

As amended and Approved by 2/3s membership March 13, 2002

**BY-LAWS
OF
HAT ISLAND COMMUNITY, INC.**

ARTICLE I

PURPOSES

SECTION 1. This corporation shall be conducted as a non profit maintenance corporation for the purpose set forth in the Articles of Incorporation for a portion of the area situated in Snohomish County, Washington, known as Gedney (Hat) Island.

SECTION 2. The corporation shall have the power to levy and collect assessments against its members for the purposes set forth in its Articles of Incorporation and By-Laws, and to sell or forfeit their interest in the incorporation for default with respect to any lawful provisions of said Articles of Incorporation and By-Laws and upon forfeiture of any such property as by law and in the By-Laws provided, may transfer the membership of such defaulting member.

SECTION 3. The purpose for which this corporation was created may be altered, modified, enlarged or diminished by the vote of two-thirds of the members present at a meeting duly called for such purpose, notice of which meeting shall be given in the manner provided by the By-Laws of giving notice for the election of Trustees.

ARTICLE II

MEMBERSHIP

SECTION 1. Definition of Membership. The membership of the corporation shall consist of and be limited to the owners of those lots on Gedney (Hat) Island located within Divisions A-M (excluding Division L) of the Plat of Hat Island, plus the owners of any additional lots on Gedney (Hat) Island which have been accepted into Hat Island Community, Inc. by action of the Board of Trustees. The term "owner" shall include contract purchasers in possession of lots, but shall exclude contract sellers or other parties having an interest in a lot merely as a security for the performance of an obligation. For purposes of these By-Laws, a husband and wife and any other persons or entities jointly owning a lot or lots shall be considered collectively as being one person and one owner.

SECTION 2. Transferability of Membership. Membership shall be inseparably appurtenant to lots and shall be a mandatory part of lot ownership. No membership may be voluntarily withdrawn, abandoned or discontinued except upon transfer or sale of the real property to which the membership is appurtenant. The corporation shall not charge any transfer fee. The transferee of a membership shall assume all rights, privileges and liabilities of the transferor with respect to said membership, including the obligation to pay any delinquent assessments which may be owed at the time of transfer. All membership rights and privileges of the transferor shall terminate on the date of transfer. In the event of the death of a member, the membership, including all rights, privileges and liabilities of the deceased member, shall transfer to the personal representative, heirs or successors of the deceased member. No membership may be transferred, assigned or conveyed except as herein provided.

SECTION 3. Membership Voting Rights. If a person or entity such as a partnership, association or corporation owns more than one (1) lot, the memberships for each of said lots shall be automatically merged into a single membership for purposes of determining voting rights. There shall be one(1) membership per owner, and one (1) vote per membership, regardless of the number of lots owned by any person or entity. The interest of each member shall be equal to that of any other member, and no member can acquire any interest which shall entitle it to any greater voice, vote or authority in the corporation than any other member.

If ownership of any lot or lots is shared by more than one person or entity, the owners shall from among themselves designate a single person who will be the nominal member and the person entitled to vote.

SECTION 4. Membership Privileges. The privileges of membership, including the right of access to, and use of, the corporation's property and facilities, shall be extended to a single family per lot, consisting of not more than two persons living together as husband and wife, and relatives. If ownership of a lot is shared by more than one family, or is held in the name of entities such as partnership, association or corporation, the owners shall, from among themselves, designate a single family which will be entitled to the privileges of membership for each lot and said designation shall be filed in writing with the corporation. This designation shall be subject to change not more frequently than once every twelve months. Such notice of intent to change must be received by the Hat Island Business office no later January 1st of the year for which the change is requested. At the time a change is requested, payment of an "owner designation fee" in an amount to be established by the Board of Trustees may be required.

SECTION 5. User Privileges. Upon payment of an annual user fee equal to the amount of the annual membership assessment per lot, an additional family which shares ownership in a lot may acquire the privilege to use Hat Island's property and facilities. Not more than two (2) additional families per lot will be entitled to purchase such user privileges.

In cases where a lot is owned, and a membership is held, by a corporation, this Section 5 shall not apply and additional user privileges may not be purchased, except in cases where the corporation has entered into a special contract with Hat Island Community, Inc. which has been duly approved by the Board of

Trustees. If such a contract allows user privileges, the annual fee for each such privilege shall be equal to the amount of the annual membership assessment per lot.

SECTION 6. Guest Privileges. The privileges and facilities of the corporation may be extended to guests of members under such Rules and Regulations as the Board of Trustees may prescribe.

