

**CLEARWOOD COMMUNITY
ASSOCIATION INC. 21603 N CLEAR
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BY-LAWS

(YELLOW BOOK)

The By-Laws were Last Rewritten and Approved
by Membership January 7, 2007.

The By-Laws were Last Updated with Member
Approved Resolutions August 15, 2015,
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Directors November 7, 2015.

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I. DEFINITIONS

1. **Clearwood** means, Clearwood Division I through XIX, as identified and described by the plats thereof recorded in the land records of Thurston County, Washington.
2. **Association** means, Clearwood Community Association, a Washington corporation organized under the Washington Nonprofit Corporation Act.
3. **Members Present** means, members of the Association, in good standing attending in person at a meeting.
4. **Residential Lot** means, any lot in Clearwood, whether referred to as "residential" or "recreational".
5. **Members in good standing** means assessments, special assessments and all fines caused by violations are paid in full prior to registration at a meeting or election, and payments are current on a promissory note, submitted at least 30 days prior to a meeting or election, which pays off all assessments by December 1st of the year of the meeting or election.
6. **Authorized agent** means an individual or firm authorized by a member to act in his or her behalf in CCA matters including voting at meetings and elections. Each matter of authority shall be identified specifically in writing, notarized and filed at the CCA office.

II. MEMBERSHIP

1. This corporation shall not have any stock. The members of this corporation shall consist of those persons who now own or who shall hereafter own one or more residential/recreational lots in the Divisions of Clearwood. The owner of each lot, as a member of the corporation, shall have one vote for each lot owned in the conduct of the business of the corporation.
2. No membership shall be voted except by the owner or authorized agent of the specific residential/recreational lot to which it is and shall be inseparably appurtenant.
3. Except as herein otherwise provided, each member of the Association shall, during the period of his membership, have an indefeasible right to the nonexclusive use and enjoyment of all common areas, including but not limited to community parks and recreational facilities, which the Association may own or operate for the common benefit of the owners of

residential lots in Clearwood. A member may share this privilege with the members of his family, his invitees and guests. This Section 3 of Article II of the By-Laws of the Association shall not be repealable or amenable except by the unanimous vote of membership of the Association.

4. The Board of Directors or any officer designated by it may, in accordance with procedures prescribed by the Board, suspend the privileges of or exclude any member from the use and enjoyment of the facilities and benefits of the Association for delinquency in payment of assessments, special assessments and all fines resulting from violations or for failure to comply with the Articles of Incorporation, the By-Laws of the Association or the reasonable rules and regulations established by the Board.
5. No member may withdraw or resign from the Association while he/she owns land or an interest in land, in Clearwood.
6. Policies approved by a vote of the general membership of the Association, which affects all members shall be included as an addendum to the By-Laws.
 - a. Policies approved by the Board of Directors having an effect on the members, excluding those policies pertaining to the operational and the financial management of the Association, shall be presented to the members at the Annual Meeting following the Board of Directors adoption. The members at the Annual Meeting shall decide if the policy should be continued and
 - b. Policies included in the By-Laws and the By-Laws Addendum (Rules and Regulations) shall be reviewed at least every four (4) years and shall be immediately updated upon the effective date of new amendments approved by the membership.

III. TRANSFER OF MEMBERSHIP

1. In the event a residential/recreational lot in Clearwood is assigned, transferred or sold to a subsequent owner or purchaser of such land, the membership shall be inseparably appurtenant to such land and shall be transferred when satisfactory evidence of purchase is supplied to the Association by mail or in person. Recorded evidence of transfer shall consist of, but not necessarily be limited to, statutory warranty deed, deed of trust, quit claim deed, divorce decree (showing property settlement), last will and testament.

2. The Association shall keep a record of its members showing, inter alia, the name and address of each member, the number and division, or other description, and satisfactory evidence of purchase of the lot to which each such membership is appurtenant.
3. Transferees of such membership shall not be entitled to vote until such membership has been transferred to the transferee upon the books of the Association.
4. The transferee thereof, and the land which said membership is appurtenant, shall be subject to any and all such assessments as this Association may from time to time levy in accordance with the By-Laws for purposes therein.

