

*Bylaws of the
Driftwood Heights Association, Inc.
Incorporated 1970*

**Eileen Teufel, President
370 North East Camano Drive, Suite 5, PMB 219
Camano Island, WA 98282-7279**

*Revised and Approved
April 7, 2007*

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May 2, 2006

Revised Record Number 4200455

April 26, 2007

AMENDED BYLAWS
OF
DRIFTWOOD HEIGHTS ASSOCIATION, INC.

ARTICLE I

Purposes

The purposes for which this Association is formed are as stated in Article III of Driftwood Heights Association's Amended Articles of Incorporation, hereinafter referred to as "Association", and particularly to provide water for the benefit of owners of property located within the area of said Association, Island County, Washington, which area is the land described in Exhibit "A", attached hereto, and by this reference incorporated herein as though fully set forth in full, and such additional property as may hereinafter be included.

The Association is further organized to provide recreational facilities and programs for the benefit of owners of property within certain specified geographical areas of Island County, Washington, as set forth herein in Exhibit "B", attached hereto, and by this reference incorporated herein as though fully set forth in full, and such additional property owners as may hereinafter be included.

ARTICLE II

Registered Office

The location and post office address of the registered office of the Association shall be: 370 N. East Camano Dr., Suite 5, PMB 219, Camano Island, WA 98282-7279.

ARTICLE III

Membership

3.0 There shall be one class of membership, designated as follows:

3.1 Membership: There shall be a class of members to be known as the "membership", which shall be restricted to owners of land in the geographical area set forth in Exhibit "A" of this agreement.

3.2 Successors of Entirety: Successors to the ownership of the entire parcel shall be accepted as a member after payment of a \$1,000 transfer fee and shall be issued a certificate of membership.

3.3 Partial Conveyances: If a member shall convey only a portion of his ownership and retain a portion sufficient in size as to require services provided by the Association, he/she shall remain a member with respect to the remaining portion of ownership.

3.4 Successors to a Portion: The successor in interest as to the portion of the tract severed by such member may be accepted as a member by the Board of Directors of the Association after payment of transfer fee. The successors in interest in a member's ownership, in either the tract or the remaining tract, may be accepted as a member after payment of transfer fee

3.5 Definitions: "Successors", as used herein, shall include any successor in title by gift or inheritance, grant, or conveyance, contract purchase, or lease under a term or leaseholder for not less than three (3) years.

3.6 Multiples: If there is more than one person in interest in the ownership of fee simple title, all such interested persons shall be considered as a single member. The right to cast the vote attributable to such membership shall be determined by those interested in the membership. Proof of the right to vote shall be evidenced by an affidavit signed by a majority of those interested in the ownership if there is a dispute with respect to the right to cast such vote. Any dispute with respect to the right of any member to vote shall be determined by the President of the Association, and his determination shall be final.

3.7 Termination: Membership shall terminate on a transfer, whether voluntarily or by action of law, or reversion of a member's fee simple title, contract of purchases or leaseholder interest of not less than a portion of a tract of sufficient size to justify the furnishing of water thereto. Termination is effective as of the date actual notice is given to the Association of the fact of transfer and/or reversion.

Termination shall be effective without further action or requirements on the member's part. Upon termination and cancellation of the membership, the water service may be discontinued, and the members so resigned, or terminated shall not be entitled to any remuneration or reimbursement for such termination, or resignation and his interest in the Association shall terminate. The member's right to use the recreational facilities in Tracts "A" and "B" of the Plat of Driftwood Heights shall also terminate.

3.7.1 Conveyance: A membership shall be deemed terminated upon transfer or conveyance of a member's reasonable title or equitable interest in the land which entitles him to membership in the first place to a successor or third party. Membership may also be terminated by the voluntary act of a member giving notice to the Association of withdrawal from membership. Conveyance or transfer of a member's interest in the land which entitles him to membership shall automatically operate to terminate that person or entities membership in the Association and entitle the successor in interest to membership based upon that ownership which application as determined by the area of land in which the tract of is situated.

3.7.2 Upon termination and cancellation of membership water service may be discontinued and the interest of such member in the Association shall be terminated.

