

BY-LAWS
OF
ELIZA ISLAND BEACH CLUB

ARTICLE I
Purposes

Section 1. This corporation shall be conducted as a nonprofit maintenance corporation for the purposes set forth in the Articles of Incorporation for the area situated in Whatcom County, Washington.

Section 2. The corporation shall have power to levy and collect assessments against its members and against the tracts owned or purchased by them for the purposes in its Articles of Incorporation, and By-Laws set forth, and to sell or forfeit their interest in the corporation 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 purposes for which this corporation was created may be altered, modified, enlarged or diminished by the vote of two-thirds of the members present or represented by proxy 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 of notice for the election of trustees.

ARTICLE II
Membership

Section 1. The membership of the corporation shall consist of and be limited to the owners or purchasers of tracts in the area described in Article II of the Articles of Incorporation, who shall have one membership regardless of the number of tracts so owned or purchased, and the interest of each member shall be equal to that of any other member, and no member can acquire any interest which shall entitle him to any greater voice, vote or authority in the corporation than any other member. A purchaser under a contract of purchase shall be deemed to be an owner for membership purposes. If any tract or tracts are held by two or more persons, the several owners of such interest shall be entitled collectively to cast one vote.

Section 2. Except as hereinbefore otherwise provided and as declaratory of the foregoing, no membership shall be voted unless represented by the owner or purchaser as aforescribed of an individual tract or tracts to which it is and shall be inseparably appurtenant.

Section 3. Membership and certificates of membership evidencing the same shall be inseparably appurtenant to tracts owned by the members and upon transfer of ownership, or contract of sale, of any such tracts, membership or certificates of membership shall ipso facto be deemed to be transferred to the contract purchaser. No membership or certificate of membership may be transferred, assigned or in any manner conveyed, other than in the manner hereinbefore set forth. In the event of the death of a member, the membership and certificate of membership of such member shall be and become the property of the personal representative of such deceased member upon the appointment and qualification as such in a judicial proceeding and such personal representative shall have all of the rights, privileges and liabilities of the deceased member until title shall be transferred or contracted to be transferred.

Section 4. No membership shall be forfeited nor member be expelled except upon foreclosure for non-payment of assessments, and no member may withdraw except upon transfer of title to the real property to which his membership is appurtenant, as elsewhere herein provided. No compensation shall

be paid by the corporation upon any transfer of membership and no member whose membership is transferred shall be entitled to share or participate in any of the property or assets of the corporation.

Section 5. No member who is delinquent in the payment of dues or assessments of the corporation shall have voting rights or the right to use community facilities. At such time as any delinquent members shall have become current in the payment of dues or assessments, said member shall be restored to full voting rights and the right to use community facilities.

ARTICLE III

Transfer of Real Property and Its Appurtenances

Section 1. It shall take the vote of two-thirds of the total membership to transfer, convey, alter or modify the ownership or the uses of any real property belonging to the corporation. The question shall be determined at a meeting duly called for such purpose to transfer, convey, alter or modify the ownership or the uses of any real property belonging to the corporation. Notice of which meeting shall be given in the manner provided by the By-Laws of giving of notice of election of Trustees.

Section 2. Provided, the corporation through its Board of Trustees may sell numbered lots in the plat of Eliza Island that the corporation may own, without any vote of the membership, it being intended that this authority shall not extend to any real property platted for community purposes. Such sale shall be made for such price and upon such terms as a majority of the Board may in their good faith judgment deem in the best interest of the corporation after taking into consideration the assessed valuation of the lot to be sold, any recent sales of comparable lots on Eliza Island and after mailing, by regular mail, to each member on the list of members held by the Treasurer a notice of intent to sell. This notice shall identify the lot to be sold by lot number, give the name and mailing address of the Trustee or other person to be contacted for additional information and the date after which the property will be sold.

