

BY-LAWS of the INNIS ARDEN CLUB, INC.
As amended (in bold) through December 2007

Article I, II, III, IV, V, VI, VII, Property Owned

Preamble

The By-Laws of the Innis Arden Club, Inc., hereafter called the Club, are the rules which form the structure or framework of the Innis Arden Community. They govern the administrative program. By-Laws must not conflict with state and local laws, Articles of Incorporation of the Innis Arden Club, Inc. or the Innis Arden Restrictive Easements.

Article I. Meetings

- Section 1. Annual Meeting. The annual meeting of the shareholders shall be held on the third Wednesday in January in each year, at 8:00 PM, or at such other time as the Board of Directors selects, for the election of directors and transaction of business. The President of the Board of Directors shall serve as the chair of the annual meeting. In the President's absence, the chair shall be elected by the Board prior to the annual meeting.
- Section 2. Special Meetings. Special meetings of the shareholders may be called by the Board of Directors or at least 10% of the shareholders not less than 14 or more than 60 days in advance. The Board of Directors shall set the date, place and time of said meeting.
- Section 3. Place of Meeting. All meetings of the shareholders shall be held at the clubhouse, or at any such place in King County that the Board of Directors shall select.
- Section 4. Changing the Time and Place of Shareholders' Meeting for Election of Directors. The time and place of the shareholders' meeting for election of directors may not be changed within sixty days before the scheduled date. Notice of any such change prior to the sixty days shall be given to all shareholders in writing by mail.
- Section 5. Notice of Meetings. Except as otherwise required by statute, notice of the time, place and purpose of each meeting, whether annual or special shall be given at least fourteen days before such meeting, in writing, by mail to each shareholder. No other publication or notice shall be required.
- Section 6. Quorum. At all meetings of the shareholders, the presence of a simple majority (270 as of 11/1/2004) of all shareholders, in person or by proxy, **at the beginning of the meeting** shall constitute a quorum for the transaction of business. ~~At such time as either the Innis Arden Articles of Incorporation or Washington State law allows for a quorum requirement of one third (180 as of 11/1/2004), the presence of one third of all shareholders, in person or by proxy, shall constitute a quorum for the purpose of doing business at all meetings of the shareholders.~~ If such a quorum shall not be present or represented **at the Annual Meeting, the chair, after stating any proposed dues that are less than 110% of the previous year's amount are ratified since the meeting lacks a majority to disapprove the dues,** the voting shareholders shall have the power to adjourn the **Annual or any other** meeting for not more than thirty days. At any such adjourned **reconvened** meeting at which a quorum shall be present, any **further** business may be transacted ~~at the meeting as originally called.~~
- Section 7. Requirements for Adoption. When a quorum is present, a majority vote is sufficient for adoption of any motion that is in order.
- Section 8. Voting. Every shareholder shall have a right to one vote at every shareholders' meeting A shareholder shall be defined as a property owner within Innis Arden. Only one vote shall be allowed for each building site within Innis Arden regardless of the number of owners of such building site.
- Section 9. Proxies. At all meetings, each shareholder 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 cease upon conveyance by the shareholder of his property.

Article II, Board of Directors

- Section 1. Definition. The Board of Directors shall consist of the officers and chairmen of the standing committees.
- Section 2. Number and Term of Office. The number of Directors shall be nine. The number may be varied by amendment of the By-Laws either by the Board of Directors or the shareholders, but the number shall not be reduced to less than three nor increased to more than nine. The term of office shall be three years unless a director shall sooner resign, or shall otherwise be disqualified to serve, except that the Director serving as Chairman of the Activities Committee shall serve a one-year term. Until the remainder of the vacated term has expired, any member elected to fill a vacancy shall serve until the next annual election.
- Section 3. Election.