3.8 Voting Rights: Only members holding memberships shall be entitled to vote on the election of Directors. In addition, those holding memberships in the Association shall be entitled to vote on all matters affecting the Association.

There shall be one vote for each platted lot owner by a member. For example, if an owner of a platted lot has a duplex built on a single lot, that member shall be entitled to cast one vote. If, however, a member has a duplex on two platted lots, that member would be entitled to cast two votes. PROVIDED, HOWEVER, that a member may be billed for water service according to the number of “living units” comprising each platted lot. A member shall not be entitled to more than one vote per platted lot even though a member may be billed for more than one service fee per platted lot.

3.9 Rights of Membership: Members shall be entitled to receive all the services supplied by the Association, if, but only if, such membership is current in the payment of all charges, dues or assessments of the Association.

3.10 Construction: Where the masculine gender is used throughout the Bylaws, it shall be construed as including both the masculine and feminine. Where appropriate, singular pronouns shall be construed as including plural.

ARTICLE IV

Certificates of Membership

4.1 Certificates: Membership shall be represented by certificates issued by the Board, which certificates shall be signed by the President or Vice President and the Secretary and shall be sealed with the seal of the Association.

Certificates shall be serially numbered in the order in which they are issued. Original certificates shall be issued to present owners of lots in the area of said Association upon their filing an application for membership as provided above. A certificate shall be surrendered to the Association upon membership ceasing as provided herein.

4.2 Relief from Charges: If a member transfers, contracts to sell or leases, for a period of not less than three (3) years, his entire ownership, or if his membership is terminated as provided in Article III, paragraph 3.7, members shall be relieved of the personal obligation of thereafter paying future service charges and assessments, only which future charges and assessments shall be the personal obligation to the member succeeding him ownership.

4.3 Loss or Destruction of Certificates: In case of loss or destruction of any certificate, another may be issued in its place upon proof of such loss or destruction, and upon the giving of such bond of indemnity to the Association as the Board may require. A new certificate may be issued without requiring any bond when, in the judgment of the Board of Directors, it is proper to do so.

ARTICLE V

Members' Meetings Annual Meetings

The annual meeting of members for the election of Directors to succeed those whose terms expire, and for the transaction of such other business as may properly come before the meeting, shall be held each year at the registered office of the Association, or at such place without the State of Washington, as may be fixed by the Board of Directors, on the date and at the time hereinafter specified, if not a legal holiday, and if a legal holiday, then on the next day at the same time of day. The day and time for said annual meeting shall be: the second Saturday of May of each calendar year at 10:00 a.m.

5.1 Special Meetings: Special meetings of the members for any purpose or purposes may be called at any time by the President, or majority of the Board of Directors, or members of not less than 10 percent (10%) of the membership of the Association. Location of such meeting shall be at the registered office of the Association, or such other place as may be designated, provided however, any special call originated by members must specify the purpose of the meeting.

5.2 Notice of Meetings: Written notice stating the place, day and hour of the meeting and the purpose or purposes for which the meeting is called, shall be mailed or delivered not less than five (5) days not more than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary, or the members calling the meeting, to each member of record; notice shall be deemed to be delivered when deposited in the United States mail addressed to the owner at his address as it appears on the certificate book of the Association, with postage thereon prepaid.

5.3 Adjourned Meetings: An adjournment or adjournments of any members' meetings may be taken to such time and place as those present may determine without new notices being given.

5.4 Quorum and Proxies: A quorum shall consist of a majority of the officers of the Association present at any meeting plus ten (10) additional members of the Association in attendance of any meeting of the members, except for voting upon any amendment to the Bylaws. For purposes of voting upon any amendment to the Bylaws, a quorum shall consist of a majority of the Board of Directors present plus an additional twenty-five (25) members of the Association present and for purposes of voting upon any amendment to the Bylaws, a two-thirds' majority vote, unless otherwise required by law, is required. The presence of a majority of the Board of Directors shall constitute a quorum at any meeting of the Board of Directors.

5.4.1 Voting by proxy will be allowed. Proxy statements, Exhibit C, shall be mailed to each member of record thirty days prior to any meeting of members. Those entitled to vote pursuant to 3.8 of these Bylaws may appoint another member in good standing to cast a vote(s) in their place. The issuing member must fill out either the General or Specific

Proxy as desired. The appointee must have this proxy verified by the Secretary at the Annual Meeting as prescribed by the Chair of the meeting.