IV. ASSESSMENTS

1. In order to enable the Association to secure the funds necessary for the accomplishment of its corporate purposes, including but not limited to the construction, maintenance and improvement of community park and recreation facilities and other common areas of whatsoever description, the payment of taxes and assessments (if and when levied by any municipal corporation or assessing district), and interpretation and enforcement of the protective covenants and restrictions governing the use of land in Clearwood each and every residential/ recreational lot in Clearwood and the owner thereof, shall be subject to such assessment or assessments as the Board of Directors may from time to time levy. The amount assessed against each member shall bear the same proportion to the total amount assessed against all members as the number of residential/recreational lots subject to assessments. If any residential lot is owned by several persons holding undivided interests therein, it may be assessed to anyone of them.
2. The Association consists of 1356 lots (including the Association owned lot on which the Windy Beach mailboxes are located).
3. Members, who choose to combine lots for the purpose of tax and building convenience, will be responsible for all assessments and water usage bills for each individual lot as identified in the Association's original governing documents to include plats.
4. Payment shall be due within thirty (30) days after notice of assessment. Thereafter, unpaid assessments shall bear interest at the rate of 12 percent (12%) per annum until paid. Members facing difficulty in making timely payments may sign a promissory note committing to equal monthly payments, the last payment due on December 1st of the year involved.

5. The amount of any assessment and all fines from violations, together with reasonable costs incurred in enforcing or collecting the same, including but not limited to reasonable attorney's fees, shall be a personal obligation of the assessee and shall be enforceable by the Association by court action. Such assessment, attorney's fees and other costs shall also constitute a lien upon the residential/recreational lot with respect to which the assessment was made. Such lien shall be enforceable by foreclosure proceedings in the manner provided by law for foreclosure of mortgages upon land. Such liens shall be superior to any and all other liens except mortgage liens recorded prior to the date of assessment.
6. Within thirty days after 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 nor more than sixty days after mailing of the summary. Unless at that meeting the owners of a majority of the votes in the Association are allocated or any large percentage specified in the governing documents reject the budget, 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.
7. General assessments shall not exceed the last adopted limit without a vote of the lot owners at the annual meeting or any special meeting called for that purpose.
 - a) **General Reserve Account** - A reserve account shall be maintained by the Association to be used for the repair and/or replacement of existing roads, structures and operating equipment. An amount of 145.00 from the annual general assessment for each lot shall be set aside in this account. The Board of Directors, with the advice of the Finance Committee, shall determine expenditures from this account
 - b) **Futures Reserve Account** - A reserve account shall be maintained by the Association to be used for the construction and/or the acquisition of new equipment, amenities or facilities that will serve the needs of the membership. This account shall also be used for the enhancement of amenities, such as the beaches, forests and other common areas, that are not included in the repair/replacement schedule. An amount of \$15.00 from the annual general assessment for each lot shall be set aside in this account. The Board of Directors, with the advice of the Finance Committee, shall determine expenditures from this account.