SECTION 7. Suspension of Privileges. Voting rights shall be suspended for any member whose assessments for any lots owned by said members are delinquent. Privileges to use the facilities of the corporation shall be suspended for any member or owner, or his guests, whose assessments for any lots owned by him are delinquent.

The President of the corporation may suspend privileges to use the facilities of the corporation for any member or owner, or his guests, as a penalty for violation of the Articles of Incorporation or By-Laws of this corporation, or the Rules and Regulations established by the Board of Trustees.

SECTION 8. A home owned by a member of the Community may be rented. The renter must abide by all Community regulations and must pay user fees. No owner may have more than one rental at any given time regardless of how many properties he/she may own.

ARTICLE III

PROPERTY AND DISSOLUTION

SECTION 1. It is provided that in order to mortgage, sell, lease, or dispose of real property, except to sell real properties received as satisfaction of unpaid assessments, a notice of the proposition to be voted upon shall be mailed to all members of this Corporation thirty (30) days prior to the date of the regular or special meeting called and a majority of the members absentee ballot shall be necessary for such authorization.

SECTION 2. In the event of dissolution of the corporation each lot owner who is then a member in good standing shall receive the prorata proportion on a per lot basis of the assets after all of the debts have been paid.

ARTICLE IV

TRUSTEES AND OFFICERS

SECTION 1. Corporate powers of the corporation shall be vested in a Board of Trustees. The number of trustees who shall manage the affairs of the corporation shall be seven.

SECTION 2. Trustees shall be elected to serve for three years, or until their successors are elected and duly qualified. Said terms shall be staggered. (See Article IV Section 7)

SECTION 3. Each trustee shall be a member who shall not have lost his/her right to vote by reason of having disposed of land to which his membership is appurtenant, or have become in arrears in assessments.

SECTION 4. In the event a trustee ceases to be the owner of the land to which his/her membership is appurtenant, or of a contract for the purchase thereof, he/she shall thereby cease to be a trustee and his/her office shall become vacant upon written notification without action other than to enter such fact upon the minutes of the Board of Trustees. Trustees are expected to attend and participate in 75% of Board meetings and 75% of membership meetings. In the event a trustee is unable to function in the aforesaid manner, the trustee will be subject to removal from the office by the majority vote of the remaining trustees and the vacancy may then be filled as set forth in Section 7 of this article.

SECTION 5. At the first meeting of the Board of Trustees after each annual meeting of the members, the Board of Trustees shall elect a president, vice president, secretary and treasurer, who shall be trustees. The Board may also at any time appoint an executive secretary and/or assistant secretary and/or assistant treasurer. Officers of the corporation so elected shall hold office for the term of one year and until their successors are qualified.

The president will have served at least one year on the Board of Trustees prior to his/her election to the post. Any officer may be suspended or removed by a majority vote of all the trustees. Trustees may not serve in any one consecutive period, more than six (6) years.

SECTION 6. No trustee or officer, except the executive secretary and/or assistant secretary and/or the assistant treasurer shall receive any salary or compensation from the corporation.

SECTION 7. Any vacancy occurring in the Board of Trustees shall be filled by appointment by a majority of the remaining trustees. The person so appointed shall hold office until the next regular meeting of the members of the corporation at which annual or adjourned annual meeting vacancies for the remainder of the original terms, if any, shall be filled by election by the members in the regular manner.

ARTICLE V

MEETINGS

SECTION 1. Annual meetings of the members of the corporation shall be held at the principal place of business of the corporation or at such other place as the Board of Trustees may elect. The annual meetings shall be held on the second Friday of September or at such other time as the Board of Trustees may elect. Notice thereof shall be given by the secretary by mailing notices to each member not less than ten days prior to the date of the meeting.

SECTION 2. Special meetings of the members may be called at any time by the President or a majority of the Board of Trustees or by members representing 25 percent of members in good standing, or lots within the jurisdiction of the corporation. Notice of Special meeting stating the object thereof shall be given by the secretary by mailing such notice to each member not less than ten (10) nor more than 50 days prior to the date of which such meeting is to be held.

SECTION 3. At all annual and special meetings of the members at which the business to be transacted involves expenditures of money in excess of \$10,000.00, election of officers or the consideration of policies affecting past or future practices of the corporation, 15% of all the members of the corporation shall constitute a quorum for the transaction of business. The Board of Trustees or President may convene monthly meetings of the members of the corporation not involving expenditures in excess of \$10,000.00, election of officers or other significant business of the corporation for which a quorum shall be 5% of the members.

