

BYLAWS OF AQUA CLUB

November 15, 2007

The following bylaws have been duly adopted as the Bylaws of Aqua Club, Inc., a nonprofit corporation of the State of Washington.

ARTICLE I General Objectives

The general objectives of this corporation shall be to own Lots 1 through 5, inclusive, Block 1, Lakemore Terrace No. 2, in King County, Washington, and to construct, maintain and operate thereon and on such additional property as may subsequently be acquired, a swimming pool approximately 42' x 75' in size, together with all necessary and appropriate equipment and facilities, including a combined bathhouse and clubhouse and also to construct and maintain other outdoor games and athletic contests, and a double tennis court with hardtop surface suitable for use as a basketball court also.

The property, facilities and buildings of the corporation shall be primarily for the use of members of the corporation and their guests; but the use thereof by responsible persons or groups may be permitted by the Trustees, with or without rental or other compensation as the Trustees shall from time to time determine.

ARTICLE II Membership

1. **Qualifications.** All persons who hold memberships in the corporation at the time of adoption of these bylaws shall continue as such, subject to all requirements of these bylaws of any rule or regulation adopted pursuant thereto. Any person of the age of twenty one (21) years or more shall be entitled to apply for membership as herein provided.

2. **Application for membership.** Every applicant for membership shall sign a written application in a form approved by the Trustees and shall pay the current membership fee as prescribed by the Trustees. If an application is denied, the deposit of the applicant shall be refunded immediately.

3. **Privileges of members and their Families.** All members in good standing and the spouse and each dependent child of every member in good standing, residing in such member's home shall be entitled to the use and enjoyment of the facilities and services of the club. A married child shall not be considered a dependent. Absence of a child from the home of a member while attending school or college or because of military service shall not deprive such child of privileges of the club if such child customarily makes his or her home with the member. The privilege of entertaining guests at the club may be regulated or denied by the Trustees, and such charges, regulations or denial shall apply equally to all members. The granting of such additional privileges shall at all times depend upon availability of the facilities to be used and use of the same by members, their families, and regular guests.

4. Memberships

A. Certificates. All certificates of membership in such form as may be adopted from time to time by the Trustees shall be signed by the president and secretary.

B. Membership and Transfer Fee. The membership fee shall be determined by the Trustees. Notification of such fee shall be provide to all members. Upon transfer of a membership as hereafter provided, a transfer fee in such amount as set by the Trustees of 33 1/3% of the then current membership fee shall be paid to the club.

C. Active Memberships.

a. A member who is current in all obligations to the club shall be an active member; only a currently active membership may be sold or transferred.

b. A membership may be sold at any time by first offering it to club; provided that upon sale of a member's home, the membership may be offered first to the purchaser; subject to the terms of the bylaws herein. The club shall have thirty (30) days from the date of receipt of the written tender to exercise its option to purchase such membership at 33 1/3% of the then current membership fee determined by the Trustees, less taxes thereon, if any. If the club fails to exercise its option or elects not to purchase such membership, it may be offered through the club for sale to those persons on the applications list maintained by the club in order of their priority. In the event their is no priority list and the club fails to exercise its option or elects not to purchase the membership, the member may then sell or transfer the membership to any eligible person. Any such transferee or purchaser shall acknowledge in writing acceptance of the rules, regulations and bylaws of the club. The sales price of the memberships to the club or to persons on the application lists shall be the then current membership fee.

D. Number. The total number of active memberships shall be limited to three hundred (300). The Trustees may establish or modify a lower maximum number of active memberships.

E. Death or Incapacity. Upon death or incapacity of a member, the membership shall automatically be optioned to the club under paragraph C.b. of this article, except that a surviving spouse may elect to become the member, whereupon a new certificate shall be issued without fee.

F. Associate Memberships.

a. Any presently active member who has maintained an active membership in the club for not less than ten (10) full hears and whose family is at the time of application for associate membership and thereafter composed only of the member and spouse shall be eligible for associate membership.

b. An eligible active member applying for associate membership shall retain the original Membership Certificate and the membership's value, subject to other

provisions of these by laws. Associate members who have sold their memberships pursuant to prior revisions of these bylaws shall continue to enjoy full privileges and obligations of associate membership, subject to other provisions of these bylaws.

c. There shall be two forms of associate membership: (1) swimming and tennis, and (2) tennis only. The Trustees shall establish a yearly dues schedule for each category of associate membership.

d. Associate memberships shall not be considered active memberships for purposes of computing the total number of active memberships. Associate members shall be eligible to vote at the annual membership meeting and any special meeting of the membership, and they shall be eligible for election to the Board of Trustees.

e. Associate memberships are not transferable; however, an associate member in good standing may sell the membership as provided in paragraph C.b. of this article; provided that whenever the sale of an associate membership shall cause the number of active memberships to exceed the active membership limit set by these bylaws or by resolution of the Board of Trustees, said membership shall only be sold to the club in accordance with these bylaws.