- c) **Water Reserve Account** – A reserve account shall be maintained by the Association to be used for repair or replacement of components of our Water Distributions System according to the Water Reserves Study. The full amount of the Water Base Rate Assessment will be applied to this account. The Board of Directors with advice of the Water Committee and Finance Committee shall determine expenditures from this account.
8. **Water Service Charge and Reserve** - shall be based on regular and fixed costs associated with the maintenance and operation of the water system, with consideration given to the costs of meeting all regulations, debt service or any other long term financial viability of the physical plant. These charges shall be set by the Board of Directors of the Association, with the advice of the Finance Committee, with ratification by the members at the annual meeting or any special meeting called for this purpose.
9. **Deposit and Disposition of Funds:**
- a. The Funds of the Association shall be kept in accounts in the name of the Association and shall not be commingled with the funds of any other association or any other person responsible for the custody of such funds, nor with the funds of any manager of the Association or any other person responsible for the custody of such funds. (This paragraph quoted from RCW 64.38.045-(4).
- b. The Treasurer, with the advice of the finance Committee and approval of the Board of Directors, shall deposit all the funds of the Association in a Federally-insured bank or Federally-insured banks (which accounts may exceed the \$100,000 FDIC insured limit, but, in which case our funds are backed by U.S. Treasury bills).
- c. Disposition of funds shall be by check, signed by two (2) persons, at least one of whom shall be a Director, except for a small operation petty cash fund and the Clearwood Patrol Reimbursement Account (both of which shall not require a Director's signature).
- d. No funds of the Association may be invested with members, Directors, officers or employees of the Association or any person related to them.

V. BOARD OF DIRECTORS

1. The Board of Directors shall not act on behalf of the Association to amend the Articles of Incorporation, to take any action that requires the vote or approval of the owners, to terminate the Association, to elect members of the Board of Directors, or to determine the qualifications, powers, and duties, or terms of office of members of the Board of Directors, and duties of office of members of the Board of Directors, but the Board of Directors may fill vacancies in its membership of the unexpired portion of any term. (This paragraph is quoted from RCW 64.38.025-(2).

2. The powers of the Association shall be vested in a Board of Directors. It is the responsibility of the Board of Directors to enforce the protective covenants and restrictions of the Association. The Board of Directors are responsible for implementing policies and procedures to ensure the continuing enforcement of the protective covenants and restrictions of the Association.

To run or serve as a Clearwood Board Director one must be a current Clearwood member in good standing. The number of directors who shall manage the Association shall be seven (7). At any annual meeting or at any special meeting called therefore the members may increase or decrease the number of directors to any number not more than nine nor less than three.

It is a responsibility of the Board of Directors to ensure that all volunteers must pass a Clearwood Community Association (CCA) criminal background check prior to being seated, elected or otherwise volunteering. And it is a further responsibility of the Board to ensure that those candidates for vacant seats on the Board of Directors must pass a CCA criminal background check prior to their name being presented to the membership for election. This goes into effect immediately upon the affirmative vote of the membership at the 2015 annual membership meeting.

3. Directors shall be elected at the annual meetings of the members by mail and drop-in ballot, or failing that, at any special meeting of the members called for that purpose, to serve three years or until their successors are duly elected.
4. The election of director(s) shall be done in accordance with the following procedure:
 - a. Candidates for all vacant director positions will be presented at the Informational Meeting.
 - b. Members will select from the list of candidates no more than the number of vacant director positions. Member(s) not on the list of candidates may be written in. Selecting and/or writing in more than the number of vacant director positions invalidates that section of the ballot. A candidate can only be voted once per ballot regardless of the number of vacant director positions.
 - c. Candidates elected with the most votes fill vacant director positions.
 - d. In case of tie(s), the incumbent (currently seated) Board of Directors, including outgoing directors, will immediately convene and decide for each remaining vacant director position by simple majority vote until all remaining vacant director positions are filled.
5. Any vacancy occurring in the Board of Directors shall be filled by appointment by a majority of the remaining directors. The person so appointed shall hold office until his successor has been duly elected and qualified.

6. At least one, but not more than two members of the Board of Directors not seeking or not re-elected to another term of office be appointed, with their acceptance, by the President of the Board to serve one year as an 'ex-officio member' of the Board. These members may sit with the Board at all meetings, but shall have no vote.
7. The owners by a majority vote of the voting power in the Association present, in person or by his or her authorized agent, and entitled to vote at any meeting of the owners at which a quorum is present, may (as provided for in VI Meetings) remove any member of the Board of Directors with or without cause. A proposal to remove a director shall be brought by a group of members in good standing equaling 10% of the membership present, either in person or by his or her authorized agent, at the previous meeting of the Association at which a quorum was present.