ARTICLE IV

Lot Combination Policy

Section 1. Combination of two Eliza Island Beach Club lots into one lot, for the purposes of payment of one set of dues, regular assessments and/or special assessments rather than two, can occur ONLY under the following circumstances and with the following provisions:

Section 2. Two, and NO MORE THAN TWO, EIBC lots may be combined, IF, AND ONLY IF, the owner of two adjacent lots is required by the Whatcom Building Department to combine the lots in order to build a primary living structure within the development standards outlined in the Eliza Island Comprehensive Plan. This would include instances in which the owner's primary living space must be located in or on both of the lots in order to obtain a building permit, or in which one lot is not buildable and must be merged with another in order to meet the regulations in the Comprehensive Plan.

Section 3. In these instances, the owner will be required by the EIBC Board to present to the board plans which observe development standards regarding minimum lot size and density, building setbacks, height limitations, open space and design standards, and notification by the Whatcom County Building Department that such plans will be denied unless the two adjacently owned lots are combined.

Section 4. The owner will then be required by Whatcom County (and EIBC) to obtain a legal document from the Whatcom County Building and Codes Department entitled "Covenant to Bind Property". This document must be obtained with the lot owner's building permit, and must be signed, notarized, and filed with the Whatcom County Assessor. In this document the owner of the lots agrees to use the two lots as one, and not to sell one of the lots until the house is removed.

Section 5. Upon presentation of a copy of this document to the Eliza Island Board, the two lots will be considered as one. The Board will reduce the lot(s) owner's dues and/or assessments from the time of the date of this document, and will prorate yearly dues and/or assessments if indicated.

Section 6. No exceptions as to size, number of buildings or total square feet allowed for one lot will be made as a result of combining two lots. All restrictions that apply to one lot will apply to the combined lots. Lot owners will be granted only one vote for a combined lot.

Section 7. Any lot owner requesting the combination of lots under the above circumstances will agree that if at any point in the future, for any reason, the lot is divided again in to two lots, all past dues, regular assessments and/or special assessments will be collected as if the lot were always two lots, and a lien will be placed against the property to ensure payment of these past dues in this situation. The lot owner will agree to sign a document to this effect.

Article V Dissolution

Upon dissolution of the corporation the assets, both real and personal of the corporation, shall be dedicated to an appropriate public agency to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the association.

ARTICLE VI 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 five. At any meeting or special meeting called therefor the members may increase or decrease the number of Trustees to any number not more than nine or less than three.

Section 2. Trustees shall be elected to serve for two years, or until their successors are elected and duly qualified.

Section 3. Each Trustee shall be a member who shall not have lost his right to vote by reason of having disposed of land to which his membership is appurtenant.

Section 4. In the event a Trustee ceases to be the owner of the land to which his membership is appurtenant, or of a contract for the purchase thereof, he shall thereby cease to be a Trustee and his office shall become vacant upon written notification without action other than to spread such fact upon the minutes of the Board of Trustees.

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. 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. Any officer may be suspended or removed by a majority vote of all of the Trustees.

Section 6. No Trustee shall receive any salary or compensation. The Assistant Treasurer may receive a salary or compensation from the corporation.

Section 7. Any vacancy occurring in the Board of Trustees may 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 the vacancies for the remainder of the original terms, if any, shall be filled by election by the members in the regular manner.

ARTICLE VII 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 at or near the Fourth of July weekend of each year at noon, as determined by the Board of Trustees. Notice thereof shall be given by the Secretary by mailing notice to each member not less than 30 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 ten percent of the tracts within the jurisdiction of the corporation. Notice of a special meeting, stating the object thereof, shall be given by the Secretary by mailing each notice to each member not less than 15 days prior to the date on which such meeting is to be held.

Section 3. At all annual and special meetings of the members, or votes by mail, twenty percent of all of the members of the corporation shall constitute a quorum for the transaction of business. Each member shall be entitled to one vote. Matters, other than By-Law Revisions, are to be decided by a majority of those voting.

Section 4. Special meetings of the Board of Trustees shall be called at any time by the Secretary on order of the President or a majority of the Board of Trustees. The Secretary shall give each Trustee notice personally, verbally, by mail or by telephone, of all regular and special meetings at least one day previous thereto.

Section 5. A member may exercise his right to vote by proxy.