a. Shareholders who wish to be candidates for Director positions and who wish to have their names appear on the official ballot shall notify the Secretary in writing not later than the stated Board of Directors meeting the month before the Annual Meeting. Additional nominations may be made from the floor at the Annual Meeting by a qualified shareholder. The nomination must be seconded and with the consent of the nominee. The additional nominees shall be presented with the slate at the Annual Meeting. The Secretary shall formulate and mail an official ballot to each

shareholder at his or her address of record not later than two weeks prior to the Annual Meeting. Each candidate may publish a personal statement regarding his or her candidacy in the Bulletin mailed to the address of each shareholder of record at least two weeks prior to the Annual Meeting. The maximum length of the personal statement shall be established by the Board and shall be equal for all candidates.

b. Ballots may be cast at the Annual Meeting or by proxy. Each ballot that is not submitted in person by the shareholder shall be submitted in a sealed envelope with the shareholder's name, signature and address plainly marked on the outside for identification prior to opening. The Secretary shall make replacement ballots available to shareholders. All ballots shall be validated by the Secretary or such other Director as the President may appoint, prior to opening by the Tellers Committee.

c. The President shall appoint a Tellers Committee to open and count the ballots received and validated. Only official ballots will be counted. The Tellers Committee shall consist of three or more shareholders none of whom shall be candidates or relatives or spouses of candidates. The Committee shall be refereed by the Secretary or another Director, who is not a candidate, who is appointed by the President.

d. Those candidates for open Board positions receiving the greatest number of votes from validated and counted ballots shall become Directors and shall assume their duties immediately following the Annual Meeting, except that the Director who shall be Chairman of the Activities Committee shall be elected by that committee and confirmed by the shareholders.

e. The Board of Directors shall establish written procedures governing the length of statements published in the Bulletin by candidates, the alphabetical listing of candidates, format and distribution of official ballots, the validation and counting of ballots, the publication of election results, and other matters relating to election procedure which the Board may determine to be appropriate. The initial procedures shall be published in the community Bulletin at least one month before the Annual Meeting. Subsequent procedures shall be published in the community Bulletin at least one month before they are to become effective.

f. Teller procedures:

Processing Mailed Proxies (3:30-4:30 PM)

- 1) Open envelopes and remove mailed proxy ballots. Sort proxies by IA subdivision, and then alphabetize.**
- 2) For proxies directed to the Board of Directors or any you received, go through the sign-in procedures below for proxies.**
- 3) Use this time to practice signing in other ballots and proxies.**

SIGN-IN (4:30-8:00)

You will have

- A stack of blank non-white ballots
- A printed list of residents and addresses sorted by subdivision and last name (sign-in sheet)
- A rubber stamp and stamp pad
- A stapler
- Ballot Cards and Proxy Cards (if motions will be made from the floor)

VOTING IN PERSON: (Shareholders from Innis Arden 1, 2, and 3 will sign in at tables so designated)

Usual Situation:

=> Have the shareholders sign the sign-in sheet next to their names and addresses, and verify that phone numbers (for the directory) and addresses are correct. Also ask for email addresses, assuring all that email addresses will not be publicized.

=> For each Shareholder, write the block and lot of the associated residential lot on the lower right of the back (blank) side of the ballot. Validate the ballot by stamping it next to where you wrote the block and lot number.

=> Instruct shareholders to cast ballots when polls close after candidate presentations and discussion of ballot issues.

=> Give processed ballot to shareholder

PROCESSING PROXIES: (Proxy holders will sign in at the table(s) appropriate for the residential lot(s) of those giving proxies)

=> Have the proxy holder sign the sign-in sheet next to the proxy giver's name and address with date proxy was executed.

=> Ask proxy holder to fold each proxy form, print side out, along the line that says "NOT VALID IF SEPARATED" and present the form with the shareholder-proxy information side up and thus voting information down and hidden.

=> Proxy ballots must not be separated from proxy forms. (Any separated forms must be rejected. Ok if taped together.)

=> Insure that all information on the signature side of the proxy is filled out correctly. (If it is not, do not continue.)

=> Fold the signature side to cover shareholder and proxy holder information and staple the now twice-folded form. (Folded samples will be provided.)

=> On the lower right of the back (blank) side of the folded form, write the block and lot number of the shareholder who gave the proxy.