G. Inactive Memberships. An active or associate membership may petition the Trustees to become an inactive membership by giving written notice to the secretary. The Trustees may designate the membership as inactive, provided that such membership is current in all obligations to the club at the time such written notice is received. Inactive memberships may not use the club and shall pay no dues until reactivated, however, inactive memberships will be reactivated without notice on October 1st each year, with the following exceptions. An inactive membership cannot be reactivated if it would cause the number of active members to exceed the limit in paragraph 4, but will be reactivated before new memberships are sold, as soon thereafter as an opening becomes available. A priority list will be kept of such memberships which request reactivation in writing. An inactive membership may petition the Trustees to extend inactive status for an additional period of one year by giving written notice to the secretary by November 1st. Transfer of an inactive membership (except through purchase by the club) shall not change the status thereof.

5. Suspension, Expulsion and Forfeiture; Delinquent Memberships. A member may be suspended for a specified period of time or expelled from the club and the membership forfeited by vote of a majority of the Trustees for (a) failure to comply with the articles, bylaws or other rules and regulations of the club; or (b) being delinquent for a period of 90 days or more in any obligation to the club, including any payment on account of membership fees. In all cases, however, notice of intention to suspend, expel and forfeit shall be sent by certified mail with a return receipt to the address of such member as it then appears on the membership roll, and such member shall be allowed 30 days after the mailing of such notice within which to cure all delinquencies before such expulsion and forfeiture shall be effective.

6. Definitions. The term, member, as used in the articles and these bylaws shall be construed to mean the individual named in the certificate of membership and any spouse and dependents; the aggregate shall constitute a membership. Each membership shall have one vote in

the annual or special meetings of the membership, which vote may be cast by any adult member. The term, membership, as so used, shall be construed to mean the rights, privileges, duties and obligations of a member and his/her household.

ARTICLE III
Fees, Dues and Charges

1. **Dues.** The Trustees may levy and collect dues in an amount which shall be equal as to all active members and in an amount sufficient to cover the Trustees' estimate of the total operating and maintenance expenses for the year in which the dues are payable. In addition to operation and maintenance, a reasonable provision for cash reserves for depreciation or replacement of capital assets, for interest and retirement of debt secured by mortgage or other lien upon the corporation's assets and for contingencies may be included by the Trustees in their estimate of expenses. The Trustees may levy reduced dues for associate members in any equal amount as to each type of associate membership. Dues shall be considered delinquent 30 days after date and a penalty fee may be assessed at the discretion of the Trustees.

2. **Charges.** Charges for individual swimming instruction and other special services and for merchandise and refreshments made available by the corporation shall be fixed by the Trustees or by any committee or other authority appointed by the Trustees and given authority to do so. Rentals or any other charge for any permitted use of part or all of the property of the corporation which use is not a function of the club as a whole shall be determined by the Trustees or such committee or other authority.

ARTICLE IV
Authorization and Limitation of Debt

1. The Trustees are hereby authorized to enter into contracts and to cause the corporation to borrow money for the club's purposes; provided that the total amount of the corporation's obligations, other than monthly operating expense obligations, shall not exceed \$105,000.00.

2. The Trustees are authorized to mortgage the real and personal property of the corporation to secure any debt or obligation incurred in accordance herewith. Said debt limitation shall not be exceeded unless such action is hereafter authorized by the general or special meeting the notice of which shall expressly state that such authorization will be an item to be considered in such meeting.

3. That within the debt limitation of \$105,000.00, the Trustees shall be authorized to issue bonds in the form set forth herein below to each membership in the Aqua Club. The form of the bond shall be substantially as follows:

AQUA CLUB, INC., a Washington corporation, \$ _____ bond.

\$ _____ No. _____

KNOW ALL PEOPLE BY THESE PRESENTS that AQUA CLUB, INC., a Washington corporation, for value received, hereby promises to pay to _____ or assignee, on or before the first day of _____, _____, at the office of _____, Seattle, Washington, the sum of _____ (_____) Dollars. The club will start retiring the bonds in _____

and will retire them at the rate of _____ a year.

This bond is one of a series in like form issued to those members of AQUA CLUB, INC., at any time prior to maturity at face value.

IN WITNESS WHEREOF, AQUA CLUB, INC., has executed same this _____ day of _____, _____.

AQUA CLUB INC.