VI. MEETINGS

1. **Annual Meetings.** Annual Meetings of the members shall be held at such place as the directors may designate on the third Saturday of August. Notice thereof, informational material on candidates and issues to be voted upon, and ballots shall be hand delivered or sent prepaid by first class United States mail by the Secretary to each member not less than fourteen (14) days, nor more than sixty (60) days before the meeting.

An informational Meeting will be held on the Saturday of the week before Memorial Day to introduce candidates for vacant board positions and issues to be voted upon. The meeting is held mainly for informational purposes. A quorum is not required unless new voting issues are to be added to the election at the Annual Meeting.

Member ballots shall be received at the CCA office or at the Annual Meeting no later than the close of the voting period on the day of the Annual Meeting. Ballots will be registered and counted at the Annual Meeting.

2. **Special Meetings.** Special Meetings of the members may be called at any time by the President, by a majority of the Directors, or by the holders of ten percent (10%) of the Association's membership. Notice of special meetings, stating the object thereof, shall be hand delivered or sent prepaid by first class United States mail by the Secretary, or other Board-designated official, to each member not less than fourteen (14) days before the meeting nor more than sixty (60) days in advance of any meetings.
3. **Notice of Meetings.** The notice of any meeting shall state the time and place of the meeting and the business to be placed on the agenda by the Board of Directors for a vote by the owners including the general nature of any proposed amendment to the Articles of Incorporation, By-Laws, any budget or changes in the previously approved budget that result in a change in assessment obligation and any proposal to remove a director.

4. **At all meetings** members present (in good standing), which total 50% of the number of members present at the last annual meeting at which a quorum was present shall constitute a quorum.

Once established at the beginning of a meeting a quorum shall be considered present throughout the meeting. However, should a quorum not be present at any meeting, the members attending said meeting shall have power to adjourn it from time to time until a quorum can be secured.

5. **Voting:**

- a. Elections at the Annual Meetings shall solely be by mail or drop-in ballots received no later than the close of the voting period on the day of the Annual Meeting from members of good standing, or their authorized agents.
- b. The ballots received for the elections at the Annual Meeting will determine the outcome regardless of whether a quorum was present at the Informational Meeting.
- c. Voting at meetings, other than Annual Meetings, shall be by members present in good standing, or their authorized agent.

6. **All voting issues**, including candidates for vacant board positions, proposed amendments to the Articles of Incorporation, Bylaws, rules, regulations, and budget or changes in the previously approved budget that result in a change in assessment obligation, and any proposal to remove a director, to be submitted, either by members or by the Board of Directors, for election at the Annual Meeting must be given to the Board of Directors by the March Board Meeting and included in the mailing to the membership with the notice of the Informational Meeting. Only voting issues submitted at the March Board Meeting shall be presented at the Informational Meeting for inclusion in the mailing of the Annual Meeting ballot to the membership.

A signed petition from members of good standing, who number at least 10% of members present at the last meeting which had a quorum, is required for members to submit a voting issue.

7. **The Board of Directors** shall have a regular annual meeting immediately following the annual meeting of the members and any number of other regular meetings at such place and time as may be fixed by resolution of the Board. Special meetings of the Board may be called at any time by the President or by a majority of the directors. The Secretary shall give notice of all special meetings to each director in person or by telephone at least one (1) day prior or by mail at least two (2) days prior to the meeting. A majority of the directors shall constitute a quorum at all meetings.

8. **Conduct of meetings.** Except as provided in this subsection, all meetings of the Board of Directors shall be open for observation by all owners of

record and their authorized agents. The Board of Directors shall keep minutes of all actions taken by the Board, which shall be available to all owners. Upon the affirmative vote in open meeting to assemble in closed session, the Board of Directors may convene in closed executive session to consider personnel matters, consult with legal counsel or consider communications with legal counsel, and discuss likely or pending litigation, matters involving possible violations of the governing documents of the Association, and matters involving the possible liability of any owner to the Association. The motion shall state specifically the purpose for the closed session. Reference to the motion and the stated purpose for the closed session shall be included in the minutes.