=> Validate the proxy ballot by stamping it next to where you wrote the block and lot number.

=> Instruct proxy holder to cast proxy ballot(s) only when a quorum has been achieved (if a quorum has not been achieved, the same proxy ballot may be used at a subsequent meeting).

=> Give proxy ballot back to shareholder.

COUNTING THE BALLOTS

1. Verify that all ballots and proxy ballots have lot and block number and validating stamp on the backside, lower right.

2. Divide the ballots and proxy ballots approximately equally among pairs of tellers.

3. Working in pairs, tally the votes for each candidate, the budget ratification, the dues ratification and the Activities Chair ratification and enter the counts on the tally sheet, using the tally sheet on back of these instructions. Use the system of 4 vertical lines plus diagonal to represent each five. If more than four write-in names appear, subdivide one or more columns of tally sheets to handle the extras. Tellers initial the tally sheets they used for recording votes.

4. After all ballots and proxies have been counted, the head and two other tellers will sum up all the tally sheets, put the totals on a clean tally sheet, mark it "Total Counts," and initial this sheet. **SAVE ALL BALLOTS AND PROXIES!**

5. One of the tellers will be asked by the Chair to report the final results.

6. At the end of the meeting please give all the tally sheets, ballots, and proxy ballots to the Board Secretary.

g. Voting Procedures

Voting procedures will be passed out to each voting shareholder. Suggestion: Print the previous annual meeting minutes on the reverse side.

Completing the sign-in procedure is required prior to turning in your ballot or proxy ballot(s).

- For your own ballot, find the table and tellers representing your subdivision, initial the sign-in sheet next to your name and address, and make sure that address, phone, and email information is correct.
- If you hold one or more proxies: a) for each, find table and tellers for shareholder(s) who gave a proxy, b) sign your name next to that of the person who gave the proxy and c) write the date that the proxy was executed. Then d) fold each proxy ballot at the line reading NOT VALID IF SEPARATED (with printed side out) and hand it to the teller, signature side up. Do not separate proxy and ballot sections of the form. After checking the proxy information, a teller will fold the signature section again, hiding shareholder and proxy holder names, and will staple the now twice-folded form.
- For both ballots and proxy ballots, tellers will write the block and lot number on the back (blank) side (to uniquely connect each to a single lot in Innis Arden) and will stamp the ballot or proxy ballot to indicate that it has been validated.
- Do not vote until a quorum has been announced.
- **Vote Counting.** After collecting ballots and proxy ballots, tellers will check the back of each for the validation stamp and then tally votes for all valid ballots and proxy ballots.

h. Typical Annual Meeting Schedule

3:30 p.m. tellers process mailed proxy ballots

4:30 p.m. sign-in for proxy holders

6:00 p.m. coffee hour and sign-in for Shareholders

7:00 p.m. meeting

- Approve the minutes from the 2006 Annual Meeting.
- Take nominations from the floor
- Candidates' presentations followed by a question and answer period
- Discussion of other ballot issues—ratifying Activities Chair, approving the budget and dues.
- Voting and the collection of ballots
- Committee Reports:

Treasurer:

Activities:

Clubhouse:

Reserves:

Grounds:

Remodels:

- Community Comments
- Announce Election Results
- Adjourn

i. Sample Ballot

1. Board of Directors

There are three positions open. You may cast all three of your votes for one candidate, or distribute them as desired. Ballots with more than a total of three votes for Directors will be disqualified.

Mark 'x' in the box to vote.

Candidate 1

[] [] []

Candidate 2

[] [] []

Candidate 3

[] [] []

Write-in

[] [] []

Write-in

[] [] []

2. Shall the election of the Activities Chairperson, XXXXX, be ratified for 20XX? Mark 'x' in the box to vote.

[] Yes [] No [] Abstain

3. Shall the BUDGET proposed by the Board for 20XX be approved? *Budget will pass unless rejected by 270 votes (including proxies)* Mark 'x' in the box to vote.