5.5 Closing of Certificate Book and Fixing Record Date: For the purpose of determining members entitled to notice of any meeting of members, the Board of Directors of the Association may provide that the certificate book shall be closed as of the date of giving notice of such meeting. The certificate book shall be closed for the purposes of determining members entitled to vote at a meeting for at least two (2) days immediately preceding such meeting. In lieu of closing the certificate book for voting, the Board of Directors may fix, in advance, a date as the record date for any such determination of members, such a date, in any case, to be not more than ten (10) days and, in case of a meeting of members, not less than two (2) days prior to the date on which the particular action, requiring such determination of members entitled to vote at a meeting of members. When a determination of members entitled to vote at any meeting has been made as provided in this section, such determination shall apply to any adjournment thereof.

5.6 Voting List: The secretary shall maintain a complete list of members entitled to vote at a members' meeting or any adjournment thereof, arranged in alphabetical order, with the address and the number of certificates held by each, which list shall be kept on file at the registered office of the Association. Such list shall be produced and kept at the time and place of the meeting and shall be subject to the inspection of any member during the whole time of the meeting for the purposes thereof. The original certificate book shall be prima facie evidence as to who are the members entitled to examine such list or transfer books or to vote at any meeting of members.

5.7 Voting: No fractional voting will be allowed. Cumulative voting for Directors shall not be allowed.

ARTICLE VI

Board of Directors

6.1 Numbers and Qualifications: The business affairs and property of the Association shall be managed by a Board of five (5) to seven (7) Directors who shall serve without compensation and who shall also serve as the Officers of the Association.

6.2 Election – Term of Office: The Directors shall be elected by the members at each annual members' meeting and shall hold office for a period of three (3) years. All Directors elected shall be members of the Association; provided, however, only those members holding a membership may be elected as a Director. The Director's terms of office shall be staggered so that not more than two (2) Directors' terms of office terminate in the same year. Two of the Directors shall be elected for one (1) year; two (2) shall be elected for two (2) years; and two (2) shall be elected for three (3) years; and one shall be elected for four (4) years in the event seven (7) Directors are elected; PROVIDED, HOWEVER, that such term shall be only for the initial term.

6.3 Vacancies: Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining Directors, though less than a quorum of the Board of Directors. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any Directorship to be filled by reason of an increase in the number of Directors may be filled by the Board of Directors by members, subject to the conditions and limitations of 6.2 above.

6.4 Annual Meetings: The first meeting of each newly elected Board of Directors shall be known as the annual meeting thereof, and shall be held immediately after the annual members' meeting or any special members' meeting at which a Board of Directors is elected. Said meeting shall be held at the same place as such members' meeting unless some other place shall be selected by the Directors.

6.5 Special Meetings: Special meetings of the Board of Directors may be held at any place and any time whenever called by the President, Vice President, Secretary, or Treasurer, or any two (2) or more Directors.

6.6 Notice of Meetings: No notice of the annual meeting of the Board of Directors shall be required. Notice to Directors of the time and place of all meetings of the Board of Directors other than the annual meetings shall be given by the Secretary or by communication over the telephone, or otherwise, at least three (3) days prior to the date upon which the meeting is to be held; provided that no notice of any regular meeting need be given, if the time and place thereof shall have been fixed by resolution of the Board of Directors and a copy of such resolution has been mailed to every Director at least three (3) days before the first meeting held in pursuance thereof.

Notice of any meeting of the Board of Directors need not be given to any Director if it be waived by him in writing, whether before or after such meeting is held, or if he is present at such meeting; and any meeting of the Board shall be a legal meeting without any notice thereof having been given, if all the Directors are either present thereat or waive notice thereof.

6.7 Quorum: A majority of the number of the Directors, as fixed by the Articles of Bylaws, shall be necessary to constitute a quorum for the transaction of business, and the action of the majority of the Directors present at any meeting at which there is a quorum when duly assembled is valid as an act; provided that a minority of the Directors in the absence of the quorum may adjourn from time to time, but may not transact any business.

