

BY-LAWS
OF
STERLING CROSSING HOMEOWNERS ASSOCIATION

ARTICLE I

Name and Location of Meetings

The name of the corporation is Sterling Crossing Homeowners Association, hereinafter referred to as the "Association." Meetings of the Members and Directors may be held at such places within the State of Washington, County of Thurston, as may be designated by the Board of Directors.

ARTICLE II

Membership

The membership of the Association shall consist of one class of Members, being any individual who is the owner of a residential lot within the Sterling Crossing plat filed with the Thurston County Auditor. At any meeting of the membership of the corporation each member so present shall be entitled to one vote.

ARTICLE III

Management

The business and property of the Association shall be managed by a Board of Directors.

ARTICLE IV

Meeting of Members

Section 1: Annual Meeting. The regular annual meeting of the Members shall be held on the first day of _____ of each year beginning in 2007.

Section 2: Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board of Directors, or upon written request of the Members who are entitled to vote one-fourth (1/4) of all of the votes of the membership .

Section 3: Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least thirty (30) days before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books for the Association, or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

Section 4: Quorum. The presence at the meeting of Members or proxies entitled to cast, twenty-five percent (25%) of all the votes of the membership shall constitute a quorum for any action. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 5: Proxies. At all meetings of Members, each Member 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 automatically cease upon conveyance by the Member of his Residential Lot.

Section 6: Members. Every Owner of a Residential Lot shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Residential Lot which is subject to assessment by the Association.

Section 7: Voting Rights. The Association shall have one class of voting membership comprised of all Owners who shall be entitled to one vote for each Residential Lot owned. When more than one person holds an interest in any Residential Lot, all such persons shall be Members. The vote for such Residential Lot shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any Residential Lot.

Section 8: Definition. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any lot which is a part of the plat of Sterling Crossing and which may be more particularly defined in Article III of the Declaration of Covenants, Conditions and Restrictions.

ARTICLE V

Board of Directors: Selection, Term of Office

Section 1: Number. The affairs of this Association shall be managed by a Board of one (1) Director, however, at such time as the permanent Board of Directors is elected pursuant to the Declaration then the number of Directors shall be at least three (3), but not more than five (5) Directors, and each Director must be a Member of the Association.

Section 2: Term of Office. The first directors, which are elected by the lot owners, one director shall be elected for a term of two years, one director for a term of one year and if there are three or more directors elected, then an uneven number shall be elected for a term of one year and the balance for a period of two years. Thereafter, at each annual meeting of the members, they shall elect those directors whose terms have expired for a period of two years.

Section 3: Removal. Any Director may be removed from the Board, with or without cause, by a majority vote of all the Members of the Association. Any vacancy in the Board of Directors created or caused by any reason whatsoever, may be filled by an election held at a special meeting of the members of the Association called for that purpose

or by the remaining Directors, if a special meeting of the Association does not occur within sixty (60) days of the occurrence of the vacancy.

Section 4: Compensation. No Director shall receive compensation for any service he may render to the Association. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5: 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 VI

Nomination and Election of Directors

Section 1: Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a Member of the Board of Directors, and two 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. 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.

Section 2: Initial Election of Directors by Members. At such time as the Declarant shall no longer be able to act or appoint the Board of Directors as provided for in the Declaration, the Declarant shall appoint a nominating committee consisting of the Declarant and three other members who are not presently members of the board of directors who 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 directors previously been appointed by the Declarant. Once the nominating committee has made its nominations, then a list of the nominations together with a ballot shall be sent to all members by regular mail and shall then vote by mail as to who shall constitute the initial board of directors to be elected by the members. Said ballots by mail shall be returned to such person or entity as may be designated by the nominating committee at such time but in any event no longer than two weeks from the date of mailing. Those persons receiving the largest number of votes shall be elected to the vacant director positions. They shall then constitute the initial elected board of directors until the next annual meeting of the members.

Section 3: Election. At the election of Directors the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VII

Meetings of Directors

Section 1: Regular Meeting. Regular meetings of the Board of Directors shall be held at such time and place as the Board of Directors may fix. If any day fixed for a regular meeting shall be a legal holiday at the time where the meeting is to be held, the meeting shall instead be held at the same hour on the next succeeding business day. Notice of regular meetings of the Board of Directors need not be given except as otherwise required by statute or these Bylaws.

Section 2: Special Meetings. Special meetings of the Board of Directors shall be held when called by the president of the Association, or by any one Director, after not less than ten (10) days notice to each Director.

Section 3: Quorum. A majority of the number of Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 4: Waiver of Notice. Attendance of a Director at a meeting shall constitute a waiver of notice for such meeting, except where a Director attends for the express purpose of objecting to this transaction of any business because the meeting is not lawfully called or convened. A waiver of notice signed by the Directors whether before or after the time stated for the meeting shall be equivalent to the giving of notice.

VIII

Powers and Duties of the Board of Directors

Section 1: Powers. The Board of Directors shall have power to:

- (a) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws, the Articles of Incorporation, or the Protective Covenants and Restrictions;
- (b) 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;
- (c) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties;
- (d) file legal action on behalf of the Association to enforce any covenants affecting the properties.

Section 2: Duties. It shall be the duty of the Board of Directors to:

- (a) 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, or any special meeting which such meeting has been called by the Members;
- (b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;
- (c) take actions as more fully provided in the Protective Covenants and Restrictions of Sterling Crossing Homeowners Association, as amended, to:

- (1) fix the amount of any assessments against a Residential Lot and to send a written notice of such assessment to every owner at least thirty (30) days in advance of such assessment.
 - (2) foreclose any liens against the property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the Owner personally obligated to pay the same.
- (d) procure and maintain at the discretion of the Board of Directors adequate hazard insurance on property owned by the Association;
- (e) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate; and
- (f) cause the property held by the Association to be maintained in accordance with the provisions of the Protective Covenants and Restrictions.