[] Yes [] No [] Abstain

4. Shall the ANNUAL DUES proposed by the Board for 20XX, of \$XXX be approved? *Because dues are unchanged from last year, they will be ratified unless disapproved by 270 (a majority of the total number of Tracts in Innis Arden) shareholders voting in person or by proxy .* Mark 'x' in the box to vote.

[] Yes [] No [] Abstain

- Section 4. Place of Meeting. Meetings of the Board of Directors shall be at the clubhouse unless otherwise designated by the Board.
- Section 5. Annual Organizational Meeting. The Board of Directors shall meet immediately following the Annual Meeting for the purpose of organization and the assignment of duties, and if a quorum be present, no notice thereof shall be required.
- Section 6. Stated Meetings. The Board of Directors shall normally meet on a regular basis on the second Tuesday of each month at the Clubhouse at 7:00 PM, but the Board may set other dates, locations and times, depending on need, so long as all shareholders are given timely notice in the Bulletin, or by other means, of any change. Except where otherwise stated in the By-Laws, any and all business may be transacted at such stated meeting.
- Section 7. Special Meetings. Special meetings of the Board of Directors shall be held within King County whenever called by the President or by any director. Notice of any such meeting shall be mailed to each director at his residence or usual place of business, not later than two days before the meeting, or be delivered personally, or by telephone or by e-mail, not later than the day before the meeting. Notice of any meeting of the Board need not, however be given to any director, if waived by him in writing, or of he shall be present at the meeting; and any meeting of the Board of Directors shall be a legal meeting without any notice thereof having been given, if all the members shall be present thereat. Except as otherwise provided in the By-Laws as may be indicated in the notice thereof, any and all business may be transacted at any special meeting.
- Section 8. Quorum and Manner of Acting. A majority of directors in office at the time of any stated or special meeting shall constitute a quorum for the transaction of business; and the adoption of any motion by a majority of the directors in office at any such meeting at which a quorum is present shall be the act of the Board of Directors. The Board may conduct business via e mail but may not adopt motions- A director who has viewed a proposal for a remodel and is not able to attend a meeting of the Board of Directors may vote to approve or disapprove such remodel in writing. Such vote shall count as if the director were present at the meeting, and, only for the purpose of approving or disapproving of the remodel. shall count toward the quorum. In absence of a quorum, a majority of directors present must adjourn the meeting until a quorum is present. No notice of the adjourned meeting need be given. A quorum shall not be required to organize a meeting held for the purpose of filling vacancies on the Board of Directors not caused by removal as provided in Section 10 of Article II of these By-Laws.
- Section 9. Resignations. Any director may resign at any time either in person at a meeting, or in writing to the Secretary. Such resignation shall take effect at the time specified therefor; and unless specified, the acceptance of such resignation shall not be necessary to make it effective.
- Section 10. Removal of Directors. Any director may be removed either for or without cause at any time by the affirmative vote of a simple majority of the shareholders voting at a special meeting of the shareholders called for that purpose and the vacancy caused by any such removal may be filled by the shareholders at such meeting or a subsequent meeting.

- Section 11. Filling of Vacancies Not Caused by Removal. In the case of an increase in the number of directors, or of any vacancy created by death or resignation, the additional director or directors shall be elected, or the vacancy may be filled by the Board of Directors at any meeting by the affirmative vote of a majority of the remaining directors even though less than a quorum. Each person so elected shall serve until the next Annual Meeting, or until any other special meeting of the shareholders, duly called for that purpose and held prior thereto.

