

DECLARATION OF BY-LAWS AND RESTRICTIVE COVENANTS BINDING SEVEN BAYS ESTATES UNLIMITED HOMEOWNERS AND HOMEOWNERS ASSOCIATION

This instrument, made as of this 9th day of July, 1983 by Seven Bays, Inc. A Washington Corporation hereinafter called "Grantors" and/or Developer witnesseth:

(A) Grantors are the owners of the real property situated in the county of Lincoln, State of Washington, described as, see filed plat of Seven Bays Inc. a Washington Corporation.

Grantors have subdivided a portion of the above described property and intend to subdivide the balance.

(B) This instrument supersedes all previously written covenants for all plats within Seven Bays Inc. development and is intended to consolidate within this Homeowners Association Plats 1, 2, 3, 4, Fry's Addition, Airport Addition and any subsequent additions or plats developed by Grantors.

(C) Grantors hereby declare that the entire subdivided property is and shall be held, conveyed, encumbered, leased, and used, subject to the following uniform restrictions, covenants, conditions and equitable servitudes (herein called "restrictions") which are in furtherance of a plan for the subdivision, improvement and sale of the subdivided property, and are established to enhance the value, desirability and attractiveness of the subdivided property and every part thereof. Any conveyance or conveyances made or caused to be made by Grantors in the subdivided property will be by warranty deeds. The restrictions shall run with the subdivided property, shall be binding upon all persons having or acquiring any interest in the subdivided property or in any part hereof, shall inure to the benefit of every position of the subdivided property, or any interest therein, shall inure to the benefit and be binding upon each successor in the interest of Grantors, by any owner or his successor in interest, or by the Board of Directors hereinafter mentioned.

BYLAWS

1. Each lot owner shall automatically become a member of a property owners Association formed by incorporation, whose affairs shall be administered by a Board of Directors. The name of the Association shall be Seven Bays Unlimited.

2. *Voting.* At any meeting of owners, each owner of a lot shall be entitled to cast one (1) vote. Any owner may attend and vote at such meeting in person or by an agent duly appointed by an instrument in writing signed by the owner and filed with the Board. Any designation of an agent to act for an owner may be revoked at any time by written notice to the Board, and shall be deemed revoked when the Board shall receive actual notice of the death or judicially declared incompetence of such owner or of the conveyance by such owner of his lot. Where an owner consists of two or more persons, any or all of such persons may attend any meeting of the owners, but it shall be necessary for those present to act unanimously in order to cast the vote to which they are entitled. Any designation of an agent to act for such persons must be signed by all of such persons. Only members in good standing shall be entitled to vote.

- Grantors shall not be entitled to vote any unsold lots owned by Grantors.

3. *Meeting of Owners.* There shall be an annual meeting of the owners on the second Saturday of July of each year, at 10:00 AM at such place as may be designated by the Board of Directors (herein sometimes called the "Board"), provided that notice of such place is delivered to the owners not less than ten (10) days nor more than sixty (60) days prior to the date fixed for said meeting.

A Special Meeting of the owners may be called at any reasonable time and place by the Board or by the owners having twenty per cent (20%) of the total votes by causing written notice of such meeting to be delivered to all owners not less than fifteen (15) days nor more than sixty (60) days prior to the date fixed for said meeting. All notices shall state the general nature of the business to be transacted at the meeting, and also reasonable place, date and hour for such meeting. The presence, in person or by agent, at any meeting of owners entitled to cast a majority of the total votes shall constitute a quorum. Unless otherwise expressly provided herein, any action may be taken at any meeting of the owners upon the affirmative vote of owners having a majority of the total votes present or represented at such meeting. If any meeting cannot be held because a quorum is not present, the owners present, either in person or by proxy, may adjourn the meeting to a time not less than twenty-four (24) hours or more than thirty (30) days from the time the meeting was originally called, at which meeting the quorum requirement shall be at least twenty-five per cent (25%).

THE BOARD shall cause an accounting of all receipts and disbursements to be made annually (fiscal year 7/1-6/30) and mailed to each owner, within 30 days of its completion.

4. *Notices.* Any notice permitted or required to be delivered as provided herein may be delivered either personally or by mail. If delivery is made by mail, such notice shall be deemed to have been delivered forty-eight (48) hours after a copy thereof has been deposited in the United States Mail, postage prepaid, addressed to the owner at the address given by such owner to the Board. Such address may be changed from time to time by notice in writing to the Board.

5. *Election and Proceedings of Board of Directors.* Every owner entitled to vote at any election of members of the Board may cumulate his votes and give one candidate a number of votes equal to the number of members of the Board to be elected multiplied by the number of votes to which such owner is otherwise entitled, or distribute his votes on the same principle among as many candidates as he thinks fit. The candidates receiving the highest of votes up to the number of members of the Board to be elected shall be deemed elected.