6.8 Removal of Directors: At any members' meeting, any Director may be removed, with or without cause, by a vote of a majority of the members attending such meeting; PROVIDED, that notice of such purpose is stated in the notice of such meeting.

ARTICLE VII

Officers

The officers of the Association shall be a President, Executive Vice President, one to three Vice Presidents, Secretary, and a Treasurer.

7.1 The President shall be and shall act as the chief executive officer of the Corporation, and shall preside at all meetings, and shall perform such duties as may be required of him in the day-to-day operation of the corporation.

7.2 The Executive Vice President shall, in the absence of the President, or in case of his inability to act from illness or conflict of interest, perform such duties as are devolved upon the President. The official execution of any instrument by the Executive Vice President in the absence of the President shall have the same force and effect as if it were the act of the President. He shall prepare and maintain current the Operations Plan, the Emergency Plan and shall prepare the required Water Facilities and Inventory Report.

7.3 The Vice President's duties will be:

7.3.1 Vice President (Operations) shall be responsible for the installation, operation and maintenance of all above ground and underground water conduits, valves, inter-ties, hydrants, repairs, new constructions, disconnections and such other duties as may be required of him.

7.3.2 Vice President (Buildings and Grounds) shall be responsible for the construction, maintenance and security of pump houses, storage tanks, fences, to include any clearing and/or upkeep of the well-site property and access thereto, and such other duties as may be required of him.

7.3.3 Vice President (Water Quality Control) shall be responsible for ensuring that all required water quality tests are conducted for preparation of all required water quality reports, for control, detection and correction of water pollution, for preparation of required reports and public notification of any pollution, for maintenance of the mandatory pollution-free-control-zone surrounding the well in accordance with the Declaration of Restrictions relating to the Association's well, and for such other duties as may be required by him.

7.4 The Secretary shall keep full, itemized and correct books of account of all business of the Corporation; shall have the custody of the books, papers and seal of the Corporation, which latter he shall affix to all instruments requiring the same by law, and attest the same by his signature: he shall attend all meetings of the members and Board of Directors, give notice thereof, and keep an accurate record of the proceedings of said bodies, and perform such other duties as the Board of Directors may prescribe.

7.5 The Treasurer shall collect, keep and disburse all monies of the Corporation, and he is authorized to receive and give receipts for all monies due and payable to the Corporation from any source whatever; and to endorse checks, drafts, notes and other evidence of indebtedness in its name on its behalf and full discharge for the same to give; and is authorized, together with the President or the Executive Vice President, to execute, in the name of the Corporation, checks, drafts, notes and other evidences of indebtedness in its name and on its behalf and full discharge for the same to give; and is authorized, together with the President or the Executive Vice President, to execute, in the name of this Corporation, checks, drafts, notes, bills of acceptance or other commercial paper. At each annual meeting of the members he shall submit a complete statement of his accounts for the past year with proper vouchers for their information and shall submit such a statement to the Board of Directors at any time when called upon to do so by resolution of said Board. He shall perform such other duties as are devolved upon him by law, or by Resolution of the Board of Directors, and shall be bonded by a corporate surety and in such amount as the Directors decide, by premium to be paid by the Corporation. He shall prepare and submit at the annual meeting a budget for the next year, and will monitor the current budget and report to the President/Executive Vice President at once when any portion of an approved budget is in danger of being, or is being, overspent.

7.6 All contracts, upon the part of the Corporation, affecting its property rights, except as provided in section 7.5 of this Article, shall be valid only when signed by the President, or Executive Vice President in his absence, and attested to by the Secretary.

7.7 Vacancies: Vacancies in any office arising from any cause may be filled by a majority vote of the Board of Directors at any regular or special meeting. An officer elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

7.8 Agents and Employees: The Board of Directors may appoint such agents and employees as it shall deem necessary or expedient, who shall hold their positions and exercise such powers and perform such duties as shall be determined, from time to time, by the Board.

7.9 Salaries: The salaries of all agents and employees of the Association shall be fixed by the Board of Directors.

7.10 Removal: Any officer, agent or employee may be removed by the Board of Directors whenever, in its judgment, the best interest of the Association will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an office, agent or employee shall not, of itself, create contract rights.