Article III, Officers, Employees and Agents. Powers and Duties

- Section 1. Officers. The elected officers of the corporation shall be a President [who shall be a director], a Vice President [who shall not succeed to the Presidency unless he be a director] a Secretary [who shall be a director] and a Treasurer. The Board of Directors may also appoint other officers and agents, as necessary in the proper conduct of the club. Any two of the offices of Vice President, Secretary or Treasurer may also be combined in one person, and any elected officer may also be appointed to an appointive office.
- Section 2. Term of Office. So far as is practical, elected officers shall hold office from the Annual Organizational Meeting following their election to the next Annual Organizational meeting. All other officers shall hold office for a term set by the Board of Directors.
- Section 3. Removal of Elected Officers. Any elected officer may be removed at any time, either for or without cause, by the affirmative vote of a majority of the whole Board of Directors, at any meeting called for that purpose.
- Section 4. Vacancies. If any vacancy shall occur in any office, the Board of Directors may elect or appoint a successor to fill such vacancy for the remainder of the term.
- Section 5. Powers and Duties. The several officers of the Club shall exercise powers and perform such duties as are customary to their respective offices and shall perform such other duties and exercise further powers as may be provided in these By-Laws or as the Board of Directors shall determine.

Article IV, Club Operation

- Section 1. Membership. In any club operated by this Corporation, the following persons only shall be eligible for membership in such a club:
 - a. Bona fide owners of one or more residential lots in any of the following properties, namely:
Innis Arden # 1, blocks one, two three and four
Innis Arden # 2, blocks five through twenty-four inclusive.
Innis Arden # 3, blocks twenty-five through thirty-two inclusive.
Innis Arden # 4, lots one through six inclusive.
 - b. Persons renting and actually residing in any of the foregoing properties and their families, if the owner of said property foregoes the right of membership in favor of the tenant, in writing to the Secretary.
 - c. Persons buying one or more building sites or residential lots and members of their families.
 - d. Any persons may be designated as temporary members of a club authorized under these By-Laws by a majority vote of the Board of Directors of the Club, as well as the majority vote of the directors of the particular club involved. Such temporary membership shall be subject to dues and shall cease at the end of each calendar year.
- Section 2. Termination of Membership. Upon any person ceasing to possess one of the qualifications enumerated in Section 1 of Article IV, his membership in the Club shall cease.
- Section 3. Mandatory Dues The Board shall follow the procedures established by the mandatory dues amendment(MDA) to the covenants, adopted by shareholders on July 23, 2001, for setting, billing and collecting annual dues.
 - a. At least 30 days before the end of the current fiscal year, the Board shall notify shareholders by mail of its estimated annual budget, including proposed dues, for the coming fiscal year.
 - b. The amount of dues for the coming year shall be determined and authorized by shareholder vote at the annual meeting pursuant to the procedures in Section 4 of the MDA.
 - c. As soon as reasonably practical, the Secretary of the Board shall certify to the Board the amount of dues determined and authorized by shareholder vote at the annual meeting.

d. The Board shall authorize the Treasurer of the Board to collect the dues. The Board shall instruct the Treasurer that the dues are due and payable on February 1 of the fiscal year for which dues are authorized, unless the annual meeting of shareholders shall take place after January 24. If the annual meeting of shareholders takes place after January 24, the Board shall instruct the Treasurer that the dues are due and payable on the date two weeks after the annual meeting. The Board shall also instruct the Treasurer to assess and keep records of late charges, interest and other charges to be assessed, pursuant to Section 5 of the MDA, against shareholders whose dues payments are late or unpaid.

e. The Treasurer of the Board shall mail an invoice for the authorized dues to each shareholder. The Treasurer shall include a notice on each invoice describing the consequences for late or non-payment, as authorized and defined in Section 5 of the MDA. The notice shall clearly state that pursuant to Section 5 of the MDA:

- 1.) a shareholder who fails to pay the dues within 60 days following the due date shall be liable for a late charge of 10 percent of the amount past due and shall be liable for interest on all amounts past due. Interest shall accrue at the rate of 10 percent per year (or the maximum interest rate permitted by law, if lower.);
and
- 2.) the Board shall promptly institute proceedings for collection of all dues, late charges, interest and associated collection costs against a shareholder who fails to pay any and all dues, charges and interest due within 180 days following the due date. Such proceedings may include use of a collection agency, filing of legal action and/or filing of a lien upon the title of the shareholder's tract.

f. The Treasurer shall mail reminder notices to shareholders of unpaid dues, charges, interest and possible legal consequences no less than 50 days after the original due date and no more than 160 days after the original due date.

