

BYLAWS
OF
SKY HARBOR HOMEOWNERS' ASSOCIATION
Adopted effective August 19, 2004

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BYLAWS
OF
SKY HARBOR HOMEOWNERS' ASSOCIATION

ARTICLE I
DEFINITIONS

Unless otherwise specified, all terms shall have the same meaning in these Bylaws as such terms have in the Declaration of Protective Covenants, Conditions, Easements and Restrictions For Plat of Sky Harbor (the "Declaration"), applicable to the property managed by the Sky Harbor Homeowners' Association (the "Association") and recorded with the Snohomish County Recorder. The terms "Owners" and "Members" as used herein shall be synonymous.

ARTICLE II
OFFICES

2.1 Registered Office/Agent. The Association shall continuously maintain within the state of Washington a Registered Agent and a Registered Office as required by the Nonprofit Corporation Act of the state of Washington. The Registered Agent for the Association may be changed from time to time by the Board of Directors. Notice of any change in the registered agent or registered office shall be filed with the office of the Secretary of State of the state of Washington.

2.2 Other Offices. The Association may have other offices within Snohomish County, Washington at such place or places as the Board of Directors may from time to time determine.

ARTICLE III
MEMBERSHIP

3.1 Membership. Every person or entity who is an Owner of any Lot shall become a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot and shall not be assigned or conveyed in any way except upon the transfer of title to said Lot and then only to the transferee of such title to the Lot. All Owners shall have rights and duties as specified in the Declaration, and in the Articles and Bylaws of the Association.

3.2 Voting Rights. Subject to the Developer's rights during the Development Period, as described in the Declaration, Owners shall be entitled to one (1) vote for each Lot owned. If more than one person or entity owns an interest in any Lot, the vote for such Lot shall be

exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot nor shall any vote be divided. The voting rights of any Owner may be suspended as is provided in the Declaration, or in the Articles or Bylaws of the Association.

3.3 Suspension of Voting Rights. The Association, through its Board of Directors, has the right to suspend voting rights of any Owner of a Lot under the following circumstances:

- a. For any period during which an assessment against the Lot remains unpaid.
- b. For a period not to exceed ninety (90) days per infraction, for any infraction of the Association's published rules and regulations.

3.4 Certificates. Membership in the Association may be evidenced by the issuance of a certificate in such form as shall be determined by the Directors. If such certificates are issued, the Secretary shall keep a register, indicating in whose name such certificates are held.

3.5 Transfer of Membership; Records. A membership in the Association shall not be transferred, pledged or alienated in any way, except by the sale of a Lot which entitles the Owner to membership, and then only to such purchaser, or by intestate succession, testamentary disposition, foreclosure or mortgage of record or other legal process. If a Membership Certificate was issued, then, upon the transfer of any membership in accordance herewith, the certificate evidencing membership shall be returned to the Association and a new certificate issued in the name of the new Member. The Association shall then delete the name of the old Member and that Member's certificate from the books and indicate thereon the new Member. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Association. In the event the Owner of any Lot should fail or refuse to transfer the membership registered in his name to the purchaser of such Lot, the Association shall have the right to report the transfer upon the books of the Association and, if certificates are being issued, issue a new certificate to the purchaser and, thereupon, the old membership outstanding in the name of the seller shall be null and void as though the same had been surrendered in accordance with the provisions hereinabove specified.

ARTICLE IV MEETINGS OF MEMBERS

4.1 Annual Meeting. The first annual meeting of the Members shall be held as provided in the Declaration, and subsequent annual meetings of the Members shall be held each year on the third Tuesday in March at 7:30 p.m. for the purpose of electing directors and transacting such other business as may come before the meeting. If the day for the annual meeting of the Members is a legal holiday, the meeting may be held at the same hour on the first day following that is not a legal holiday. If the election of directors is not held on the date designated for the annual meeting of the Members or any adjournment thereof, the election shall be held at a special meeting of the Members as soon thereafter as is practicable.

4.2 Annual Meeting - Order of Business. At the annual meeting of Members, the order of business shall be as follows:

- a. Calling the meeting to order
- b. Proof of notice of meeting (or filing of waivers)
- c. Reading of minutes of last annual meeting
- d. Reports of officers (including the Treasurer's presentation of financial statements for the preceding fiscal year and the budget the Board has adopted for the current fiscal year.
- e. Reports of committees
- f. Election of directors
- g. Miscellaneous business

4.3 Special Meetings. The President or the Board of Directors may call a special meeting of the Members for any purpose. A special meeting of the Members may also be called by the Members having at least ten percent (10%) of the total voting interest in the Association, and in the event such is the case, it shall be the duty of the secretary, upon request in writing by such Members, to call such a meeting of the membership. If the secretary neglects or refuses to issue such call within five (5) days of receipt of such request, the Members making the request may issue the call.