By _____
President

Attest:

Secretary

ARTICLE V Meetings of Members

1. Annual Meetings. An annual meeting of the members shall be held in November of each year for the purpose of selecting trustees and considering the general business and affairs of the corporation. The treasurer shall present an audit of the club's operation, itemizing receipts and disbursement; and an estimate of income and expenses for the coming fiscal year shall be presented and a budget adopted. The time and place of the meeting shall be determined by the Trustees and notice thereof shall be mailed by the secretary to the last address of each member furnished to the corporation, not less than (5) days prior to the date of the meeting. The purpose of the meeting need not be stated in the notice except that, if it is proposed to amend either the Articles of Incorporation or the Bylaws in any respect or to authorize any additional debt as provided in Article IV, notice of the proposed amendment or of such other action shall be given.

2. Special Meetings. A special meeting of the members may be called at any time by the president, by any two trustees or by the written request of 10 or more members and the purposes of the meeting shall be stated in the call. Written notice of the time and place of any special meeting shall be given by the secretary by mailing to the last address furnished by each member not less than five (5) days prior to the date of the meeting. The general purposes of the meeting shall be stated in the notice and if it is proposed to amend either the Articles of Incorporation or the Bylaws or to authorize any additional debt, such proposal shall be included in the notice.

3. General Provisions. Representation in person or by written proxy of ten percent (10%) of the memberships in any annual or special meeting shall be required to constitute a quorum. In the absence of a quorum, the majority of those represented in person or by proxy may continue the meeting to another time and the meeting may then be reconvened without the requirement of additional notice. Each membership shall be entitled to one vote and the vote of the majority in attendance, in person or by written proxy, shall be binding unless applicable law or the

Bylaws shall specify otherwise. A membership may be represented and may vote by proxy, but the proxy must be a person 21 years or more of age, and must be designated in writing. Voting for the election of trustees or on a proposal to authorize additional debt as provided in Article IV may be by mail or written ballot, but each membership shall have only one vote. If a membership has voted by mail and thereafter attends the meeting, in person or by proxy, at which the election is held, the membership's vote may be changed at the meeting.

ARTICLE VI Management of the Corporation

1. The Board of Trustees.

A. General Powers. All business and property of the corporation shall be managed and controlled and the policies of the corporation shall be determined by the majority vote of its Board of Trustees (the "Trustees") as constituted from time to time. There shall be nine (9) trustees, but the number thereof may be increased or decreased by amendment of the bylaws by majority vote of the membership. The trustees shall possess and exercise all proper powers of the trustees of a nonprofit corporation under the laws of the State of Washington and shall have authority to do all things necessary or convenient to further and carry out the purposes of this corporation.

B. Qualifications. No person shall be a trustee of this corporation whose membership is not currently active; provided that a membership may not be represented on the Board of Trustees by more than one adult at the same time.

C. Term of Office, Election and Vacancies. The terms of three (3) of nine (9) trustee positions shall expire each year on the date of the annual meeting of the membership. Trustees shall be elected for all terms then expiring. In the event of a vacancy occurring in the office of any trustee before expiration of his or her term, the vacancy may be filled by vote of the remaining Trustees and the person so appointed shall serve until the next general election, at which time an election will be held to fill the office of said trustee for the remaining portion if any, of the unexpired term.

D. Nominating Committee. Prior to any election of trustees, the president of the corporation shall appoint a nominating committee composed of one (1) trustee and at least two (2) members who are not trustees, which committee shall nominate at least one candidate for each trustee's term then expiring and for the filling of a trustee's office for the remaining term thereof where such a vacancy exists. Nominations shall be reported to the members in the notice of election so that those wishing to vote by mail or by proxy may do so. Additional nominations may be made from the floor at the meeting at which the election is held.

2. Meetings of Trustees. A regular meeting of the Board of Trustees shall be held at the same time and place as the annual meeting of the membership held in November of each year but immediately following the adjournment of the membership meeting. Thereafter, the Trustees may meet at such times as shall be determined by the Trustees, but at least four (4) meetings shall be held during each fiscal year.

3. General Provisions. Attendance of four (4) or more of the trustees shall be required to constitute a quorum. The president, or the vice-president if the president is absent, shall preside at all meetings of the trustees. In the event both president and vice-president are absent, a temporary presiding officer shall be appointed by those present. The secretary of the corporation shall be secretary of the Board of Trustees and shall attend their meetings; but, in the absence of the secretary, the assistant secretary, if there be one, or a secretary pro term appointed by the Trustees shall carry out the duties of the secretary. The Trustees may create such standing or temporary committees as they deem desirable and prescribe the duties and responsibilities thereof and the manner of appointment of committee member. Officers or trustees may be recalled by two-thirds (2/3) vote of the membership.