7.11 Combining Terms: The office of the Secretary and the Treasurer may be combined at the election or option of the Board of Directors.

ARTICLE VIII

Finances and Records

8.1 Fiscal Year: The fiscal year of the Association shall run from January 1st of each year to the last day of the following December.

8.2 Obligations: Actual obligations of the Association except such as are incurred in the routine performance of its affairs, shall be incurred only by the Board of Directors.

8.3 Records of Association Meetings and Certificates: The Association shall keep at its registered office: (a) complete records of all the proceedings of the Board of Directors and members; and (b) a certificate register giving the names of the members in alphabetical order, their addresses and the tracts owned by them.

8.4 Books of Account: The Association shall keep appropriate and complete books of Account.

8.5 Contracts: All contracts, on behalf of this Association, shall be valid only when signed by the President, or Executive Vice President, in his absence, and attested to by the Secretary.

ARTICLE IX

Memberships Restricted; Charges, Assessments and Collections

9.1 Availability of Memberships and Water Use: No water shall, except in short term emergency situations, be supplied to anyone except its members within the described Driftwood Heights area, and the Association shall never become a public utility or Public Service Corporation, but shall be and remain strictly a purveyor of water. Any connections to other water systems for emergency receipt or provision of water and use thereof shall be described fully in a written agreement with the other system. All such agreements shall require a two-thirds' majority vote of the water members. All water members shall be informed of any such proposed agreements at a special meeting called by the Board of Directors for this purpose not less than fifteen (15) days prior to the proposed signing of the agreement.

9.2 Individual Water Connection Charges: There shall be an individual water connection charge for each single family residential dwelling, whether the same be a frame construction, a mobile home, a trailer, an apartment, a condominium unit or other type dwelling unit, even though all units are connected to one main service hookup. The amount of the connection charge shall be determined by the Directors from time to time.

9.3 Water Use Restricted: All water furnished by the Association to memberships shall be used for household purposes only and shall be paid for annually at rates to be established by the Board of Directors.

9.4 Costs: The costs of operation, and the costs of maintenance, replacement, operation and extension of the water system, recreation area and access roads shall be paid for from charges made as provided in this Article IX, and if such charges shall be not sufficient, such costs shall be paid from annual assessments imposed by the Board of Directors, in the amount, at the time, and in the manner, provided for in Article IX. Other costs of the Association may be paid by the levying of other charges or assessments as provided herein. Such charges and assessments shall be levied against each membership property, and shall be the personal liability of the members owning and/or possessing such property.

9.5 Assessments: With approval of majority vote of the members present at the Annual meeting, the Board of Directors may increase the maximum assessment up to 10% per year.

Funds received for the annual water assessment shall be kept separate and used only for expenses related to upgrading, maintenance, and repair of the water system.

9.6 Special Assessments for Capital Improvements: Upon the vote of the members, on matters pertaining to that particular class of members, in the manner herein provided, the Association may levy, in addition to the above assessments, a special assessment in any calendar year applicable to that year only, for the purpose of defraying in whole or in part the cost of construction or reconstruction or expected repair or replacement of a described capital improvement. Such assessment when it deals with the construction, reconstruction, or repair, or additions to the water system shall be levied against memberships only; otherwise, if the assessment is for the recreation property or maintenance of the access thereto, such assessment may be levied against both types of memberships.

9.7 Voting and Notice of Special Assessment and Change of Maximum Assessment: Any special assessment or change in maximum assessment must have the assent of two-thirds of the votes of each Class of members at a meeting duly called for that purpose and said assessment must be subsequently approved by the Board of Directors. Written notice of such meeting called for such purpose shall be sent to all members at least thirty (30) days in advance of the date of such meeting, setting forth the purpose thereof.

9.8 Date of Commencement of Assessment: The initial assessments shall commence on the first day of such month as determined by the Board of Directors of the Association, and shall be made for the balance of the calendar year and shall be due and payable on the date fixed by the Board.

The amount of the initial assessment for the first year in which assessments are made or for any property which becomes subject to assessment for the first time shall be pro-

rated on a calendar year basis according to the date of the first assessment or the date on which property first became subject to assessment.