4.4 Meeting Place. The Board of Directors may designate any place, within Snohomish County, Washington, as the place for any annual meeting or for any special meeting called by the Board of Directors. Special meetings called at the request of Members shall be held at such place within Snohomish County, Washington as may be determined by the Board of Directors and designated in the notice of such meetings. If no designation is made, the place of meeting shall be the registered office of the Association in the state of Washington.

4.5 Notice of Meetings. Not less than fourteen (14) nor more than sixty (60) days before the date of any meeting of Members, written or printed notice shall be delivered, either personally or by mail, by or at the direction of the president or secretary or the Members calling the meeting, to each Member entitled to vote at such meeting. The notice shall state the date, place, and hour of the meeting and the business to be placed on the agenda by the Board of Directors for a vote by the Members, including the general nature of any proposed amendment to the Articles of Incorporation, Bylaws, any budget or changes in the previously approved budget that result in a change in assessment obligation, and any proposal to remove a director. Notice of a meeting at which an amendment to the Declaration or the Articles of Incorporation or Bylaws is to be considered shall include the text of the proposed amendment. If mailed, such notice shall be deemed to be delivered on the third day of regular mail delivery after a copy has been deposited in the United States Mail, first class, postage prepaid, addressed to the Member at his or her address as it appears in the records of this Association. Mailing addresses may be changed by notice in writing to the Board of Directors delivered to the Secretary or President of the Association.

4.6 Waiver of Notice. Whenever any notice is required to be given to any Member of the Association by the Articles of Incorporation, Bylaws or Declaration or by the laws of the State of Washington, a waiver thereof, in writing signed by the person or persons entitled to such notice, either before or after the time stated therein, shall be equivalent to giving of such notice. The attendance of a Member at a meeting shall constitute a waiver of notice of such meeting, and no writing shall be required, except where a Member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

4.7 Quorum. Unless otherwise specifically provided in Section 4.8 below, or in the Articles of Incorporation, Declaration or the laws of the state of Washington, a quorum is present throughout a meeting of Members if the owners to which thirty-four percent (34%) of the votes of the Association are allocated are present in person or by proxy.

4.8 Special Quorum for Assessments. Written notice of any meeting called for the purpose of taking any action on assessments authorized under Article IV of the Declaration shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirements, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

4.9 Proxies. At all meetings of Members, each Member may vote in person or by proxy executed in writing by the shareholder or by his or her duly authorized attorney-in-fact. Such proxy shall be filed with the secretary of the Association before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy, and every proxy shall automatically terminate upon conveyance by the Member of his or her Lot. A proxy with respect to a specified meeting shall entitle the holder thereof to vote at any reconvened meeting following adjournment of such meeting but shall not be valid after the final adjournment thereof.

4.10 Attendance by Conference Telephone. A meeting may be held by means of or may include use of a conference telephone or similar communications equipment whereby 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 such a meeting.

4.11 Action Taken Without Meeting. Any action required to be taken at a meeting of the Members or any action which may be taken at a meeting of the Members may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the Members entitled to vote with respect to the subject matter thereof.

4.12 Architectural Control Committee. As described in the Declaration, Article Six, Section 6.5, the Declarant shall have the power to appoint the members of the Architectural

Control Committee until such time as all Lots have been sold and all plans have been approved, at which time Declarant may transfer said appointment power to the Board.

ARTICLE V
BOARD OF DIRECTORS

5.1 Management by Board. The affairs of the Association shall be managed by a Board of Directors (sometimes referred to herein as the "Board") which shall have and exercise all powers, duties and authority not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, the Declaration or Washington state law as are necessary to administer the affairs of the Association. Without limitation of any of the foregoing, the Board of Directors shall have the power and duty to do the following:

- a. Rules and Regulations. Adopt and publish rules and regulations consistent with the Articles of Incorporation, Declaration, and Bylaws, governing the use of the Property, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;
- b. Payment for Goods and Services. Pay for all goods and services required for the proper functioning of the Association and maintenance of the Common Areas and other facilities described in the Declaration, including but not limited to utilities, security, taxes, insurance, legal and accounting services attributable to common areas;
- c. Assessments. Subject to the restrictions set forth in the Declaration and these Bylaws, impose and collect annual and special assessments and establish the date upon which such assessments are due;
- d. Certificates of Payment of Assessment. Issue, or cause an appropriate officer to issue, upon demand by any person or entity, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive of such payment;'
- e. Budget. As more fully provided in the Declaration, to set the annual budget and allocate the assessment rate, provided however, that the assessment rate is subject to all terms and conditions of the Declaration, and further provided that the procedure set forth in Article X of these Bylaws is followed;
- f. Books and Records. Cause to be kept 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;
- g. Employment and Supervision of Managers, Independent Contractors and Others. Employ and remove at pleasure all officers, agents, employees, independent contractors,

or such other persons as they deem necessary, prescribe their duties and fix their compensation at commercially reasonable rates. Supervise all officers, agents and employees of this Association, and see that their duties are properly performed, and cause all officers or employees having fiscal responsibilities to be bonded, as deemed appropriate by the Board;

h. Legal Action. Commence legal actions for the enforcement of the Declaration or any other legal action which the Board of Directors deems necessary for the protection of the Property, and defend against legal actions initiated against the Association. In the name of the Association, enforce and foreclose any lien for assessments of the Association, as may be necessary for collection thereof,

i. Right to Contract. Have the exclusive right to contract for all goods, services, maintenance, and capital improvements provided however, that such right of contract shall be subject to Association approval;

j. Bank Account. Open a bank account on behalf of the Association and designate the signatories required;

k. Maintenance of Lots. If necessary, maintain any Lot if such maintenance is reasonably necessary in the judgment of the Board and is authorized by the Declaration. The Board may authorize such maintenance activities and levy special assessments against the Owner or Owners of such Lot for the cost of such maintenance pursuant to the restrictions set forth in the Declaration;

l. Right of Entry. Enter any Lot when reasonably necessary in the judgment of the Board and when authorized by the Declaration, after giving any notice required by the Declaration. Such entry must be made with as little inconvenience to the Owners as practicable, and any damage caused thereby shall be repaired by the Board if the entry was due to an emergency (unless the emergency was caused by the Owner of the Lot entered, in which case the cost shall be specially assessed to the Lot). If the repairs or maintenance activities were necessitated by the Owner's neglect of the Lot, the cost of such repair or maintenance activity shall be specially assessed to that Lot. If the emergency or the need for maintenance or repair was caused by another Owner of another Lot, the cost thereof shall be specially assessed against the Owner of the other Lot;

m. Discharge of Liens. The Board may pay any amount necessary to discharge any lien or encumbrance levied against the Property or any part thereof which is claimed or may, in the opinion of the Board, constitute a lien against the Property or against the Common Area or Private Roads rather than merely against the interest therein of particular Owners. Where one or more Owners are responsible for the existence of such lien, they shall be jointly and severally liable for the cost of discharging it and any costs or expenses, including reasonable attorneys' fees and costs of title search incurred by the Board by reason of such lien or liens. Such fees and costs shall be assessed against the Owner or Owners and the Lot(s) responsible, to the extent of their responsibility;

n. Declare the Office of a Director Vacant. Declare the office of a Member of the Board of Directors to be vacant in the event such Member shall be absent from three (3) consecutive regular meetings of the Board of Directors;

o. Exercise Powers. In general, exercise, on behalf of the Association, all powers set forth in RCW 24.03.035 and RCW 64.38.020, provided however, that the Board of Directors is not authorized to adopt or enforce discriminatory rules or regulations or restrictions, nor take any action based on race, religion, national origin, or sex.

5.2 Number and Qualifications. Until end of the Development Period, the number of directors shall be two (2). After the Development Period, the Association shall, from among its Membership, elect a Board of Directors consisting of three (3) directors, who through the Association shall manage and administer the Property in accordance with the Declaration, Articles and Bylaws. The number of directors may be changed by amendment to these Bylaws in the manner set forth herein.

5.3 Term of Office. Each director shall hold office for the term for which he or she is elected and until his or her successor shall have been elected and qualified. The Initial Directors named in the Articles of Incorporation, or their replacements, shall serve until the end of the Development Period. As soon as practicable following the end of the Development Period, the Members shall elect one (1) director for a term of one (1) year, one (1) director for a term of two (2) years and one (1) director for a term of three (3) years. At each annual meeting thereafter the Members shall elect one (1) director for a term of three (3) years. Nominees for positions on the first elected Board shall indicate the specific duration of the term for which they are seeking ' election.