The Board of Directors shall restrict the consideration of matters during the closed portions of meetings only to those purposes specifically exempted and stated in the motion. No motion, or other action adopted, passed, or agreed to in closed session may become effective unless the Board of Directors, following the closed session, reconvenes in open meeting and votes in the open meeting on such motion, or other action which is reasonable identified. The requirements of this subsection shall not require the disclosure of information in violation of law or which is otherwise exempt from disclosure. (This paragraph is quoted from RCW 64.38.035-(2).

The initial draft of the board meeting minutes, as prepared by the Secretary, Executive Secretary, or Assistant Secretary, as the case may be, shall conform to Robert's Rules of Order and shall be published and made available to the membership within seven days after each and all board meetings so as to provide immediate information to the membership.

The final draft of the board meeting minutes shall be approved no later than the next scheduled regular monthly board meeting.

9. Non-Members, Renters or other non-member occupants shall not be on committees unless they are deemed an authorized agent via a notarized letter from the lot owner. Renter or other non-member occupants shall be allowed to help with committee work parties, at the committee chair's discretion.

VII. OFFICERS

1. At the first meeting of the Board of Directors and at the regular annual meeting of the Board that follows each annual meeting of the members, the Board of Directors shall elect a President, Vice President, Secretary and Treasurer. The Board may also at any time appoint an Executive Secretary and/or Assistant Secretary and/or Assistant Treasurer. Officers of the Association so elected shall hold office for the term of one year or until their successors have been elected and qualified. Any Board officer may be suspended or removed from their office by a majority vote of all the directors.

2. No director or officer, except the executive secretary and/or assistant secretary and/or assistant treasurer shall receive any salary or compensation for his/her services from the Association. However, out of pocket expense such as telephone, postage, FAX, copies and mileage for special assignment, as directed by the President, are allowed subject to approval at regular board meetings.
3. **The President** shall preside at all meetings of the directors and members, and shall have and exercise, under the direction and subject to the control of the Board of Directors, the general supervision of the affairs of the Association.
4. **The Vice President** shall preside at 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.
5. **The Secretary** shall issue notices of meetings and keep the minutes of meetings. He/she shall keep a record of the names and addresses of the members, their memberships and their land holdings in Clearwood and shall have charge of the other necessary records and papers of the Association. He/she shall be custodian of the corporate seal and impress papers with the seal when needed.
6. **The Treasurer** shall keep and maintain or cause to be kept and maintained adequate and correct accounts of the properties and business transactions of the Association. The books of account shall at all times be open to inspection by any member. The Treasurer shall keep safely all monies and securities of the Association and disburse the same under the direction of the Board of Directors. He/she shall cause the funds of the Association to be deposited in a bank or institution selected by the directors.

At each annual meeting of the members, and at any time directed by the directors, he/she shall issue and present a full statement showing in detail the condition of the affairs of the Association.

7. **Annual Audit.** At least annually, the Association shall prepare or cause to be prepared, a financial statement of the Association. The financial statements of Associations with annual assessments of fifty thousand dollars or more shall be audited at least annually by an independent certified public account, but the audit may be waived if sixty-seven percent of the votes cast by owners, in person or by proxy, at a meeting of the Association at which a quorum is present, vote each year to waive the audit. (This paragraph is quoted from RCW 64.38.045-(3).
8. Should any Executive Secretary and/or Assistant Secretary and/or Assistant Treasurer be appointed by the Board of Directors, he/she shall perform such duties as may be assigned to him/her by the Board.

9. Any person may occupy two offices concurrently if the Board of Directors so directs, except the office of President and Secretary.

VIII. COMMITTEES

Section 1. Special Committees

A. Formation.

- 1) The formation and subsequent termination of special committees shall reflect the needs of the Association.