The due date of any special assessment shall be fixed in the Resolution authorizing such assessment.

9.9 The Effect of Non-Payment of Assessments; Lien of Association: If assessment is not paid on the due date set forth, such assessment shall become delinquent, and may bear interest at the current rate of interest, (interest to be the same as the Association's financial banking institution), and may be affixed per annum from such due date. The Secretary of the Association shall file in the office of the County Auditor in which the property is located, within ninety (90) days after such delinquency, a state of the amount of the delinquent assessments, together with interest, and upon payment in full thereof, shall execute and file a proper Release of such lien. Such assessment with interest set forth above shall constitute a lien on such building site or living unit or platted lot from the date of filing notice of delinquency until the lien is released as herein provided. The Association may bring an action at law to enforce payment of a delinquent assessment against the owner personally obligated to pay the same and may enforce such lien in the manner provided by law with respect to a lien on real property.

In the event a Judgment or Decree is obtained in favor of the Association, the owner shall be liable for the Association's court costs and disbursements and a reasonable attorney's fee to be fixed by the court, such costs, disbursements, and attorney's fees to be further secured by such lien. No owner may waive or otherwise escape liability for assessments for non-use of the common properties or abandonment of his building site or living unit.

9.10 Subordination of the Lien to Mortgages: The lien of the assessments provide for herein shall be subordinate to the lien of any mortgage or Deed of Trust. Sale or transfer of any building site or living unit shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall release such building site or living unit from liability from any assessments thereafter becoming due or from the lien thereof.

9.11 Exempt Property: The following property subject to this Declaration shall be exempt from the assessments, charges, and liens created herein:

- (1) All properties to the extent of any easement or other interest herein dedicated and accepted by a municipal corporation or other local public authority and devoted to public use.
- (2) All Association properties.

9.12 Each member shall at his own expense pay for the connection from the water service main and shall purchase and have installed at the water service main a meter approved by the Board of Directors, if such is required by the Board of Directors.

9.13 Property owners in division one and two of the plat of Driftwood Heights shall further comply with the covenants applicable to those divisions without expense to the Association unless approved by the Board of Directors.

9.14 Water Shut-Off: In the event a member becomes in arrears in the payment of any assessment or charge to the Association for water service, the member shall be notified of such delinquency or violation by the Secretary by certified mail, and if the member fails to cure or make good such notice, then such member, among all other rights and remedies of the Association, shall be subject to having the water service terminated according to 3.7 of this Agreement. Upon receipt of full payment of arrears of any assessment or charge to the Association for water service, water service will be restored promptly. All costs and fees associated with shutting off and turning on the water service shall be paid by the owner.

9.15 Reserve Fund: The Board of Directors shall have the power in their discretion to create a reserve fund for the benefit of the Association to be used for anticipated repairs, modernizations, modifications, extensions, or renewals of the system, and may, in their sole discretion, in the event a surplus is created, not necessary for such purposes, distribute the same to members on an equal pro-rata basis.

9.16 Special Restrictions: Overnight watering is prohibited as is the storage and/or distribution of water by one or more property owners to properties or persons not on the same service connection. Each property owner, at their expense, is responsible for the timely repair of any leak in the water piping from the service connection throughout that member's property and buildings.

9.17 Annual Fees: All water furnished by the Association shall be used for household purposes only and shall be paid for annually in advance at the rate established by the Board of Directors and approved by a majority vote of the members present at the Annual Meeting. The annual fee shall be charged for each single family dwelling, each unit in multiple dwelling units, including but not limited to, cottages, mobile homes, trailers, houses, apartments, or other dwelling units even though all units are connected to one main service hookup.

9.18 Late Charges: If the annual fee is not paid in full on time, a late charge of \$50.00 will apply.

ARTICLE X

Rules and Regulations

The Board of Directors may make and enforce such rules and regulations governing the use of Association property, the water system, and any other facilities or property of the Association, including the determination of the charges and assessments which they shall consider to be proper.

ARTICLE XI

Amendments to Bylaws

11.1 By the Members: These Bylaws may be amended, altered or repealed at any regular or special meeting of members if notice of the proposed alteration or amendment is contained in the notice of the meeting.