5.4 Removal. The Members may remove any member of the Board of Directors, with or without cause, and elect a successor for the unexpired term, by the affirmative vote of a majority of the votes cast by Members having voting rights in the Association who are present, in person or by proxy, and entitled to vote at a meeting of the Owners at which a quorum is present.

5.5 Vacancy. If any Member ceases to be, an Owner, his or her membership on the Board shall thereupon terminate. Other than for a vacancy due to removal of a director, the Board of Directors shall have the power to fill by appointment any vacancy occurring in the Board, including but not limited to a vacancy occurring by reason of any increase in the number of directors as a result of amendment of these Bylaws. A director appointed to fill a vacancy shall be appointed for the unexpired term of his or her predecessor in office. Any director appointed by the Board shall stand for election for the remainder of the specified term for such position at the next annual meeting of Members.

5.6 Compensation. No director shall receive compensation for any service the director may render to the Association as a director. However, any director may be reimbursed for actual and necessary expenses incurred in the performance of duties as a director.

ARTICLE VI
NOMINATION AND ELECTION OF DIRECTORS

6.1 Nomination. Except for the first annual meeting, nomination for election to the Board of Directors shall be made by a nominating committee. Nominations may also be made from the floor at any annual meeting of the Members. The nominating committee shall consist of a chairman, who shall be a member of the Board of Directors, and two (2) 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 to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

6.2 Election. Election to the Board of Directors shall be by secret written ballot. At such election the Members or their proxies may cast one (1) vote in respect to each vacancy. The persons receiving the largest number of votes shall be elected. Such election may, in the discretion of the Board of Directors, be conducted by mail.

ARTICLE VII
MEETINGS OF THE BOARD OF DIRECTORS

7.1 Annual Meetings. The annual meeting of the Board of Directors shall be held immediately after the annual meeting of Members for the purpose of electing officers. The meeting shall be held at the same place as the membership meeting unless some other place shall be specified by resolution of the membership at such meeting.

7.2 Special Meetings. A special meeting of the Board of Directors shall be held when called by the president of the Association, or by any two (2) directors.

7.3 Regular Meetings. The Board of Directors may provide, by resolution, the time and place for the holding of regular meetings and such meetings shall be held without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should such meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

7.4 Notice of Meetings. No notice of annual meetings or of regular meetings of the Board of Directors shall be required, other than as set forth in these Bylaws.

Notice of the time and place of any special meeting shall be given by the secretary or by the person or persons calling the meeting either in writing or orally. Oral notice may be communicated in person or by telephone, and shall be deemed effective if personally given to the director at least forty-eight (48) hours in advance of the time of the meeting.

Written notice delivered by private carrier, personal delivery, telegraph, teletype, or telephone, wire or wireless equipment which transmits a facsimile of the notice, must be delivered at least forty-eight (48) hours in advance of the time of the meeting.

If mailed, written notice shall be deemed effective when mailed, if mailed with first-class postage prepaid addressed to a director at his or her address shown on the records of the Association at least five (5) days before the meeting.

Neither the business to be transacted nor the purpose of any meeting of the Board of Directors need be specified in the notice or any waiver of notice of any special meeting.

7.5 Waiver of Notice. Whenever any notice is required to be given to any director by the Articles of Incorporation, Bylaws or Declaration or by the laws of the State of Washington, a waiver thereof, in writing signed by the director, either before or after the time stated therein, shall be equivalent to giving of such notice. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, and no writing shall be required, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except when a director attends the meeting for the purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

7.6 Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business. The act of a majority of the directors present at a meeting in which a quorum is present shall be the act of the Board of Directors. The Board members present at a duly organized meeting at which a quorum is present or represented may continue to transact business until the adjournment of such meeting, notwithstanding the withdrawal of enough Board Members to leave less than a quorum.

7.7. Attendance by Conference Telephone. A meeting may be held by means of a conference telephone or similar communications equipment whereby 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 such a meeting.

7.8. Meetings Open to Members. All meetings of the Board of Directors shall be open for observation by all owners of record and their authorized agents. The Board of Directors shall keep minutes of all actions taken by the Board, which shall be available to all owners. Upon the affirmative vote in open meeting to assemble in closed session, the Board of Directors 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 to the Association. The motion shall state specifically the purpose of the closed session. Reference to the stated purpose for the closed session shall be included in the minutes. The Board of Directors 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 of Directors, following the closed session, reconvenes in open meeting and votes in the open meeting on such motion, or other action which is reasonably identified. The requirements of this section shall not require the disclosure of information in violation of law or which is otherwise exempt from disclosure.