Section 6. The Board may call for a vote by mail of any issue, other than the annual budget and election of officers. The Board shall give written notice to the members not less than two weeks prior to a Board Meeting that, at said meeting, the Board shall vote to submit an issue to the membership by mail. If the Board proceeds to approve the issue, ballots must be mailed to all members with voting privileges. The ballots must be returned within two weeks of mailing, to be counted.

ARTICLE VIII Powers and Duties of Trustees

Section 1. Subject to limitation in the Articles of Incorporation and the By-Laws and the 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:

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 resolutions therefor not inconsistent with law, with the Articles of Incorporation or the By-Laws, as they may deem best. All of the rules and resolutions of the Board of Trustees or membership shall be

codified under the direction of the Board of Trustees and posted on the community bulletin board, and one copy left with the caretaker.

Section 4. To issue certificates of membership only to the owners or purchasers of tracts hereinbefore described, subject to such conditions or terms as provided in the Articles of Incorporation and the By-Laws.

Section 5. To charge and/or assess the several parcels of land and the owners thereof as hereinbefore more particularly set forth.

Section 6. To cause to be kept a complete record of all minutes and acts and to present a full statement and following year's budget to the regular annual meeting of members showing in detail the condition of the affairs of the corporation.

ARTICLE IX Duties of Officers

Section 1. President. The President shall preside at all meetings of the Trustees and members; he shall sign as President all certificates of membership and all contracts or other instruments in writing authorized by the Board of Trustees, he shall call special meetings of the Trustees or of the members whenever he deems it necessary; he shall have and exercise under the direction of the Board of Trustees the general supervision of the affairs of the corporation.

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 office.

Section 3. Secretary. The Secretary shall issue all notices and shall attend and keep the minutes of all meetings; he shall have charge of all corporate books, records and paper; he shall be custodian of the corporate seal, shall attest his signature and impress with the corporate seal all written contracts of the corporation, and shall perform all such other duties as are incidental to his 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 shall cause to be deposited all funds of the corporation in a bank selected by the Trustees. At each annual meeting of the members, and at any time directed by the Trustees, he shall issue and present a full statement showing in detail the condition of the affairs of the corporation.

Section 5. The Executive Secretary and/or Assistant Secretary and/or Assistant Treasurer, is appointed by the Board of Trustees and shall perform such duties as may be designated by it.

Section 6. Any officer, other than the President, may occupy two offices concurrently if the Board of Trustees so directs.

ARTICLE X Indemnification of Trustees

Section 1. A director of the corporation shall not be liable to the corporation or its shareholders for monetary damages for conduct as a director, except for liability of the director (i) for acts or omissions which involve intentional misconduct by the director or a knowing violation of law by a director, (ii) for conduct violating RCW 23B.08.310, or (iii) for any transaction from which the director personally

received a benefit in money, property or services to which the director was not legally entitled; provided, that this provision shall not eliminate the liability of a director for any act or omission occurring prior to the date on which this provision becomes effective. Any repeal or modification of the foregoing paragraph by the shareholders of the corporation shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

Section 2. Pursuant to the provisions of RCW 23B.08.560, and subject to the definitions set forth in RCW 23B.08.500, the corporation shall fully indemnify each director who is or is threatened to be made a party to any proceeding, provided that no such indemnity shall indemnify any director from or on account of (i) acts or omissions of the director finally adjudged to be intentional misconduct or a knowing violation of law, (ii) conduct of the director finally adjudged to be in violation of RCW 23B.08.310, or (iii) 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. Any repeal or modification of the foregoing paragraph by the shareholders of the corporation shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

Section 3. Subject to the definitions set forth in RCW 23B.08.500, the corporation shall pay for or reimburse the reasonable expenses incurred by a director who is a party to a proceeding in advance of final disposition of the proceeding if (i) the director furnishes the corporation a written affirmation of the director's good faith belief that the director will qualify for indemnification pursuant to the provisions of Section 2 above and (ii) the director furnishes the corporation a written undertaking, issued personally or on the director's behalf, to repay the advance if it is ultimately determined that the director does not qualify for indemnification. Any repeal or modification of the foregoing paragraph by the shareholders of the corporation shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

Section 4. The foregoing rights shall not be exclusive of other rights to which such director may be entitled as a matter of law.

