

BYLAWS OF CHELSEA PARK IMPROVEMENT ASSOCIATION

ARTICLE 1 – ASSOCIATION MEETINGS

Section 1.1 Members. Each owner of a lot in Chelsea Park is a member of the Chelsea Park Improvement Association (the "Association").

Section 1.2 Voting Rights. Each household shall be entitled to one vote on each matter coming before any Association meeting. The Board may submit a proposal to the members at any Association meeting for a nonbinding advisory vote. The vote of any member at any Association meeting may be exercised either in person or by written proxy.

Section 1.3 Annual Meeting. A meeting of the members of the Association shall be held each year in May. Annual meetings shall be called by the President. The purposes of the annual meeting shall be to review the activities of the Association during its prior fiscal year, to discuss plans and proposals for the Association for its current fiscal year, and to transact such other business as may properly come before the meeting.

Section 1.4 Special Meetings. Special meetings of the Association may be called by the President, a majority of the Board, or by owners having ten percent or more of the votes in the Association and shall be held at such time and place as the person or group calling the meeting may prescribe.

Section 1.5 Notice of Meetings. Written notice of the place, day, and hour of Association meetings and of the items on the agenda to be voted on by the members, including the general nature of any proposed amendment to the Declaration or these Bylaws, changes in the previously approved budget that result in any change in assessment obligations, and any proposal to remove a director or officer, shall be hand-delivered or sent by prepaid first class United States mail to the mailing address of each home or to any other mailing address designated in writing by the member not less than fourteen nor more than sixty days before the date of the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail.

Section 1.6 Quorum. The presence in person or by proxy of members representing fifty-one percent of the lots shall constitute a quorum for the transaction of business, and the vote of a majority of the members present in person or by proxy at an Association meeting at which there is a quorum shall be the act of the Association. The members present at a duly convened meeting may continue to do business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

Section 1.7 Proxies. A proxy must be executed in writing by a member or its duly authorized attorney-in-fact. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy. Revocation of a proxy shall not be effective until written notice thereof has been received by the person presiding over an Association meeting, or, in the absence of a meeting, the Secretary. No proxy shall be effective if it is not dated or purports to be revocable without notice.

ARTICLE 2 – BOARD OF DIRECTORS

Section 2.1 Number. The affairs and property of the Association shall be managed by a Board of Directors. The Board shall consist of three Directors. The Association, by an amendment to these Bylaws, may increase or decrease the number of Directors, provided that no decrease in number shall have the effect of shortening the term of any incumbent Director or resulting in a Board of less than two Directors. The Board shall exercise all authority and duties and have all powers given by the Declaration, the Washington Homeowners' Associations Act, and the Washington Nonprofit Corporations Act.

Section 2.2 Qualifications. Each Director must be a natural person and a resident of the Association.

Section 2.3 Term of Office. Each Director shall hold office for three years. The members of the first Board of Directors shall hold office until the initial election of Directors by members and until their respective successors shall be elected and qualified, subject to provisions herein relating to vacancy and removal.

Section 2.4 Election of Directors. Voting for the annual election of Directors by the members shall be accomplished by voice vote or ballots mailed or provided to the Secretary of the Association in accordance with the voting rights described in Article 1.2. If an insufficient number of members are willing to serve on the Board, then the outgoing President of the Board may appoint members to fill the open positions on the Board.

Section 2.5 Vacancies; Removal. Vacancies in the Board of Directors, whether caused by resignation, removal or otherwise, may be filled by a majority of the remaining Directors, even though less than a quorum, at any meeting of the Board. A Director thus elected to fill any vacancy shall hold office for the unexpired term of his predecessor and until his successor is duly elected and qualified. A Director may be removed, with or without cause by (i) the vote of two-thirds of the Directors then in office at a meeting of the Board of Directors; or (ii) a majority vote of the voting power in the Association present, in person or by proxy, and entitled to vote at any meeting of the owners at which a quorum is present.