7.9 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 VIII COMMITTEES

The Board of Directors, resolution adopted by a majority of the full Board of Directors, may designate and appoint one or more committees, each of which shall consist of two or more directors, which committees, to the extent provided in such resolution or in the Articles of Incorporation or Bylaws of the Association, shall have and may exercise the authority of the Board of Directors in management of the Association. Provided, that no such committee shall have the authority of the Board of Directors in reference to amending altering or repealing the bylaws, electing, appointing or removing any member of any such committee or any director or officer of the Association; amending the Articles of Incorporation adopting a plan of merger or adopting a plan of consolidation with another corporation, authorizing the sale, lease or exchange of all or substantially all of the property and assets of the Association other than in the ordinary course of business; authorizing the voluntary dissolution of the Association or revoking proceedings therefor; adopting a plan for the distribution of the assets of the Association or amending, altering or repealing any resolution of the Board of Directors which by its terms provides that it shall not be amended, altered or repealed by such committee. Provided, further, that this Article shall not apply to the ACC, which is governed by the Declaration. All committees so appointed shall keep regular minutes of the transactions of their meetings and shall cause them to be recorded in books kept for that purpose in the office of the Association. The designation of any such committee and the delegation of authority thereto, shall not relieve the Board of Directors, or any member thereof, of any responsibility imposed by law.

ARTICLE IX
OFFICERS AND THEIR DUTIES

9.1 Number. The officers of the Association shall be a president, one or more vice presidents, a secretary, and a treasurer, each of whom shall be elected by the Board of Directors. Such other officers and assistant officers, as may be deemed necessary may be elected or appointed by the Board of Directors, and shall have such authority and perform such duties as are provided in these Bylaws or as may be provided by resolution of the Board. Any two or more offices may be held by the same person except the offices of President and Secretary.

9.2 Qualifications. Officers must be Members of the Association. In addition, the President must be a director of the Association.

9.3 Election and Term of Office. The officers of the Association shall be elected annually by the Board of Directors at the annual meeting of the Board of Directors. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as is convenient. Unless an officer dies, resigns or is removed from office, he or she shall hold office until his or her successor shall have been duly elected and qualified.

9.4 Resignation and Removal. Any officer or agent may be removed by the Board of Directors whenever, in its judgment, the best interest of the Association will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights. 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 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.

9.5 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause, may be filled by the Board of Directors for the unexpired portion of the term.

9.6 President. The president shall have general supervision of the affairs of the Association and, unless some other officer is so designated by the Board of Directors, shall preside over meetings of the Board of Directors.

9.7 Vice President. The vice president shall perform all duties incumbent upon the president during the absence or disability of the president, with all the powers of and subject to all the restrictions upon the president, and shall perform such other duties as the Bylaws may provide or the Board of Directors may prescribe.

9.8 Secretary. The secretary shall: (1) keep the minutes of the meetings of the Board of Directors in one or more books provided for that purpose; (2) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (3) be custodian of the corporate records; (4) in general perform all duties incident to the office of secretary and

such other duties as from time to time may be assigned to him or her by these Bylaws or by the Board of Directors.

9.9 Treasurer. The treasurer shall keep correct and complete records of account, showing accurately at all times the financial condition of the Association. He or she shall be the legal custodian of all moneys, notes, securities, and other valuables that may from time to time come into the possession of the Association. He or she shall immediately deposit all funds of the Association coming into the treasurer's hands in a bank or other depository to be designated by the Board of Directors, and shall furnish at meetings of the Board of Directors, or whenever requested, a statement of the financial condition of the Association, and shall perform such other duties as these Bylaws may provide or the Board of Directors may prescribe.

9.10 Other Officers and Agents. The Board of Directors may from time to time appoint such other officers and agents as it shall deem necessary or expedient, who shall hold their offices for such terms, and shall exercise such powers and perform such duties as shall be determined by the Board of Directors.

9.11 Salaries. The salaries of all officers and agents of the Association and all other forms of compensation and benefits to such officers and agents shall be fixed and determined by the Board of Directors.