Section 5. Subject to the definitions set forth in RCW 23B.08.500, the corporation shall indemnify an officer of the corporation who is wholly successful, on the merits or otherwise, in defense of any proceeding to which the officer was a party because of being an officer of the corporation against reasonable expenses incurred by the officer in connection with the proceeding. The corporation may indemnify and advance expenses under RCW 23B.08.510 through .560 on a case-by-case basis to an officer, employee, or agent of the corporation who is not a director to the same extent as to a director. The corporation may also indemnify and advance expenses on a case-by-case basis to an officer, employee or agent who is not a director to the extent, consistent with law, that may be provided by a specific action of the board of directors or by written contract.

Section 6. The corporation may purchase and maintain insurance on behalf of an individual who is or was a director, officer, agent or employee of the corporation, or who, while a director, officer, agent or employee of the corporation, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, against liabilities asserted against or incurred by the individual's status as a director, whether or not the corporation would have the power to indemnify the individual against the same liability under RCW 23B.08.510 or 23B.08.520.

ARTICLE XI

Certificates of Membership and Transfers

Section 1. A certificate of membership in the corporation shall be issued to each member. All such certificates shall be signed by the President, or Vice-President, and the Secretary.

Section 2. All memberships and certificates evidencing same shall be inseparably appurtenant to the tract, tracts or fractional tracts owned by the holders thereof and upon the sale or contract to sell such memberships and such certificates shall become the property of the grantee or purchaser as hereinbefore provided. No transfer of membership shall entitle the transferee to vote the same until it has been established to the satisfaction of the Secretary that such transfer is bonafide and has been made in the manner provided.

Section 3. Unless specifically requested by the owner and holder thereof, it shall not be necessary that certificates of membership be actually issued, but any owner or purchaser of a tract or tracts within the said district may exercise all of the rights and privileges and shall be subject to all of the liabilities of membership without the actual issuance and possession of such certificates of membership.

ARTICLE XII Assessments

Section 1. The members of the corporation shall be liable for the payment of such charges or assessments as may from time to time be fixed and levied by the Board of Trustees pursuant to the Articles of Incorporation and these By-Laws and subject to the provisions of said Articles and By-Laws. The annual charges or assessments shall be based upon the budget for the coming year presented by the Board of Trustees and approved by the members at the annual meeting.

Charges and assessments against all members shall be levied by the Board of Trustees at a uniform rate per member not without distinction or preference of any kind.

Additional assessments, recommended by the Board, may be approved by the membership at a specially called meeting, or by mail, as set forth in the By-Laws Article VII.

Section 2. By the acceptance of membership in the Eliza Island Beach Club, each member is deemed to covenant and agrees to pay to the corporation: (1) Annual assessments or charges, and (2) special assessments for capital improvements. The annual and special assessments and dues, together with such interest thereon and costs of collection thereof, as herein provided, shall be a charge on the land and shall be a continuing lien upon the property against which such assessment is made. Each such assessment, together with such interest, costs and reasonable attorney's fees shall also be the personal obligation of the person who was the owner of such property at the time when the assessment fell due. The lien provided by this provision may be enforced by foreclosure proceedings in the manner provided by law for foreclosure of mortgages upon land; provided, that no proceedings for the foreclosure of any such lien shall be commenced except upon the expiration of 30 days from and after the date of mailing notice of assessment provided in these By-Laws.

ARTICLE XIII Amendments

These By-Laws may be amended at any time by a vote of a majority of the members of the corporation.

ARTICLE XIV Corporate Seal

The seal of the corporation shall be in circular form and shall contain the words "Corporate Seal Washington 1961" in the form and style as affixed in these By-Laws by the impression of said corporate seal.

ARTICLE XV
Date of Adoption

These amended By-Laws are duly adopted by the corporation and the corporate seal thereof affixed on
the _____ day of _____, 19 _____.

PRESIDENT

ATTEST:

SECRETARY-TREASURER

SUBSCRIBED AND SWORN to be before this _____
day of _____, 19 _____.

Notary Public in and for the
State of Washington, residing
at _____