B. Appointment.

- 1) Committees shall be solicited and appointed from the membership of the Association by the President and with the approval of the Board of Directors.
- 2) Special Committees shall be appointed for a special purpose and shall continue to exist until the duty assigned it is accomplished, unless sooner discharged.

Section 2. Standing Committees

- A. The terms of committees shall start with their confirmation by the Board of Directors after each annual meeting, but no later than the October Board meeting, and shall end with the seating of committees following the next annual meeting.

Section 3. Architectural Control Committee

- A. The Board of Directors shall appoint an Architectural Control Committee composed of not less than three (3) persons. A majority of the committee may designate a representative to act for it.
- B. The committee shall have the power to charge a reasonable fee for the costs incurred in processing and considering plans and specifications submitted for its approval.
- C. Approval or disapproval of any matter submitted to the committee shall be made within thirty (30) days of submission to the committee or to its duly appointed representative and shall be in writing.
- D. Any owner adversely affected by committee action may appeal to the Board of Directors of the Association. Appeals shall be made in writing within ten (10) days of the committee's action and shall set forth the part of the committee's action deemed objectionable. The appeal shall be considered by the Board at its next scheduled meeting, and a final and conclusive determination shall be made by the Board within fifteen (15) days after such meeting.
- E. The Architectural Control Committee (ACC) will not issue any building permits for structures on split or conjoined lots without Board approval.

Section 4. Violation Committee

- A. The Board of Directors shall appoint a Violation Committee composed of (3) persons. A majority of the committee may designate one member as a chairperson.
- B. The Committee shall have the power to issue citations and assess fines, according to the schedule established by the Board of Directors, to members who have committed a violation or to notify members of an alleged violation.
- C. Upon the request of the member, the committee shall have the power to seat a Violations Review Panel of six persons, randomly selected from a group of volunteers who have agreed to serve, who will review the citation and/or alleged violation and determine if the assessed fine should be upheld or what, if any, action should be taken. The determination of the Panel shall be by a two-thirds majority. At least one member of the Violations Committee must be present and act as chairperson to assure that both sides of the situation are properly and fairly represented. The Violations Committee will have no voice or vote in the Panel's decision. Members of the Board of Directors shall not be eligible to serve on the Panel.
- D. The determination may result in legal action for civil damages; it may result in abatement expenses; or it may result in the levying of a special assessment against the member in violation. The chairperson shall be responsible to submit the determination of the Panel to the Board of Directors.
- E. Any Member adversely affected by the action of the Violations Committee and/or the Violations Review Panel may appeal to the Board of Directors of the Clearwood Community Association.

Section 5. Finance Committee

- A. The Board of Directors shall appoint a Finance Committee composed of not less than three (3) nor more than ten (10) persons. Members of the Board of Directors may be members of the committee but in no event shall board members comprise a majority. The Association Treasurer must be a member of this committee. A majority of the committee may designate one member as a chairperson.
- B. The committee shall recommend to the Board of Directors the type of annual audit to be made of the association finances.
- C. The committee shall be advisory to the Board of Directors, with reviewing and preparing the Annual Association Budget for presentation to the membership at the annual meeting.
- D. The committee shall review at least semi-annually the finances of the association and recommend how, what and if any monies should be invested, so as to attain the maximum earnings.

- E. The committee shall periodically review the repair/ replacement schedule and recommend modifications to the schedule and/or addition/deletion of items in order to prudently expend funds in the Reserve Account.
- F. The committee shall periodically review the long term goals of the association and suggest viable alternatives for the use of funds in the Futures Account.

Section 6. Water Committee

- A. The Board of Directors shall appoint a Water Committee. The Water Committee shall advise and assist the Board of Directors on the operation and maintenance of the Water System as well as planning for capital improvements to maintain a safe and adequate water supply system.

Section 7. Roads Committee

- A. The Board of Directors shall appoint a Roads Committee. The Road Committee shall advise and assist the Board of Directors on the maintenance and planned improvement of the Road System within Clearwood to maintain a safe network of roads.