Section 2.6 Quorum and Voting. At any meeting of the Board of Directors, the presence in person of a majority of the Directors shall constitute a quorum for the transaction of business. If a quorum is present, the act of a majority of the Directors present at such meeting shall be the act of the Board of Directors.

Section 2.7 Approval of Public Positions; Loans. Any proposal (i) that the Association take a public position on any issue of importance to the members, or (ii) that the Association borrow money or become a maker on a promissory note or other evidence of indebtedness for borrowed money shall be approved only if it receives the affirmative vote of at least two-thirds of the members of the Association.

Section 2.8 Annual Meeting. The first meeting of the Board of Directors following the annual election of Directors by members shall be known as the Annual Board Meeting. After notice is given by the Secretary pursuant to Section 2.4 of the results of the election of Directors by the members, the President shall call the Annual Board Meeting, and the Secretary shall give notice to all Directors of the place and hour thereof.

Section 2.9 Regular Meetings. Regular meetings of the Board of Directors shall be held at such place, day, and hour as the Board from time to time may specify by resolution.

Section 2.10 Special Meetings. Special meetings of the Board of Directors may be held at any place at any time whenever called by the President or a majority of the Directors or any Home Owner.

Section 2.11 Telephone or E-Mail Meetings. The Annual Board Meeting and any regular or special meetings of the Board of Directors may be held by means of conference telephone or e-mail.

Section 2.12 Notice of Meetings. No notice of any regular meeting need be given, if the place, day, and hour thereof shall have been fixed by resolution of the Board of Directors and a copy of such resolution mailed to every Director at least three days before the first meeting held pursuant thereto. Notice of the place, day and hour of all other meetings of the Board of Directors shall be given by the Secretary, or by the person calling the meeting, by mail, personal delivery, e-mail, or by personal communication over the telephone or otherwise, at least seventy-two hours prior to the time the meeting is to be held.

Section 2.13 Action by the Board Without a Meeting. The Board of Directors may take any action which it could properly take at a meeting without such a meeting if a consent in writing setting forth the action so taken shall be signed by all the Directors. Such consent has the same effect as a unanimous vote.

Section 2.14 Compensation. Directors shall receive no compensation for their services as Directors, except that Directors may be reimbursed for actual expenses incurred because of their position if such reimbursement is authorized by the Board of Directors.

Section 2.15 Open Meetings; Executive Sessions. Meetings of the Board shall be open for observation by all owners of record and their authorized agents. Upon the affirmative vote in 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 to the Association.

ARTICLE 3 – OFFICERS

Section 3.1 Officers Enumerated: Election: Powers. The officers of the Association shall be a President, a Secretary, and a Treasurer. Each officer shall also be a Director.

Section 3.2 Qualifications: Succession. Each officer must be a natural person and a resident of the Association. Each officer shall serve for a term of three years that is concurrent with the officer's term as a Director.

Section 3.3 The President. The President shall be the chief executive officer of the Association and shall have all of the usual powers and authority held by the chief executive officer. The President shall preside at all meetings shall be responsible for carrying out the plans and directives of the Board and shall report to and consult with the Board. The President shall have such other powers and duties as the Board may prescribe.

Section 3.4 The Secretary. The Secretary, personally or with the assistance of others, shall keep minutes of the meetings of the Board of Directors and the members and shall arrange for notice of such meetings; maintain other corporate records; attest all contracts and other obligations or instruments in the name of the Association, and perform such other duties as the Board of Directors may from time to time designate.

Section 3.5 The Treasurer. The Treasurer shall have the care and custody, and be responsible for, all funds and securities of the Association, and shall cause to be kept regular books of account and shall provide yearly financial reports to the Association. The Treasurer shall cause to be deposited all funds and other valuable effects in the name of the Association in such depositories as may be designated by the Board of Directors. In general, the Treasurer shall perform all the duties incident to the office of the Treasurer, and such other duties as from time to time may be assigned by the Board of Directors.