- Section 4. Committees. There shall be the following Standing Committees or combination of committees, whose chairmen are members of the Board of Directors and who present their plans to the Board for approval.
 - a. Activities. The Activities Committee, consisting of a minimum of nine members, shall have the rights and responsibilities of directing, organizing and encouraging the activities of the community.
 - b. Building. The Building Committee shall have charge of enforcing the Protective Restrictions of Innis Arden # 1-4, and any subsequent building sites, with regard to construction of houses, garages or other buildings as provided for in the Protective Restrictions and amendments thereto. Compliance with the view preservation amendment shall be considered as part of the application for building and remodeling requests.
 - c. Clubhouse. The Clubhouse Committee shall have charge of and be responsible for the maintenance and use of the clubhouse and may recommend rules to the Board for the governing thereof.
 - d. Grounds. The Grounds Committee shall have charge of and be responsible for the maintenance and use of the clubhouse grounds, tennis courts, entrances, beach access and other community owned properties other than the Reserves.
 - e. Reserves. The Reserves Committee shall have charge of the management, use and maintenance of the Reserves.
- Section 5. Special Committees. The Board of Directors may appoint such special committees for any proper Club purpose as may be desirable.
- Section 6. **Compliance Procedures for Violation Of the Bylaws, Rules, and Regulations of the Association**

The Club has inherent authority under the Mutual Restrictive Easements as well as pursuant to state statute (RCW 64.38.020(11)) to establish procedures for obtaining compliance with and levying reasonable fines for violation of the bylaws, rules, and regulations of the Association. This bylaw implements that authority. The compliance process is intended to provide a mechanism to resolve complaints and impose fines as a supplement to other means of enforcement. The process described in this section should be construed and administered in light of the Club's intention to provide a fair and efficient means of obtaining compliance. The establishment of this system does not obligate the Club in any instance to pursue compliance or enforcement action. Nor does it authorize direct or indirect interference in any way with the Club's independent authority to enforce the Mutual Restrictive Easements, bylaws, rules, regulations, and policies; to approve or disapprove plans, building sites, or other matters; or to regulate and enforce in any way.

(a) Provisions For Which Fines May Be Levied: The following provisions of the Mutual Restrictive Easements shall constitute the initial designated provisions which are subject to enforcement under this Bylaw (the titles below refer to the titles given to these provisions in the Mutual Restrictive Easements themselves):

- Building restrictions
- Moving of buildings, construction of outbuildings
- Prosecution of construction work
- Excavation, digging of wells
- Refuse disposal, storage of material
- Fences, hedges
- Noxious use of property: spite fences
- Billboards, signs
- View preservation amendment

The Club Board may adopt as necessary additional rules and regulations, which are subject to enforcement by levying of fines.

(b) Compliance Committee: The Board will appoint a Compliance Committee, to be chaired by a member of the Board, which will assist the Board in administration of the compliance process and provide advice to the Board on compliance complaints. The Committee shall consist of no fewer than three members appointed by the Board at least one of whom must be a member of the Board. The Committee will function as an advisory body only. All final actions and decisions under this bylaw will be taken by the Board itself. Nothing in this section or the Bylaws in general shall be deemed or construed as waiving, burdening, or interfering with Club authority to take any action, including but not limited to seeking injunctive or declaratory relief directly in Superior Court, which the Board deems necessary to ensure compliance with any provision of the Mutual Restrictive Easements, By-Laws, Rules and Regulations or other provisions governing the Innis Arden community.

(c) Compliance Process: The compliance resolution process will function as follows:

(1) Complaint Initiation:

Complaints must be submitted in writing to the Compliance Committee. All complaints must provide as complete information as possible concerning an alleged violation and must be signed and submitted by a member/shareholder of the Club.

