, at its expense, to protect itself and any Director, officer, employee or agent of the Association or another association, partnership, joint venture, trust, or other enterprise against any expense, liability, or loss, whether or not the Association would have the power to indemnify such person against such expense, liability, or loss under the Washington Nonprofit Corporation Act, RCW 24.03 (the "**Act**"). The Association may enter into contracts with any Director or officer of the Association in furtherance of the provisions of this Article and may create a trust fund, grant a security interest, or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article.

13.4. Advance Payment. The Association may, by action of its Board from time to time, provide indemnification and pay expenses in advance of the final disposition of a proceeding to employees and agents of the Association with the same scope and effect as the provisions of this Article with respect to the indemnification and advancement of expenses of Directors and officers of the Association or pursuant to rights granted pursuant to, or provided by, the Act or otherwise.

ARTICLE 14. TRANSACTIONS INVOLVING DIRECTORS

14.1. Transactions. No contracts or other transactions between this Association and any other entity, and no act of this Association, shall in any way be affected or invalidated by the fact that any Director is pecuniarily or otherwise interested in, or is a trustee, director, member, partner, or officer of, such other entity.

14.2. Disclosure. Any Director, individually, and/or any entity of which any Director may have a beneficial interest, may be a party to, or may be pecuniarily or otherwise interested in, any contracts or transactions of the Association; provided, that the fact that such Director and/or such entity is so interested shall be disclosed to or shall have been known by the Board or a majority thereof.

ARTICLE 15. ATTORNEY FEES

15.1. Attorney Fees. Should any dispute arise regarding the terms of these Bylaws, the Declaration, the Articles, or the Rules and Regulations of the Association, the prevailing party shall recover reasonable attorney fees and costs, including those for appeals.

ARTICLE 16. VENUE

16.1. Venue. Venue, for purposed of these Bylaws, shall be Thurston County, Washington.

ARTICLE 17. FISCAL YEAR

17.1. Calendar Year. The fiscal year of the Association shall be a calendar year, unless determined otherwise by the Board.

[Signature on following page]

IN WITNESS WHEREOF, the undersigned, being the sole Director of Freestone Trailside Owners Association, has adopted these Bylaws this 16th day of February, 2012.

J. Scott Griffin, Jr., Director

AMENDMENT TO

BY-LAWS OF Freestone Trailside Homeowners Association

The Board of Directors of the Freestone Trailside Homeowners Association hereby amends Article 3 as follows:

Article 3 of the By-Laws is amended in its entirety to read:

Section 3.1: Annual Meetings

The Annual Meeting of the members for the election of directors to succeed those whose terms expire; ratify the following year's budget; and for the transaction of such other business as may properly come before the meeting; shall be held each year at such place as the Board of Directors may prescribe, on a date and time selected by the Board of Directors within the last quarter of the fiscal year; which date shall not be a legal Holiday.

IN WITNESS WHEREOF, we, being all of the Directors of the Freestone Trailside Homeowners Association (having authority to amend these by-laws as granted in Article 12 section 12.1 of these By-Laws) have herein set our hands this ____ day of _____, 2012.