Section 8. Volunteers

- A. It is a responsibility of the Board of Directors to ensure that all volunteers must pass a Clearwood Community Association (CCA) criminal background check prior to being seated, elected or otherwise volunteering. This goes into effect immediately upon the affirmative vote of the membership at the 2015 annual membership meeting.

IX. CORPORATE SEAL

The seal of the Association shall be circular form and shall contain the words "CLEARWOOD COMMUNITY ASSOCIATION" and the words "CORPORATE SEAL WASHINGTON 1974".

X. AMENDMENT

Except as herein otherwise provided, those By-Laws may be amended by a vote of the holders of a majority of the Association's membership present or represented by proxy at any annual or at any special member's meeting called for that purpose.

XI. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Association shall indemnify each present and future director and officer of the association against, and each such director and officer shall be entitled without further act on his/her part to indemnity from association for, all expenses, including the amount of judgments and the amount of reasonable settlements made with a view to the curtailment of costs or litigation, other than amounts paid to association itself; reasonably incurred by him/her in connection with or arising out of any action, suit or proceeding in which he/she may be involved by reason of his/ her being or having been a director or officer of the Association, whether or not he/she continues to be such director or officer at the time of incurring such expenses; provided, however, that such indemnity shall not include any expenses incurred by any such director or officer.

- a) in respect of matters as to which he/she shall be finally adjudged in any such action, suit or proceeding to have been derelict in the performance of his/her duty as such director or officer, or
- b) in respect to any matter in which any settlement if affected, to an amount in excess of the amount of expenses which might reasonably have been incurred by such director or officer in conducting such litigation to a final conclusion; provided, further, that in no event shall anything herein contained be so construed as to protect, or to authorize association to indemnify, such director or officer against any liability to the association to which he/she would otherwise be subject by reason of his/her misfeasance, bad faith, negligence or disregard of the duties involved in the conduct of his/her office as such director or officer.

The foregoing right of indemnification shall insure to the benefit of the heirs, executors or administrators of each director or officer and shall be in addition to all other rights to which such director or officer may be entitled as a matter of law. Insurance to cover must be purchased by the Board of Directors.

XII. PROCESSING VIOLATIONS

1. A form entitled, "Report of Violation", shall be made available to all members of the Association. This form will be available at the Clearwood office, from the Association employees, the Board of Directors and the Clearwood Patrol.
2. Any Clearwood member may complete a "Report of Violation" when they witness what they perceive to be a violation of the Protective Covenants, Bylaws or Rules and Regulations of the Association. The report should include pictures and/or statements from witnesses, if appropriate. The report shall be mailed or delivered to the Clearwood Office or to any member of the Clearwood Board of Directors.

XIII. WATER SYSTEM

1. In accordance with the Articles of Incorporation of Clearwood Community Association, Article 3, Paragraph B, utility systems in or for the benefit of the community shall be acquired, constructed, improved, maintained and operated. The Board of Directors shall have the general control and management of the water system and its related policies, service connections, appurtenances and funding for the purpose of distributing the same at cost and without profit.
2. Standards of construction and design for all new construction within the water system shall be in accordance with the following standards and regulations:
 - Washington State Board of Health Drinking Water Regulations, Chapter 246-290 WAC
 - Washington Department of Transportation/ American Public Works Association Combined Provisions
 - Recommended Standards for Water Works, Great Lakes, Upper Mississippi Board of State Public Health & Environmental Manager ("Ten State Standards")

The Board of Directors may adopt other standards by resolution and/or the Business/Maintenance Manager may waive the construction requirements in the event of specific circumstances.