Section 3.6 Vacancies: Removal. Vacancies in any office arising from any cause may be filled by the Board of Directors for the unexpired term of such office. The Board by resolution may remove any officer at any time with cause.

Section 3.7 Amending the Declaration. Any officer of the Association shall have the right to prepare, execute, certify, and record properly adopted amendments to the Declaration.

ARTICLE 4 – FINANCIAL AND ADMINISTRATIVE MATTERS

Section 4.1 Corporate Records and Books of Account. The Association shall keep, at its registered or principal office or at the office of the Secretary, current Articles of Incorporation and Bylaws; a record of members, including names, addresses and dates of purchase of home; correct and adequate records of accounts and finances; a record of the names and addresses of Directors; minutes of the proceedings of the members, the Board of Directors, and any minutes that may be maintained by committees of the Board; and any other necessary or advisable corporate records.

Section 4.2 Access to Records. All records of the Association, including the names and addresses of owners and other occupants of the lots, 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 agent. The Association shall not release the unlisted telephone number of any owner. The Association may impose and collect a reasonable charge for copies and any reasonable costs incurred by the Association in providing access to records.

Section 4.3 Annual Financial Statement. At least annually, the Association shall prepare, or cause to be prepared, a financial statement of the Association.

Section 4.4 Reserve Study. Unless doing so would impose an unreasonable hardship, the Association shall prepare and update a reserve study in accordance with the requirements specified in RCW 64.38.070. The initial reserve study must be based upon a visual site inspection conducted by a reserve study professional. Unless doing so would impose an unreasonable hardship, the association shall update the reserve study annually. At least every three years, an updated reserve study must be prepared and based upon a visual site inspection conducted by a reserve study professional.

Section 4.5 Loans; No Loans to Directors or Officers. The Association shall not borrow money or become a maker on any promissory notes or other evidences of indebtedness for borrowed money, unless authorized by the Board of Directors and members of the Association in accordance with Section 2.7. Any such resolution may be general or relate only to specific instances. The Association shall not loan money or credit to its Directors.

Section 4.6 Contracts and Instruments. The Board by resolution may authorize one or more officers or agents, acting alone or together, to execute contracts, checks, other payment orders, or other instruments or documents on behalf of the Association. Any such resolution may be general or relate only to specific instances.

Section 4.7 Copies of Resolutions. Any person dealing with the Association may rely upon a copy of any of the records of the proceedings, resolutions, or votes of the Board of Directors or members, when certified by the President or the Secretary.

Section 4.8 Fiscal Year. The fiscal year of the Association shall be the calendar year.

Section 4.9 Rules of Procedure. The Board of Directors may adopt rules of procedure to govern any meetings of members or Directors, to the extent not inconsistent with law, the Articles of Incorporation, or these Bylaws, as in effect from time to time.

ARTICLE 5 – INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 5.1 Grant of Indemnification. Subject to Section 5.2, each person who was or is made a party or is threatened to be made a party to or is involved (including, without limitation, as a witness) in any threatened, pending, or completed action, suit or proceeding, whether civil,

criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact he or she is or was a Director or officer of the Association or by reason of the fact that, while a Director or officer of the Association, he or she is or was serving at the request of the Association as a Director, officer, or agent of the Association whether the basis of such proceeding is alleged action in an official capacity as a Director or officer or in any other capacity while serving as a Director, officer, or agent, shall be indemnified and held harmless by the Association to the fullest extent permitted by applicable law, as then in effect, without the requirement of any further approval or finding by the members, the Board of Directors, or independent legal counsel, against all expense, liability and loss including attorneys' fees, costs, judgments, fines, ERISA excise taxes or penalties and amounts to be paid in settlement) reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a Director or officer and shall inure to the benefit of his or her heirs, executors and administrators.