(2) Notice of Complaint:

The Committee shall provide notice of the complaint to the member/shareholder whose lot is the subject of the complaint by registered mail, Federal Express, or other similar means. Notices will be sent to the address on record for the member/shareholder with the Club. It is the responsibility of all members/shareholders to make sure that the Club has a current address for receipt of such official communications from the Club. The member/shareholder shall be advised of the opportunity to submit a response within thirty (30) days from the date of mailing or transmittal of the complaint. The response shall be submitted

in writing and shall provide as complete information as possible to assist in an initial assessment of the complaint.

(3) Initial Determination by Committee:

The Compliance Committee will, upon receipt of the initial response or, if no response is received when the thirty (30) day initial response period has expired meet as soon as possible in open session and determine whether there is sufficient basis to process the complaint further. If the Committee decision is to recommend further review, it shall notify the parties of that decision in writing using a method described in c (1) above. No Board action is necessary unless the Committee determines that the Club should decline to pursue the complaint. In that instance, the Committee's determination shall be submitted as a recommendation to the Board. The Board shall then review the parties' submissions to the committee, the committee recommendation, and then accept the recommendation and dismiss the complaint or reverse and direct that the complaint be further processed.

(4) Appeal Hearing and Notice:

(a) If it is determined that the complaint should proceed to hearing before the Board, the Board shall using a notice method specified in c (1) give the parties notice of a hearing within approximately thirty (30) days, depending on the schedule of the Board. The Board will endeavor to accommodate the schedules of the parties, but will not permit undue delays. The notice of hearing from the Board shall inform the parties that, if they wish to request a change in hearing date, such request must be submitted within ten (10) days of the date of the Board's notice. The letter notifying the parties of the hearing may also, at the Board's discretion, invite the parties to provide materials concerning the dispute prior to the hearing to facilitate Board preparation. Any party making such a submission to the Board shall at the same time provide copies to the opposing party as well.

(b) The notice that a hearing has been scheduled before the Board shall also advise the parties that they may request that an outside **arbiter** rather than the Board hear the matter. Any such request, to be valid, must be received by the Board within ten (10) days of transmittal of the Board's hearing notice. The requesting party may then select an **arbiter** from a list of qualified outside **arbiters** established by the Club. Said list shall include at a minimum, in addition to individuals available as **arbiters**, at least one organization recognized as maintaining a panel of qualified outside **arbiters**. If both parties request arbitration and cannot agree on selection of one **arbiter** from the list, then the Board President shall designate the **arbiter**. The party requesting outside arbitration shall be responsible and liable for all costs and fees associated with use of the **arbiter**, unless both parties agree on arbitration in which case the costs and fees shall be evenly split. The **arbiter** shall function as the Board's representative in the compliance matter and render a decision for the Board. However, once the **arbiter** has rendered a decision on the matter of compliance, the Board shall have the sole and final authority to set a compliance deadline after which fines shall accrue.

(5) Site Visit:

As part of its hearing on the complaint, the Board may (but is not required to) provide for a structured site visit where the complaining member, the responding member, and a representative of the Committee may, within time limits set by the Board, orient the Board to site features and issues involved in the compliance dispute. Regardless of whether the Board determines to conduct such a structured site visit, Board members shall be entitled to view the site(s) independently as part of their hearing preparation and/or deliberation process.

(6) Fairness:

While it would be impossible for a neighborhood association to comply strictly with the "appearance of fairness" rules, which apply in more formal governmental contexts, Board members whose participation would genuinely compromise the fairness of the complaint resolution process shall not participate in it.

(7) Informal Hearing:

At the appointed date and time (unless a structured site visit occurs), the Board will convene a hearing (generally at the Clubhouse if the facility is available) where the complaining and responding parties will have an opportunity to present their positions on the compliance matter. While the Board may, if it deems appropriate, accept comments by other parties with information determined to be important to the Board's decision (e.g., an expert in a particular field, a neighbor whom the Board deems to have particular knowledge concerning the facts surrounding the dispute, etc.), presentations will generally be by the parties to the dispute themselves. The proceedings shall be recorded, but insubstantial gaps in such recordings shall not affect the validity of the Board's decision.