3. The cost of operating the water system shall be evaluated from time to time by the Board of Directors to determine funding to meet expected or unexpected requirements of the state and federal regulations, as well as renewal, replacement and development of the water system. The Board shall annually establish and approve a five year forecast of the revenues from all water service charges, special levies and/or assessments or reserve funds, together with the expected application of those funds to capital improvements, operations, maintenance and administration of the water system. Article III of these By-Laws describe in detail said Assessments, Charges and related issues.
4. No member supplied with water by the Association shall be permitted to use it for any purpose or in any way to serve other persons or families except in the case of emergencies. Any violation of this Article shall result in a fine being levied or legal action being taken against the violator.
5. To prevent any potential contamination or possible interaction with any other water source, all users of water connected to the Clearwood water system shall take reasonable and prudent measures to ensure that no cross connection takes place within their premises.

"Cross connection" means any physical arrangement where the public water system is connected, either directly or through other lawfully

connected fixtures, to any other system, container, or device that contains, or may contain, water, waste products, or other substances of unknown or unsafe quality which may be introduced to the potable water system as a result of backflow.

***"Backflow"** means the reversal of flow in any connection to the water system, by whatever cause, such that any material other than the water from approved sources, storage or treatment facilities is or may be made to enter the potable water distribution system.*

All lots and residents must have a current Water Cross-Connection Control Survey on file at the Clearwood office. Failure to complete and submit the annual survey in a timely manner shall be considered to have violated the integrity of the water system and may have their water service discontinued.

A check valve shall be installed by the Association with any service connection.

The water system shall provide Air/Vacuum relief facilities at appropriate points within the water system and shall be maintained at least annually. These facilities will introduce air to the water mains in the event of loss of pressure to minimize the potential of siphoning.

- 6a. Any water user found to be in violation of the integrity of the water system shall have their water service discontinued immediately. Service will not be restored until all such matters are resolved.
- 6b. Any water user found to be in arrears in their assessments, levies or fees, per established policies for the collection of same, shall be given notice in writing of potential termination of water service. Such notice shall be given at least thirty days prior to the intended date of service termination. The water user may request a hearing before the Board of Directors at the next regular scheduled meeting, after receipt of the notice, to determine if the Association regulations have been appropriate and/or whether mitigating factors exist. Service shall not be terminated while such a review is pending or continued.

ADDENDA TO BY-LAWS

RULES & REGULATIONS APPLICABLE TO CLEARWOOD COMMUNITY ASSOCIATION, INC. (also referred to as the "RED BOOK").

(Resolution 91-05-20 Member-approved Aug. 17, 1991)

This book contains the Rules and Regulations governing the use of Clearwood and its facilities by property owners and their guests. These regulations were duly considered and officially adopted by the Board of Directors of the Clearwood Community Association (hereinafter called CCA) on May 18th, 1991. All of these Regulations have been formulated with two foremost aims:

- (1) to establish orderly and reasonable procedures for governing activities and*
- (2) for maintaining the integrity of Clearwood while restricting individual freedom as little as possible.*

It is hoped that the regulations will be accepted in a spirit of cooperation and that the rule of common sense will prevail in those instances where the interpretation of a regulation does not exist to cover a particular situation. In the final analysis, the application of common sense and courtesy, together with respect for one's neighbor and their property, is the primary requisite to insure that Clearwood will be a truly enjoyable place to live and play. Further, it is to be understood that all activities engaged in at Clearwood, at any time of the year, are at the sole risk of the participant.

Other pertinent documents include the Amended Declaration of Covenants, Conditions and Restrictions Applicable to ALL Divisions of Clearwood and the Articles of Incorporation (contained in the Blue Book), and the Clearwood Community Association By-Laws. Copies are available at the Association Office.

In the event of conflict between the Covenants, Articles of Incorporation, By-Laws and this book, be it hereby understood that the Covenants, Articles of Incorporation and By-Laws (excluding this addenda) shall take precedent and control.

To further note, the Covenants and Restrictions run with the land and when there is any change of ownership, the new owner(s) is deemed to have accepted such Covenants and Restrictions and is bound by them to the same extent as the original owners.

These policies (The RED BOOK) must be reviewed by the Membership on or before the year 2005 Annual Meeting.

End

Clearwood Community Association By-Laws