11.2 By the Board of Directors: These Bylaws may be adopted, altered, amended, or repealed by the affirmative vote of a majority of the whole Board of Directors at any regular or special meeting of the Board, if notice of the proposed alteration or amendment is contained in the notice of the meeting; PROVIDED, HOWEVER, that any amendment by the Board shall be submitted to the members for ratification at the next meeting of the members following amendment by the Board.

BOUNDARIES OF DRIFTWOOD HEIGHTS ASSOC.

- DIV 1
 - DIV 2
 - DIV 3
 - DIV 4
- SHORT PLATS ADDED ON PRIOR TO 4-15-82
 OUTER BOUNDARIES OF WATER SERVICE
 PROPERTY OWNERS HAVE ACCESS TO BEACH
 (TRACTS A, F, B)

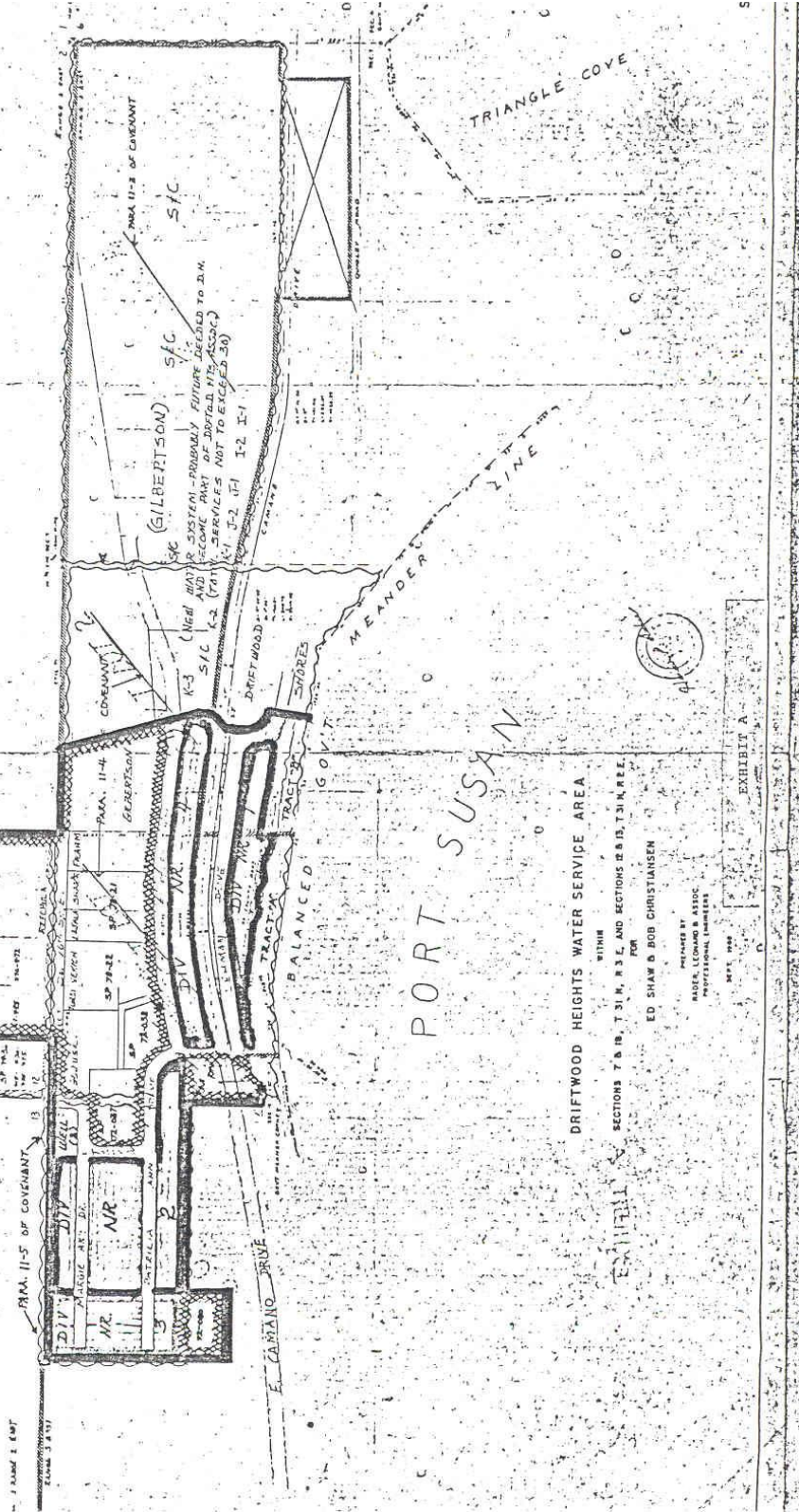


EXHIBIT "A"