SECTION 4. Meetings of the Board of Trustees shall be called at any time by the secretary on order of the president or of a majority of the Board of Trustees. The secretary shall give each trustee notice, personally, verbally, by telephone of all regular and special meetings at least three days previous thereto. Meetings of the Board of Trustees may only be called for a specific purpose and any member not able to attend should be allowed to include his/her opinion and vote on that meeting by written proxy or verbally to the president or secretary and confirmed within ten (10) days by letter.

SECTION 5. A member may exercise his/her right to vote by proxy executed in writing by the member.

SECTION 6. Robert's Rules of Order, revised currently shall govern all procedures of the Board of Trustees and of general community meetings, when not in conflict with these By-Laws.

ARTICLE VI

POWER AND DUTIES OF TRUSTEES

SECTION 1. Subject to limitations in the Articles of Incorporation and the By-Laws and Laws of the State of Washington, all powers of the corporation shall be exercised by or under the authority of, and the business and affairs of the corporation shall be controlled by the Board of Trustees. Without prejudice to such general powers, and subject to the same limitations, it is hereby expressly declared that the trustees shall have the following powers: To maintain and operate the necessary utilities on the island including but not limited to: Transportation, water, roads and recreational areas for the benefit of all property owners who are or shall become members of Hat Island Community, Inc.

SECTION 2. To select and remove all the other officers, agents and employees of the corporation, prescribe such powers and duties for them as may not be inconsistent with law, with the Articles of Incorporation or the By-Laws, fix their compensation and require from them security for faithful service.

SECTION 3. To conduct, manage and control the affairs and business of the corporation and to make such rules and regulations therefore not inconsistent with law, with the Articles of Incorporation or the By-Laws, as they may deem best.

SECTION 4. To charge and/or assess the several parcels of land and the owners thereof.

SECTION 5. To cause to be kept a complete record of all minutes and acts and to present a full statement to the regular annual meeting of members showing in detail the condition of the affairs of the corporation.

ARTICLE VII

DUTIES OF OFFICERS

SECTION 1. President. The president shall preside at all meetings of the trustees and members; he/she shall sign as President all contracts or other instruments in writing authorized by the Board of Trustees; he/she shall call special meetings of the trustees or the members whenever he/she deems it necessary; he/she shall have and exercise under the direction of the Board of Trustees the general supervision of the affairs of the corporation. The President shall be responsible for enforcing the Articles of Incorporation and By-Laws and any rules and regulations established by the Board of Trustees and levying such penalties as he/she deems necessary as provided for in ARTICLE II., SECTION 5. of the By-Laws of Hat Island Community, Inc.

SECTION 2. Vice President. The Vice President shall preside at all meetings in the absence of the President, and in case of the absence or disability of the President shall perform all other duties of the President which are incidental to his/her office.

SECTION 3. Secretary. The secretary shall issue all notices and shall attend and keep the minutes of all meetings; he/she shall have charge of all corporate books, records and papers; he/she shall be custodian of the corporate seal, shall attest signature and impress with the corporate seal all written contracts of the corporation and shall perform all other duties as are incidental to his/her office.

SECTION 4. Treasurer. The Treasurer shall keep safely all monies and securities of the corporation and disburse the same under the direction of the Board of Trustees. He/she shall cause to be deposited all funds of the corporation in a bank selected by the trustees; he/she shall issue and present a full statement showing in detail the condition of the affairs of the corporation.

SECTION 5. The executive and/or assistant secretary and/or assistant treasurer, if appointed by the Board of Trustees shall perform such duties as may be designated to them.

SECTION 6. Any two or more offices may be held by the same person concurrently if the Board of Trustees so directs except the President and Secretary.

ARTICLE VIII
ASSESSMENTS AND CHARGES

SECTION 1. The Board of Trustees shall annually establish an assessment against each and every lot on a uniform basis. The amount of such assessments levied shall in no event, except as hereinafter provided, exceed in any one month the sum of Twenty one dollars and twenty five cents (\$21.25) per lot. Assessments will be established and levied upon all properties following the affirmative vote of a simple majority (50% plus 1) of all members in good standing. Assessments shall be collected and expended pursuant to the Articles of Incorporation and these By-Laws. Members shall be liable for the payment of any and all assessments applicable to their respective lots.

User fees, as provided in Article II, Section 5 of these By-Laws, are distinct from assessments and are applicable only in cases of lots with multiple owners or users.

Special assessments may be levied upon the affirmative vote of a majority of members in good standing voting at a meeting of members of the corporation. Special assessments do not need to be uniform, and may apply only to those lots specially benefited; provided, that in such cases the special assessments must be authorized by a vote of a majority of the members in good standing who own lots which will be subject to the special assessments.

