

**BYLAWS OF THE
CANDLE RIDGE ASSOCIATION**

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ARTICLE 1

OBJECT AND DEFINITIONS

1.1 Purpose. The purpose for which this Association is formed is to govern the Candle Ridge residential development situated in the City of Stanwood, Snohomish County, Washington (the "Property"), which Property has been submitted to the provisions of a Declaration of Covenants, Conditions, Restrictions and Easements for Candle Ridge dated October 12, 1998, and recorded under Snohomish County Recording No. 9812160693 establishing a plan for ownership and management of the Property (the "Declaration").

1.2 Assent. All present or future owners, occupants, or any other person using the Lots or other facilities of the Property are subject to the resolutions set forth in these Bylaws. The mere acquisition or occupancy of any of the lots in the Property shall constitute ratification of these Bylaws.

1.3 Definitions. Unless otherwise specified, all undefined capitalized terms shall have the same meaning and definition in these Bylaws as such terms have in the Declaration.

ARTICLE 2

**ARTICLES OF INCORPORATION AND BYLAWS
ARE SUBJECT TO THE DECLARATION**

The Articles of Incorporation and the Bylaws of the Candle Ridge Association, along with any rules, regulations or other Governing Documents created by the corporation, shall be in all respects subject to, and in aid of, the Declaration. In the event that the Articles of these Bylaws, or any action taken by the Board or the Owners, shall conflict with the Declaration, the provisions of the Declaration shall control. The terms, provisions and conditions of the Declaration are by this reference incorporated herein as if fully set forth.

ARTICLE 3

**MEMBERSHIP. VOTING. MANAGEMENT AND MEETINGS
DURING THE DEVELOPMENT PERIOD**

Article 3 pertained entirely to the titled issues during the development period. As a result of the actions taken by the Declarant, noted below, paragraphs related to this article and other references to the development period, within this document, have been deleted.

January 22, 2003: The Declarant, Leavitt Companies, conveyed all duties and responsibilities, except the duties of the Architectural Control Committee, to the Association effective February 1, 2003.

August 16, 2004: The Declarant, Leavitt Companies, conveyed all duties and responsibilities of the Architectural Control Committee to the Board of Directors of the Candle Ridge Association effective September 1, 2004.

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ARTICLE 4

MEMBERSHIP. VOTING. AND MEETINGS

4.1 Matters Governed by Declaration. With regard to various matters including membership, transfer of membership, voting, and joint owner disputes, reference is made to Article 4 of the Declarations, and the same is made a part hereof as if set forth herein.

4.2 Association Meetings. There shall be an annual meeting of the Members in the first quarter of each calendar year at such reasonable place and time as may be designated by written notice of the President of the Board delivered to the Members not less than fourteen (14) days but not more than sixty (60) days prior to the date fixed for the meeting. The President shall preside over meetings of the Board and of the Association. Any business placed on the agenda for the annual meeting by the Board for a vote of the Members shall be included in the notice of the meeting sent to the Members.

4.3 Special Meetings. Special meetings of the Members may be called at any time by written notice of the President of the Board, a majority of the Board, or of Members holding ten percent (10%) of the votes in the Association, which notice shall be delivered to all the Members and the Board not less than fourteen (14) days but not more than sixty (60) days prior to the date fixed for the meeting. The notice shall specify the date, time and place of the meeting; and the matters to be considered.

4.4 Majority of Members. As used in these Bylaws the term "Majority of Members" shall mean the Members holding more than fifty percent (50%) of the total votes in the Association.

4.5 Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of a Majority of Members shall constitute a quorum. An affirmative vote of the Members holding more than fifty percent (50%) of the total votes held by all Members present at the meeting, either in person or by proxy, shall be required to transact business; provided, however, that no business shall be transacted unless a minimum of one-third of all of the votes entitled to be cast are cast in favor of the proposal, either in person or by proxy.