EXHIBIT “B”

Tracts “A” and “B” of said plat are restricted to the common use for recreational purposes and a right-of-way to and from the beach by the owners of property in:

1. S ½ of the SE ¼ of Sec. 12, Twp. 31 N.R. 2 east, W.M.;
2. E ½; E ½ of the NW ¼; and the NE ¼ of the NW ¼ of the SW ¼ of Sec. 13, Twp. 31 N.R. 2 east, W.M.;
3. W ½ of the NW ¼ of Sec. 7, Twp. 31 N.R. 3 east, W.M., lying west of East Camano Drive
4. Government lots 1 and 2, Sec. 7, Twp. 31 N.R. 3 east, W.M.;
5. West 660 feet of Gov. Lot 4, Sec. 18, Twp. 31 N.R. 3 east, W.M.;
6. NE ¼ of the NW ¼ of Sec. 24, Twp. 31 N.R. 2 east, W.M.; and
7. That portion of Gov. lot 2, Sec. 18, Twp. 31 N.R. 3 east, W.M., described as follows: Beginning at a point 393 feet north of the SW corner of said Gov. lot 2; thence north 900 feet to a point 1293 feet north of said SW corner; thence east 584 feet, more or less, to the center line of Hillside Avenue, as shown on the Plat of First Addition to Cavalero Beach; thence north on said center line 12.5 feet; thence east 325 feet, more or less, to the west margin of the county road, as shown on said plat; thence south along said west margin to a point 405.5 feet north of the south line of Gov. lot 2, sec. 18, township 31 N.R. 3 east, W.M.; thence west to the centerline of Hillside Avenue, as shown on said plat; thence south on said centerline 12.5 feet; thence west 584 feet, more or less, to the point of beginning; EXCEPT that certain strip of land situated along the east boundary of the above-described premises conveyed to Island County for road purposes by deed recorded February 2, 1965, under auditor’s file No. 169288, records of Island County, Washington.

ALL SITUATE IN ISLAND COUNTY, WASHINGTON;

which restriction shall constitute a grant and covenant running with the land for the benefit of and the burden upon the respective dominant and servient tenements.

The amenities hereby created contemplate the right-of-way and road to the beach over and across the 60 feet of Tract “A”, and the use of both tracts for a boat ramp, parking area, outdoor cooking with shelters, picnic area, swimming pool, play area, tennis and badminton courts, horseshoe pits, all restricted to recreational use, including the above items together with boating, water skiing, swimming, smelt raking, clamming, fishing and crabbing, and other related recreational activities, including extension of a water system, all to be constructed at no cost to Magna B. Lehman, and managed and maintained by a non-profit corporation to be

organized by the undersigned Shaw and Christiansen and known as DRIFTWOOD HEIGHTS ASSOCIATION. No permanent inhabitable structure shall ever be placed upon or constructed on Tracts "A" and/or "B".

EXHIBIT "C"

General Proxy

I, _____ (full name), of *Driftwood Heights Association, Inc.*, of *Camano Island*, hereby appoint _____ (full name) to be my proxy, to vote in my place and on my behalf as though I were voting, at *Driftwood Heights Association Inc. Annual Meeting* on _____ (date) or at any adjournment thereof, hereby revoking all previous proxies.

Member Signature

Date

Specific Proxy

This is to certify that I, _____ (full name), a member in good standing in *Driftwood Heights Association Inc.*, of *Camano Island*, do hereby designate _____ (full name), to cast my vote at *Driftwood Heights Association, Inc. Annual Meeting* on _____ (date) for

(state specific voting desires). The _____ (name) is to act as my proxy in voting on stated issue(s) only.

Member Signature

Date