ARTICLE IX

Officers

Section 1: That the officers of the corporation shall be elected annually by the board of directors at a meeting scheduled for that purpose.

Section 2: President. The President of the Board of Directors shall supervise all activities of the corporation; execute all instruments in its behalf; preside at all meetings of the Board of Directors and of the membership of the corporation; and perform such other duties usually inherent in such office.

By-Laws

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Section 3: Vice-President. The Vice-President of the Board of Directors shall act for the President in his absence and perform such other acts as the President may direct.

Section 4: Secretary. It shall be the duty of the Secretary of the Board of Directors to keep all records of the Board of Directors and of the Corporation, and to perform such other acts as the President may direct.

Section 4: Treasurer. The Treasurer shall receive and be accountable for all funds belonging to the corporation; pay all obligations incurred by the corporation and maintain bank accounts in depositories designated by the Board of Directors; and render periodic financial reports.

ARTICLE X

Assessments

Section 1: Each member is deemed to covenant and agree to pay the Association:

1. An annual assessment or charge which shall be the sum of Three Hundred Dollars (\$300.00) per year per lot, and shall be effective as of the 1st day of January of each calendar year.
2. Special assessments for capital improvements.

In addition to the annual assessments authorized above, the association may levy a special assessment applicable only to the year in which the assessment is made for the purpose of defraying in whole or in part the cost of any unexpected repair or replacement of capital improvements upon the common areas including necessary fixtures and personal

property located therein. That any special assessment for the construction of new facilities or the acquisition of new equipment and which is not for the upgrade, repair, or replacement of existing construction of equipment shall require the approval of the vote of sixty six and two thirds percent of the lot owners at a meeting called for that purpose.

3. **Purposes of Association.** The assessments shall be used exclusively for the purposes as set forth in the Covenants and Restrictions for Sterling Crossing.

Section 2. Annual Assessment. Within thirty (30) days after the adoption by the Board of Directors of any proposed regular or special budget of the Association, 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 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.

Section 3. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy special assessments for capital improvements. Any such levy by the Association shall be for the purpose of defraying in whole or in part, the cost of any construction or reconstruction, or replacement of a described capital improvement upon the common areas as defined in the Covenants

and Restrictions of Sterling Crossing, provided that any such assessment shall have the assent of 66% of the votes of all lot owners, written notice of which shall be sent to all members not less than thirty (30) days, nor more than sixty (60) days in advance of the meeting setting forth the purpose of the meeting.

Section 4. Uniform Rate. All annual and special assessment shall be fixed at a uniform rate for those lots that are effected by that specific assessment.

Section 5. Date of Commencement of Annual Assessment; Due Dates. As to each particular lot involved, the liability for the annual assessment shall begin on 1st day of January of each calendar year and shall be payable on or before the 1st day of January of each year so long as the assessment is in effect. In the event the annual assessment is increased or decreased as provided for in these By-Laws, then the new assessment rate shall begin on the first day of January following the meeting at which the annual assessment rate was changed. The due date of any special assessment as provided in herein shall be fixed by the resolution authorizing such assessment.

Section 6. Effect of Non-payment of Assessments; Remedies. If any assessment is not paid within thirty (30) days after it was first due and payable, the assessment shall bear interest from the date on which it was due at the rate of twelve per cent (12%) per annum, and the Association may bring an action at law against the one personally obligated to pay the same and/or foreclose the lien against the property, and interest, costs,

and reasonable attorney's fees of any such action shall be included in any judgment or decree entered in such suit.

ARTICLE XI

Compensation

That neither the officers or members of the board of directors shall receive compensation for their services, however, the Association may reimburse such director or officers for any out-of-pocket expenses incurred for and on behalf of the Association.

ARTICLE XII

Contracts, Loans, Checks, and Deposits

Section 1: Contracts. The Board of Directors may authorize any officer or officers, or agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

Section 2: Loans. No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances. No loans shall be made by the corporation to its directors or officers.

Section 3: Checks, Notes, Drafts, Etc. All checks, notes, drafts or other orders for the payment of money of the corporation shall be signed, endorsed or accepted in the name of the corporation by such officer, officers, person or persons as from time to time

may be designated by the Board of Directors or by any officer or officers authorized by the Board of Directors to make such designation.

Section 4: Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the Board of directors may designate.

ARTICLE XIII

Waiver of Notice

Whenever any notice is required to be given to any member or director of the corporation under the provisions of these Bylaws or under the provisions of the Articles of Incorporation or under the provisions of the Washington Non-Profit Corporation Act, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XIV

Indemnification

To the full extent permitted by the Washington Non-Profit Corporation Act, the 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 brought by or in the right of the Corporation or otherwise) by reason of the fact that said person is or was a director or officer of the corporation, or is or was serving at the

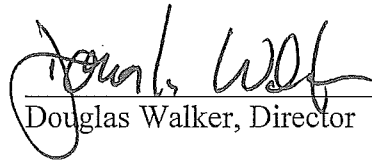
request of the corporation as a director or officer of another corporation, against expenses (including attorneys' fees, judgment, fines and amounts paid in settlement) actually and reasonably incurred by said person in connection with such action, suite or proceeding; and the Board of Directors may, at any time, approve indemnification of any other person which the corporation has the power to indemnify under the Washington Non-Profit Corporation Act.

ARTICLE XV

Amendments

These By-Laws may be amended by a two-thirds vote of the membership of the corporation at any scheduled regular meeting of the membership.

IN WITNESS WHEREOF we, all being the Directors of Sterling Crossing Homeowners Association have hereunto set our hands this _____ day of _____, 2007.



Douglas Walker, Director