(8) Board Deliberation and Decision:

After hearing from the parties, the Board will, as it deems appropriate, either continue the hearing for further fact-finding or close the hearing. Deliberations may be conducted immediately after the close of the hearing or at such subsequent time as the Board may designate. After reaching a decision through deliberations, and a subsequent motion, the Board may either issue a final decision and compliance instructions orally at the close of the proceeding and with the parties present, to be included in the Board's minutes, or direct subsequent preparation of a separate written decision. Subsequent preparation of a written decision need not occur in public. A Board decision shall include informal findings and conclusions, as the Board deems necessary as well as a specification of compliance required and by when. If a separate written decision is prepared subsequent to the hearing, the Board shall promptly transmit it either personally or by certified mail, Federal Express, or similar means to each of the parties. In its decision, the Board may use its discretion in imposing deadlines and requirements for compliance.

**(9) Changed Circumstances
Required for Repeat Complaints:**

If the Board does not uphold the complaint and determines that it does not require compliance action, the complaint may not be re-brought before the Board unless the Compliance Committee or the Board affirmatively determines that there has been a significant change in facts or circumstances justifying the complaint.

(10) Fine Schedule and Collection:

As part of its decision, the Board may (but is not required to) set a date by which compliance must occur and after which fines will accrue. In general, fines will be \$20.00 per day for the first sixty (60) days, \$30.00 per day for the next sixty (60) days, and \$50.00 per day thereafter. Upon good cause shown, the Board may exercise its discretion to reduce accrued fines, but only after providing an opportunity for the original complaining party to comment on any such request. Any fine imposed by the Board shall be the personal obligation of the person against whom it is imposed, shall also constitute a dues assessment secured by a lien upon the Lot owned or occupied by that person, and, in addition to other means may be collected as an assessment of dues or other charges in any manner permitted under these Bylaws, the Mutual Restrictive Easements, or state law. In any action or proceeding brought by the Club for such collection, the Club shall be entitled to recover a reasonable sum for attorney's fees and expenses incurred, in addition to taxable costs permitted by law.

(11) Club Decision Final

The Board or **arbiter's** decision after an open hearing shall be binding and final. The accrual of fines and the compliance deadline established by the Board shall remain in effect unless a court with jurisdiction issues an injunction staying the fines and /or compliance pending review.

Article V, Miscellaneous

- Section 1. Fiscal Year. The fiscal year of the Club shall be the period commencing January first and ending December thirty-first.

Article VI, Amendments

- Section 1. Amendments. The By-Laws of the Club may be altered or repealed in any particular, and new By-Laws, not inconsistent with any provision of the Articles of Incorporation or any provision of the law, may be adopted either by affirmative vote of a majority of the shareholders at an Annual Meeting or a special meeting, notice thereof to include the proposed revisions or a summary thereof; or by the affirmative vote of a majority of the Board of Directors at any meeting thereof, provided that in the latter case, notice of such meeting shall include the proposed revisions or a summary thereof, and provided further that the Board of Directors not make or alter any by-law fixing their qualifications classifications, term of office or compensation.

Article VII, Indemnification

- Section 1. Indemnification. To the fullest extent permitted by the Washington Business Corporation Act, this Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any civil, criminal, administrative or investigative action, suit or proceeding whether by or in the right of the Corporation or otherwise by reason of the fact that he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another Corporation, against expenses [including but not limited to attorney's fees], judgments, fines and amounts paid in settlement actually and, in the case of expenses and settlement amounts, reasonably incurred by him in connection with such action, suit or proceeding; and the Board of Directors may, at any time, approve indemnification of any other person which the Corporation has the power to indemnify under the Washington Business Corporation Act. The indemnification provided by this Article shall not be deemed exclusive of any other rights to which a person may be entitled as a matter of law, by contract or otherwise.

INNIS ARDEN CLUB, INC. owns the following property:

Reserves C, D and E of Innis Arden # 1.

Reserves F, G, H, I, J, K and L of Innis Arden # 2.

Reserves N and O of Innis Arden # 3. 250 feet of beach property west of Reserve O in Innis Arden # 3.