4.6 Proxies. Votes may be cast in person or by proxy. Proxies shall be in writing and the Signatures must be witnessed or acknowledged. Proxies must be filed with the Secretary of the Association before the appointed time of each meeting. No proxy shall be valid for a period longer than eleven (11) months after the date thereof.

4.7 Voting by Mail. The Board may decide that voting of the Members shall be by mail with respect to any particular election of the Board in accordance with the following procedure:

The existing directors shall advise the secretary in writing of the names of nominated directors sufficient to constitute a full Board of Directors, and of a date not less than forty (40) and not more than fifty (50) days after such advice is given by which all votes are to be received.

Within five (5) days after such advice is given, the Secretary shall deliver written notice of the number of directors to be elected and of the names of the nominees to all Members.

The notice shall state that any such Owner may nominate an additional candidate or candidates, not to exceed the number of directors to be elected, by notice in writing to the Secretary at the specified address of the principal office of the Association, to be received on or before a specified date approximately fifteen (15) days from the date the notice is given by the Secretary.

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Within five (5) days after such specified date, the Secretary shall give written notice to all Members, stating the number of directors to be elected, stating the names of all persons nominated by the Board and by the Members on or before said specified date, stating that each Owner may cast a vote by mail, and stating the date established by the Board by which such votes must be received by the Secretary at the address of the principal office of the Association, which shall be specified in the notice. Votes received after that date shall not be effective.

All persons elected as directors pursuant to such an election by mail by receipt of the number of votes required by applicable law shall take office effective on the date specified in the notice for receipt of such votes.

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

4.8 Order of Business. The order of business at all meetings of the Members shall be as follows:

- (a) Roll call.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting.
- (d) Reports of Officers.
- (e) Reports of committees.
- (f) Election of directors (annual Meeting and special meetings called for that purpose).
- (g) Unfinished business.
- (h) New business.

4.9 Action by Members or Directors Without Meeting. Any action required by law to be taken at a meeting of the Members or Board of Directors of the Association, or any action which may be taken at a meeting of the Members or the Board, 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, or all of the directors, as the case may be. Such consent shall have the same force and effect as a unanimous vote, and may be stated as such in any articles or document filed with the Secretary of State of the State of Washington.

4.10 Other Means of Participation. Members may participate in an Association meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time, and participation by such means shall constitute presence in person at the meeting.

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ARTICLE 5

MANAGEMENT OF ASSOCIATION

5.1 In General. The affairs of the Association shall be governed by a Board of Directors. No Person may hold more than one position as director.

5.2 Election and Term of Office. The President and six (6) Directors, all of whom, only, shall comprise the Board of Directors, shall be elected by a favorable vote of the majority of the total votes of the Members at a duly constituted annual or special meeting. The President will serve a one (1) year term of office. Directors will serve a two (2) year term of office with three positions (Director positions 1, 2 and 3) elected in even numbered years and with three positions (Director positions 4, 5 and 6) elected in odd numbered years. The nomination procedures for the election of the Board shall be in accordance with the Voting by Mail Section of these Bylaws.

5.3 Organization Meeting. The first meeting of a newly-elected Board of Directors shall be held immediately following the annual meeting of the Members, and no notice shall be necessary to the newly-elected directors in order legally to constitute such meeting.

5.4 Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined from time to time, by a majority of the directors; provided that, at least two (2) such meetings shall be held during each fiscal year and one such meeting shall be held immediately following the annual meeting of Members. Notice of regular meetings of the Board shall be given to each director, personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting, by the President or Secretary of the Association.

5.5 Special Meeting. Special meetings of the Board may be called by the President on three (3) days notice to each director, given personally, or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided), and purpose of the meeting. Special meetings of the Board shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) directors.