The owners shall establish a five member Board of Directors consisting of one owner from each of the following plats: The Airport Addition, Plat 1, Plat 2, Plat 3, and Plat 4. The number of Board members elected at the annual meeting shall be determined by the number of vacant positions to be filled. All Board positions shall be a three-year term, or until death, resignation, removal, or cessation of ownership occurs. Existing Board members will complete their three-year terms.* Any member may resign at any time by giving written notice to the Board, and any member may be removed from membership on the Board by vote of the owners; provided that, unless the entire Board is removed, an individual member shall not be removed if the number of votes cast against his removal exceeds four (4) votes.

There also shall be elected two members to serve as alternate Board members, to fill vacancies on the Board. The alternate with the most votes shall fill the first vacancy. The alternate shall fill the vacancy until the next annual meeting at which time elections are held to

fill vacated positions. Three members of the Board of Directors shall constitute a quorum, and if a quorum is present, the decision of the majority of those present shall be the act of the Board. The Board of Directors shall elect a President for a one-year term, who shall preside over both Board and Homeowner Meetings.* Meeting of the Board may be called, held and conducted in accordance with such regulations as the Board may adopt. The Board may also act without a meeting by unanimous written consent of its members.

The Secretary will be elected by the membership.

The Board shall be responsible to hire a Treasurer who will be required to maintain an adequate set of records for the Association. The treasurer and the Board shall be bonded for an amount deemed necessary by the Board.

Any two persons who are designated of record as being members of the most recent Board (regardless of whether or not they shall still be members) shall execute, acknowledge and record an affidavit stating the names of all the members of the then current Board. The most recently recorded of such affidavits shall be prima facie evidence that the persons named therein are all the incumbent members of the Board, and shall be conclusive evidence thereof in favor of all persons who rely thereon in good faith.

**Amended 7/09/2001 by seventy-five per cent (75%) vote of owners.*

6. *Authority of the Board of Directors.* The Board of Directors for the benefit of the owners shall acquire and pay for out of the maintenance fund, hereinafter provided for, the following:

(A) Maintenance and improvement of roads used in connection with the subdivided area. As used in these covenants, conditions, and reservations, the term “non-dedicated street” shall refer to a parcel of land or non-exclusive easement not owned by the county, cities, or state or federal governments, which is not offered for dedication for public use and which is used or intended to be used for access to the lots within the subdivision itself, or parcels adjacent thereto. Such non-dedicated roads shall be for the use in common with others. The Association is hereby granted the power and authority to dedicate or transfer all or any part of the non-dedicated streets to any public agency or authority for such purposes and subject to such conditions as may be agreed upon by the members of the Association.

(B) Maintenance of water and sewer systems and common areas (pool, park, landing field, etc.).

(C) A policy or policies, payable to the Board, in trust, insuring the Board and each owner against any liability to the public or to the other owners, their invitees and tenants, incident to the ownership and/or use of the common areas and equipment, the liability under which insurance shall not be less than one hundred thousand dollars (\$100,000.00) for any one person injured, three hundred thousand dollars (\$300,000.00) for any one accident and fifty thousand dollars (\$50,000.00) for property damage (such limits to be reviewed at least annually by the Board and increased at its discretion).

(D) The services of a person or firm to manage the roads, common areas, water and sewer systems (herein called “manager”), to the extent deemed advisable by the Board,

as well as such other personnel as the Board shall determine be necessary or proper for the operation of said roads, common areas, water and sewer systems whether such personnel are employed directly by the board or are furnished by the manager.

(E) Legal and accounting services necessary or proper in the operation of the common areas or the enforcement of the restrictions.

(F) Any other materials, supplies, equipment, labor, services, maintenance, repairs, structural alterations, insurance, licenses, taxes, assessments or other expenses which the Board is required or permitted to secure or pay for pursuant to the terms of this instrument or by law or which in its opinion shall be necessary or proper for the operation of the common areas and equipment or in order to carry out or enforce the terms of this instrument. The Board may also pay any amount necessary to discharge any lien or encumbrance including all taxes and special assessments, levied against the project, or any part thereof, which may in the opinion of the Board constitute a lien against the roads, common areas, or water or sewer systems rather than merely against the interest therein of particular owners; provided that if one or more owners are responsible for the existence of such lien, such owner or owners shall be jointly and severally liable for the cost of discharging such lien. The Board may purchase any lot sold upon the exercise of a lien to secure assessments, as provided in paragraph 8 hereof. Any lot or leasehold interest therein so acquired may be held in the name of the Board, as the same shall be constituted from time to time, or any nominee of the Board, and may be maintained, improved, sold, leased or subleased by the Board. The Board shall have the power to enter upon any lot when necessary in connection with the maintenance or construction of the common roads or water or sewer systems for which the Board is responsible.

The Board has the power to enforce any and all of the provisions of these covenants, conditions, restrictions and such other rules and regulations as the Board may adopt relating to the control or management of the roads, common areas and water and sewer systems by legal or other appropriate action.