Assessments not paid in full shall, at a minimum, be payable quarterly by the member, one-quarter payment being due each 30th day of January, April, July and October. Failure to adhere to the quarterly minimum payment schedule may cause the entire amount, and any past-due amounts, to be payable in full upon demand.

SECTION 2. From time to time as and when any such assessments in this Article VIII are levied, each member with respect to his/her lot or lots shall pay the amount at its office within thirty days after the mailing of the notice of such assessment to the members. The amount of such assessments, together with all expenses, interest, attorney's fees and costs reasonably incurred in enforcing the same shall be paid by the members and may be a lien upon said land and the membership appurtenant thereto created or permitted by the owner of such land and enforceable by suit proceedings in the manner provided by law for collection of just debts; provided that no proceedings or filing of suit for collection of delinquent assessments may be commenced except upon the expiration of 60 days from and after the date of mailing said notice of assessment in this section described. Delinquent accounts will be charged 18% interest per year (1.5% per month) and a 2 year delinquency can be foreclosed on.

SECTION 3. Assessments levy balances shall be paid current upon transfer of the land. In the case of transfer where delinquent balances are owed the Corporation the assessment balances shall run with the land, however, the seller maintains responsibility, along with the purchaser for payment as outlined in Section 2. of this article.

SECTION 4. Charges for services or materials rendered to members shall be paid within 15 days of the billing date, or by the last day of the month in which billed, whichever is later. Failure to make payment within the prescribed time will cause interest to be charged at the highest rate allowed by law, and or collection action instituted in the manner prescribed Section 2. of this article.

ARTICLE IX
AMENDMENTS

These By-Laws may be amended at any time by a vote of two-thirds of the members in good standing voting at any meeting of the members of the corporation.

ARTICLE X
LIMITATION OF LIABILITY OF CORPORATION BOARD MEMBERS, TRUSTEES,
OFFICES, AND DESIGNATED AGENTS

SECTION 1. Liability for Utility Failure etc. Except to the extent covered by insurance obtained by the Board neither the corporation nor the Board nor any managing agent exercising the powers of the Board, shall be liable for: Any failure of any utility or other service to be obtained and paid for by the Board; or any injury or damage to person or property caused by the elements, or resulting from electricity, water, rain, dust or sand which may lead or flow from outside or from any parts of the buildings, or from any of its pipe, drains, conduits, appliances or equipment, from any other place; or for inconvenience or discomfort resulting from any action taken to comply with any law, ordinance or orders of a governmental authority. No diminution or abatement of common expense assessments shall be claimed or allowed for any such utility or service failure, or for such injury or damage, or for such inconvenience or discomfort.

SECTION 2. No Personal Liability. So long as Board member, corporation committee member, or corporation officer, or the corporation managing agent exercising the powers of the Board, has acted in good faith, without willful or intentional misconduct, upon the basis of such information as may be possessed by such person, then no such person shall be personally liable to any owner, or to any other party, including the corporation, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence of such person; provided that this Section shall not apply where the consequences of such act, omission, error or negligence are covered by insurance obtained by the Board.

SECTION 3. Indemnification of Board Members. The Corporation shall indemnify any director or officer or former director or officer or other person in the manner and to the extent provided in RCW 23B.08.500 through 23B.08.600, as now existing or hereafter amended.

Further, the Corporation shall indemnify or agree to indemnify a director made party to a proceeding or obligate itself to advance or reimburse expenses incurred in a proceeding without regard to the limitations of RCW 23B.08.510 through 23B.08.550, provided that no such indemnity shall indemnify any director from or on account of:

- A) Acts or omissions of the director finally adjudged to be intentional misconduct or a knowing violation of the law;
- B) Conduct of the director finally adjudged to be in violation of RCW 23B.08.310; or

C) Any transaction with respect to which it was finally adjudged that such director personally received a benefit in money, property or services to which the director was not legally entitled.

ARTICLE XI

CORPORATE SEAL

The seal of the corporation shall be in a circular form and shall contain the words "HAT ISLAND COMMUNITY, INC." and the words "Corporate Seal Washington 1967" in the form and style as affixed in these By-Laws by the impression of said corporate seal.

ARTICLE XII

DATE OF ADOPTION

These By-Laws are duly adopted by the Corporation seal thereof affixed on the 3rd day of October 1967.

ATTEST:

/s/ KENNETH E. BOWER

President

/s/ RODNEY W. BANGERTE

Secretary

SUBSCRIBED AND SWORN TO before me, this 7th day of February, 1968.

/s/ IRENE L. THAANUM

NOTARY PUBLIC in and for the State
of Washington, residing in Seattle.