5.6 Open Meetings. All meetings of the Board shall be open for observation to the Members and their authorized agents. The Board shall keep minutes of all action taken by the Board. Upon the affirmative vote to assemble in closed session, the Board may convene in closed session to consider personal matters; consult or consider communication with legal counsel; discuss Association litigation; potential or actual violations of the Governing Documents; and matters regarding the potential liability of an Owner to the Association. Any motion for closed session shall state the purpose(s) of the session and be recorded in the minutes. The Board shall only consider in closed session those matters which are made part of the motion. The Board may only take action regarding a matter discussed in closed session by an affirmative vote in a subsequent open meeting.

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

5.8 Quorum. At all meetings of the Board, a majority thereof shall constitute a quorum for the transaction of business, and the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board. If, at any meeting of the Board, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

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5.9 Vacancies. Vacancies in the Board caused by any reason other than the removal of a director by a vote of the Association shall be filled by vote of the majority of the remaining directors, even though they may constitute less than a quorum; and each person so elected shall be a director until a successor is elected at the next annual meeting of the Association.

5.10 Removal of the President or Directors. At any regular meeting or at any special meeting called for that purpose, the President or anyone or more of the directors may be removed with or without cause by a majority vote of the Members at a meeting with a quorum. A Successor may then and there be elected by the Members to fill the vacancy that is created. The President or any director whose removal has been so proposed by the Members shall be given an opportunity to be heard at the meeting.

5.11 Fidelity Bonds. The Board may require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

5.12 Board Fees. Each Board member shall receive such sum as the Members may from time to time determine, plus transportation expenses, for attendance at any regular or special meeting of the Board.

ARTICLE 6

OFFICERS

6.1 Designation. The officers of the Association shall be the President, a Vice President, a Secretary and a Treasurer, all of whom must be members of the Association.

6.2 Election of Officers. The Vice President, Secretary and Treasurer of the Association shall be elected, from among the Board members, annually by the Board at the organization meeting of each new Board and shall serve at the pleasure of the Board. Any Board member may hold concurrently any two offices except that the same member may not concurrently hold the offices of President and Secretary.

6.3 Removal of Officers. Upon an affirmative vote of a majority of the Board, any officer elected by that Board may be removed, with or without cause, and his successor elected at any regular meeting of the Board, or at any special meeting of the Board called for such purpose.

6.4 President. The President shall be the chief executive officer of the Association. He shall have all of the General powers and duties which are usually vested in the office of the President of a nonprofit association including, but not limited to, the power to appoint committees from among the directors from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

6.5 Vice President. A Vice President shall have all the powers and authority and perform all of the functions and duties of the President in the absence of the President or his inability for any reason to exercise such powers and functions or perform such duties.

6.6 Secretary. The Secretary shall keep the minutes of meetings of the Board and minutes of meetings of the Association; he shall have charge of such books and papers as the Board may direct; and he shall in general perform all of the duties incident to the office of Secretary. The Secretary shall compile and keep up to date at the principal office of the Association a complete list of Members and their registered mailing addresses. Such list shall also show opposite each Owner's name the number of other appropriate designation of the Lot or Lots owned by such Owner. Such list shall be open to inspection by Members and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.

6.7 Treasurer. The Treasurer shall have responsibility for Association funds and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board of Directors.

6.8 Assistant Secretary. The Board may appoint one or more Assistant Secretaries to perform all of the duties of the Secretary in the absence of the Secretary.

6.9 Assistant Treasurer. The Board may appoint one or more Assistant Treasurers to perform all of the duties of the Treasurer in the absence of the Treasurer.

ARTICLE 7

ADMINISTRATION AND RECORD KEEPING

7.1 Record Keeping. The books, records and documents of the Association shall at all times during reasonable business hours be subject to inspection by any Member or his or her authorized representative. Copies of the Declaration, Articles of Incorporation, and the Bylaws of the Association shall be available for inspection and copying. The Association may charge a reasonable fee for the cost of supplying copies of these documents to the Members.