7. *Maintenance Funds, Assessments.* The fiscal year shall be July 1 to June 30. Prior to the beginning of each year, the Board of Directors shall estimate the net cash requirements during such fiscal year for the payments described in paragraph 6 hereof, and to provide a reasonable provision for contingencies (including default of any owner in the payment of assessments). After taking into account any expected income and any surplus from the prior year's assessments, said estimated cash requirements shall be assessed to the owner equally, (e.g. 1/50 of 50 lots) of each lot. Each owner shall be obligated to pay assessments pursuant to this paragraph to the Board annually on or before the first day of each fiscal year, or in such other manner as the Board shall designate. The board may, at any time and from time to time, modify its prior estimates of net cash requirements for any year and increase or decrease the assessment payable by owners during the balance of such year in the light of such modified cash requirements. All assessments collected from owners pursuant to this paragraph 7, all rental and other income received with respect to the lots purchased, leased rented or subleased by the Board and the net proceeds of any sale thereof shall be deposited in a maintenance fund and disbursed by the Board for the purpose described in paragraph 6 hereof.

In the event that any owner shall fail to pay any assessment within the thirty (30) days following receipt from the Board of a request in writing for such payment, such owner shall also pay to the Board a late payment charge in such amount as may be fixed from time to time by the Board, which shall constitute an additional assessment payable by such owner hereunder. Moreover, all costs and expenses, including reasonable attorney's fees incurred in collection or attempting to collect any assessment from an owner, including any costs and expenses incurred in foreclosing the lien securing such assessments created by paragraph 8 hereof, shall be promptly reimbursed by such owner and shall constitute an additional assessment payable by such owner and secured by said lien.

8. *Liens.* There is hereby created a lien on each lot and every part thereof to secure the payment of the amount of each assessment for maintenance of water and sewer systems and roads and common areas, whether regular or special, payable hereunder by the owner thereof; provided that no action shall be brought to foreclose such lien until notice of lien is mailed to such owner, and a copy thereof is recorded in the office of the auditor of the county in which the property is situated. Such lien may be enforced by sale by the Board after failure of owner to pay such assessments in accordance with its terms, such sale to be conducted in accordance with the provision of lien foreclosure section of the Washington State Statutes

The Board may at any time, in its discretion, prepare and record a certificate evidencing the release or satisfaction of any lien created by this paragraph 8 or stating the amount of indebtedness secured by such lien. Any such certificate executed and acknowledged by a majority of the Board shall be conclusive upon the Board and the owners as to the statements contained therein, in favor of all persons who rely thereon in good faith.

9. *Mortgage Protection.* Notwithstanding all other provisions thereof:

(A) The liens hereunder upon any lot shall be subject and subordinate to, and shall not affect the rights of the holders of the indebtedness secured by, any mortgages, conditional sales contract or deeds of trust upon such lot now or hereafter recorded and made in good faith and for value; provided that after the foreclosure of or sale under any such mortgage or deed of trust, there shall be a lien on the interest of the purchaser at such foreclosure or sale to secure all assessments whether regular or special, assessed hereunder to such purchaser as an owner after the date of such foreclosure or sale, which lien shall have the same effect and be enforced in the same manner as provided herein;

(B) No amendment of this instrument shall affect the rights of the holder of any such mortgage, conditional sales contract or deed of trust recorded prior to recordation of such amendment unless such holder shall join in the execution of such amendment;

(C) A majority of the Board is authorized and empowered, in its discretion to execute and deliver on behalf of all owners, an instrument, expressly subordinating the liens created under paragraph 8 hereof to any other mortgage, or deed of trust or other encumbrance or lien.

10. *Audit.* Any owner may, at any time and at his own expense, cause an audit or inspection to be made of the books and records of the manager and the Board. The books and records shall be available for inspection by any owner at all reasonable times.

11. *Interpretation.* The provisions of this instrument shall be liberally construed to effectuate its purpose of maintaining water and sewer systems, common areas and roads. A failure to enforce any provision hereof shall not constitute a waiver of the right to enforce said provision or any other provision hereof.

12. *Amendment.* Except as otherwise expressly provided herein, the provisions of this instrument may be amended by an instrument in writing signed and acknowledged by the record owners holding at least seventy-five per cent (75%) of the ownership of the lots, which amendment shall be effective upon recordation in the office of the county auditor of county.

13. *Severability.* The provisions hereof shall be independent and severable, and the invalidity or unenforceability of any one provision shall not affect the validity or enforceability of any other provision hereof.

14. *Inseparability.* The interest comprising each lot and an undivided interest in the water and sewer systems and roads and common areas as to improvements and maintenance are inseparable.

15. This declaration and all of its provisions are binding upon the Grantors insofar as Grantors shall be the owners of any lots, and Grantors shall not be assessed the shares of assessments allocable to any unsold lots. Assessments for water service shall not be applicable to the Grantor on any lots owned and occupied by the Grantor, it being specifically understood that Grantor's payment of drilling the well and completing said well to the well head amounts to full payment by Grantor for its interest in the entire water system.

16. A breach of any of the conditions herein contained shall not defeat or render invalid the lien of any mortgage conditional sales contract or deed of trust made in good faith and for value.

17. A copy of this declaration as to water and sewer systems and roads and common areas, community owned property, the improvements and maintenance thereof shall be mailed to each owner at the time of purchase.