Section 5.2 Limitations on Indemnification. Notwithstanding Section 5.1, no indemnification shall be provided hereunder to any such person to the extent that such indemnification would be prohibited by the Washington Nonprofit Association Act or other applicable law as then in effect, nor, except as provided in Section 5.4 with respect to proceedings seeking to enforce rights to indemnification, shall the Association indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person except where such proceeding (or any part thereof) was authorized by the Board of Directors.

Section 5.3 Advancement of Expenses. The right to indemnification conferred in this Article 5 shall include the right to be paid by the Association the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that the payment of such expenses in advance of the final disposition of a proceeding shall be made only upon delivery to the Association of an undertaking, by or on behalf of such Director or officer, to repay all amounts so advanced if it shall ultimately be determined that such Director or officer is not entitled to be indemnified under this Article or otherwise.

Section 5.4 Right to Enforce Indemnification. If a claim under Section 5.1 is not paid in full by the Association within sixty days after a written claim has been received by the Association, or if a claim for expenses incurred in defending a proceeding in advance of its final disposition authorized under Section 5.3 is not paid within twenty days after a written claim has been received by the Association, the claimant may at any time thereafter bring suit against the Association to recover the unpaid amount of the claim and, to the extent successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. The claimant shall be presumed to be entitled to indemnification hereunder upon submission of a written claim (and, in an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition, where the required undertaking has been tendered to the Association), and thereafter the Association shall have the burden of proof to overcome the presumption that the claimant is so entitled. It shall be a defense to any such action (other than an action with respect to expenses authorized under Section 5.3) that the claimant has not met the standards of conduct which make it permissible hereunder or under the Washington

Nonprofit Association Act or other applicable law, for the Association to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Association. Neither the failure of the Association (including its Board of Directors, independent legal counsel, or its members) to have made a determination prior to the commencement of such action that indemnification of or reimbursement or advancement of expenses to the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth herein or in the Washington Nonprofit Association Act or other applicable law, nor an actual determination by the Association (including its Board of Directors, independent legal counsel, or its members) that the claimant is not entitled to indemnification or to the reimbursement or advancement of expenses shall be a defense to the action or create a presumption that the claimant is not so entitled.

Section 5.5 Nonexclusivity. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article 5 shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Articles of Incorporation or the Bylaws, agreement, vote of members or disinterested Directors or otherwise.

Section 5.6 Insurance and Other Security. The Association may maintain insurance, at its expense, to protect itself and any Director or officer, 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 Association Act or other applicable law. The Association may enter into contracts with any Director or officer of the Association in furtherance of the provisions of this Articles 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 may be necessary to effect indemnification as provided in this Article 5.

5.8 Amendment or Modification. This Article 5 may be altered or amended as provided in Article 6 at any time, but no such amendment shall have the effect of diminishing the rights of any person who is or was an officer or Director as to any acts or omissions taken or omitted to be taken prior to the effective date of such amendment.

5.9 Effect of this Article. The rights conferred by this Article 5 shall be deemed to be contract rights between the Association and each person who is or was a Director or officer. The Association expressly intends each such person to rely on the rights conferred hereby in performing his or her respective duties on behalf of the Association.

ARTICLE 6 – AMENDMENTS

These Bylaws may be altered, amended or repealed and new Bylaws adopted by the Association.

ARTICLE 7 – ARBITRATION

Any voting deadlock on decisions to be made by the Board of Directors or Association consistent with these Bylaws, Articles of Incorporation of the Association, or the Restated Declaration of Covenants, Conditions, Restrictions and Reservations for Chelsea Park Improvement Association, shall be settled by binding arbitration. The Directors shall unanimously agree on the selection of one arbitrator to resolve the deadlock. In the event the Directors cannot agree upon the selection of an arbitrator, the arbitrator shall be selected by the Presiding Judge of the Superior Court of King County, State of Washington. In rendering a binding decision, the arbitrator shall consider only the best interests of the Association.

Date Bylaws adopted:

July, 18, 2012

Peterson G. Dillingham
Secretary