7.2 Financial Accounting. The Association shall prepare an annual financial statement. If the annual assessments of the Association are over \$50,000.00, the Association shall have an annual audit conducted of the financial statement by an independent auditor or accountant, unless waived by sixty-seven percent (67%) majority vote of the Members.

ARTICLE 8

OBLIGATIONS OF MEMBERS

8.1 In General. Each Owner shall always endeavor to observe and promote the cooperative purposes for the accomplishment of which Candle Ridge was established, and each Owner shall comply strictly with all provisions of the Declaration, including but not limited to using the Property only as permitted thereby, and paying all expenses and assessments when due.

8.2 Indemnification. The Association shall indemnify the Declarant, and every director or officer, and his or her heirs, executors and administrators as provided in the Articles of Incorporation.

8.3 Use of Common Areas and Limited Common Areas. Each Owner shall use the Common areas and any limited Common Areas in accordance with purposes for which they were intended without hindering or encroaching upon the lawful rights of the other Owners.

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**ARTICLE 9
AMENDMENTS**

These Bylaws and amendments thereto for the administration of the Association and the Property, and for other purposes not inconsistent with the intent of the Declaration, shall be adopted by the Association by concurrence of those voting Members holding sixty percent (60%) of the total votes held by all Members, at any regular or special meeting. Notice of the time, place and purpose of such meeting shall be delivered to each Owner not less than fourteen (14) but not more than sixty (60) days prior to such meeting.

**ARTICLE 10
EVIDENCE OF OWNERSHIP. REGISTRATION OF MAILING
ADDRESS AND REQUIRED PROXIES**

10.1 Proof of Ownership. Any person on becoming an Owner of a Lot shall furnish to the Board a certified copy of the recorded instrument vesting that person with an interest or ownership, which instrument shall remain in the files of the Association.

10.2 Registration of Mailing Address. The Owners of each Lot shall have one and the same registered mailing address to be used by the Association for mailing of monthly statements, notices, demands and all other communication; and such registered address shall be the only mailing address of a person or persons, firm, corporation, partnership, association, or other legal entity or any combination thereof to be used by the Association. Such registered address of Owners of a Lot shall be furnished by such Owners to the Secretary within five (5) days after transfer of title; such registration shall be in written form and signed by all of the Owners of the Lot or by such persons as are authorized by law to represent the interests of all of the Owners thereof. If no such address is registered or if all of the Owners cannot agree, then the address of the Lot shall be the address until another registered address is furnished as permitted under this section. Registered addresses may be changed from time to time by similar designation.

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

**ARTICLE 11
CONFLICT WITH DECLARATION**

These Bylaws are intended to comply with and supplement the requirements of the Declaration. If any of these Bylaws conflict with the provisions of the Declaration, the provisions of the Declaration shall prevail.

**ARTICLE 12
NONPROFIT ASSOCIATION**

This Association is not organized for profit. No Owner, Member, Director of the Board, or

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person from whom the Association may receive any property or funds shall receive or shall be lawfully entitled to receive any pecuniary profit from the operations of the Association or the Property, and in no event shall any part of the funds or assets of the Association be paid as salary or compensation to, or distributed to, or inure to the benefit of any Directors of the Board. The foregoing, however, shall neither prevent nor restrict the following: (1) reasonable compensation may be paid to any Member, director or officer while acting as an agent or employee of the Association for services rendered in effecting one or more of the purposes of the Association, and (2) any Member, director or officer may, from time to time be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association.

ARTICLE 13

FISCAL YEAR

The fiscal year of the Association shall begin on January 1 and end on December 31 of each year.

The original Document was dated the 12 day of October, 1998, and was signed by Donald H. Leavitt, Manager

Note: This Document includes Amendments approved by the Members at a Special Meeting on April 15, 2004. That action amended Section 4.2, Section 5.2, Section 5.10, Section 6.1, Section 6.2 and Section 6.3 of these Bylaws.