ARTICLE X RATIFICATION OF BUDGET

The Board of Directors shall set the budget and allocate the assessment rate as provided in the Declaration. Within thirty (30) days after the adoption by the Board of Directors of any proposed regular or special budget, the Board shall set a date for a meeting of the owners to consider ratification of the budget not less than fourteen (14) nor more than sixty (60) days after mailing of the summary. Unless at that meeting the owners of a majority of the votes in the Association reject the budget, in person or by proxy, the budget is ratified, whether or not a quorum is present. In the event that the proposed budget is rejected or the required notice is not given, the periodic budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board of Directors with or without cause.

ARTICLE XI LOANS

11.1 Loans to Members/Directors/Officers. No loans shall be made by the Association to any Member, any officer, or any member of the Board of Directors.

11.2 Loans to Association. Any borrowing by the Association must be approved by a majority vote of the Members of the Association at a regular or special meeting of the Association.

ARTICLE XII
CONTRACTS, CHECKS, AND DEPOSITS

12.1 Contracts. The Board may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances.

12.2 Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Association, shall be signed by such officer or officers, agent or agents, of the Association and in such manner as is from time to time determined by the Board.

12.3 Deposits. All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in such banks, trust companies, or other depositories as the Board may select.

ARTICLE XIII
FISCAL YEAR

The fiscal year of the Association shall be determined by the Board of Directors.

ARTICLE XIV
CORPORATE SEAL

The seal of this Association, if the Board of Directors determines a seal is necessary, shall consist of the name of the Association, the state of its incorporation, and the year of its incorporation.

ARTICLE XV
BOOKS AND RECORDS

15.1 Records to be Maintained. The Association shall keep at its registered office, or at its secretary's office within the state of Washington:

- a. Current Articles of Incorporation and Bylaws;
- b. Correct and adequate records of accounts and finances;
- c. A record of officers' and directors' names and addresses;
- d. Minutes of the proceedings of the Board of Directors and any committees of the Board.

15.2 Availability of Records. All financial and other records of the Association are the property of the Association and, with the exception of unlisted phone numbers, shall be available for examination by all owners, holders of mortgages on the lots and their respective authorized agents on reasonable advance notice during normal working hours at the offices of the Association or its managing or registered agent. The Association may impose and collect a reasonable charge for copies and any reasonable costs incurred in providing access to records.

15.3 Financial Statements. At least annually, the Association shall prepare, or cause to be prepared, a financial statement of the Association. If the annual assessments are fifty thousand dollars (\$50,000) or more, an annual audit shall be performed by an independent certified public accountant, unless waived by the vote of sixty-seven percent (67%) of the Members.

15.4 Accounts. The funds of the Association shall be kept in accounts in the name of the Association and shall not be commingled with the funds of any other association or the manager or other persons responsible for the custody of such funds.

ARTICLE XVI RULES AND REGULATIONS

16.1 Adoption. The Board of Directors may, from time to time, and subject to the provisions of the Declaration, Articles of Incorporation, and these Bylaws, adopt, amend and repeal rules and regulations in order to preserve the benefit of membership in the Association for all owners, their families, invitees, licensees and lessees, and for guests.

16.2 Promulgation. The secretary shall mail a true and correct copy of all rules and regulations or amendments thereto, to each Member of the Association as that Member's name appears on the membership roll of the Association at the Member's last known address, and shall enter upon the records of the Association a notation of such mailing.

16.3 Effective Date. Any such rule or regulation or amendment thereto, adopted by the Board of Directors shall be effective commencing at 12:01 a.m. on the fifth (5th) day following the date of such mailing, unless the Board of Directors in adopting the same, shall specify some other effective date.

ARTICLE XVII RULES OF PROCEDURE

The rules of procedure at meetings of the Members and of the Board of Directors of the Association shall be rules contained in Roberts' Rules of Order of Parliamentary Procedure, as amended, so far as applicable and when not inconsistent with these Bylaws, the Articles of Incorporation, or with any resolution of the Board of Directors.

ARTICLE XVIII
AMENDMENTS

These Bylaws may be altered, amended, or repealed, and new Bylaws may be adopted at a regular or special meeting of the Members, by a vote of seventy-five percent (75%) of the total votes of the entire membership.

ARTICLE XIX
CONFLICTS

In case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control. In the case of any conflict between the Declaration and these Bylaws and the Articles, the Declaration shall control. In the case of any conflict between these Bylaws and the Washington Nonprofit Corporation Act, the statute shall control.

Dated effective August 19, 2004.

SKY HARBOR HOMEOWNERS' ASSOCIATION

By: 
Tony R. Kastens, President