ARTICLE VII Officers

1. Designation. The officers of the corporation shall be the president, vice-president, secretary and treasurer. The same person may hold both offices of secretary and treasurer.

2. President. The president shall be a member of the Board of Trustees. The president shall have authority to sign contracts and other instruments on behalf of the corporation when so authorized by the Trustees. The president shall be ex-officio chair of the Board of Trustees and preside at its meetings and shall also preside at all meetings of the members.

3. Vice-President. The vice-president shall be a member of the Board of Trustees and shall have such powers and duties as shall be assigned by the Trustees. In case of the absence or inability of the president, the vice-president shall have and exercise all authority of the president.

4. Secretary. The secretary shall attend all meetings of the Trustees and of the members and shall prepare minutes of all such meetings. The secretary shall be responsible for keeping a record of the names, addresses and telephone numbers of all members and, when required, shall give notices of meetings and conduct such correspondence as may be required. The duties of the secretary may be performed by an assistant to be designated by the Trustees and to serve with or without compensation as the Trustees may determine and, in such case, the secretary shall be responsible for the satisfactory performance of the duties of the assistant.

5. Treasurer. The treasurer shall receive and deposit all membership fees, dues and other funds received by the corporation and deposit the same as directed by the Trustees. The treasurer shall be responsible for collection of all fees, dues and other moneys becoming due the corporation and render a written report thereof at each annual meeting of the members and at such other times as required by the Trustees. The accounting duties of the treasurer may be performed by an assistant to be designated by the Trustees, with or without compensation and in such case the treasurer shall be responsible for the satisfactory performance of the duties of the assistant.

6. Assistant Officers. The Trustees may create and may fill offices of assistant secretary or assistant treasurer and the assistant officer shall have the same powers and

responsibilities as the principals of their offices in case of the absence or inability to act of the principal officer.

7. Election of officers. The president, vice-president, secretary and treasurer shall be elected by majority vote of the trustees in their annual meeting of members, except that the president elect shall be elected at least two months prior to the annual meeting and assume office after the annual meeting. They shall hold office for the period of one year or until a successor is elected and qualified.

8. Filling Vacancies in Office. In case of a vacancy in the office of president, vice-president, secretary or treasurer, such vacancy shall be filled by majority vote of the trustees and the officers so appointed shall serve until the meeting of the Trustees immediately following the next annual meeting of the members.

ARTICLE VIII General Provisions

1. Employees and Compensation. No trustee or officer of the corporation shall receive any compensation for performance of the regular duties of his office except that the secretary and treasurer and/or their assistants may be compensated in such amount as the Trustees shall determine for their no-meeting duties. The Trustees shall determine what compensated positions there shall be and shall select persons employed to fill the same, determine their salary or wages and other terms of employment. A trustee, officer or any other member may be employed to fill any such position and receive the regular compensation therefor.

2. Control of Funds. All funds of the corporation shall be deposited as directed by the Trustees and shall be with drawn and expended upon the signature of such individual or individuals as the Trustees may, by resolution, designate from time to time. The treasurer and every person authorized to sign checks for the corporation shall give a fidelity bond to be paid for by the corporation and shall be in such amount as the Trustees determine.

3. Amendment of Bylaws. These bylaws may be amended or any of them repealed only by vote of the members at an annual or special meeting at which a quorum is present and only by vote of the members in attendance in person or by proxy. Notice of the substance of the proposed amendment shall be given in the notice of the meeting. Except in the case of any amendment requiring the vote of two-thirds of the members, the vote of the majority shall be sufficient to adopt any amendment.

4. Conduct of Meetings. All meetings of members, Trustees and committees shall be conducted in accordance with Robert's' Rules of Order.

ARTICLE IX Indemnification of Officers, Directors, Employees and Agents

1. As used in this Article.

A. "Trustee" means any person who is or was a trustee of the corporation.

B. "Corporation" means the Aqua Club, Inc."

C. "Expenses" includes attorneys' fees.

D. "Official capacity" means: **a.** when used with respect to a trustee, the office of trustee in the corporation, and **b.** when used with respect to a person other than a trustee as contemplated in subsection 9 of the Article, the elective or appointive office in the corporation.

E. "Party" includes a person who was, is or is threatened to be, made a named defendant or respondent in a proceeding.

F. "Proceeding" means any threatened, pending, or completed action, suit, or proceeding whether civil, criminal, administrative, or investigative.

2. The corporation shall indemnify any person made a party to any proceeding (other than a proceeding referred to in subsection 3 of this bylaw) by reason of the fact that he or she is or was a trustee against judgments, penalties, fines, settlements and reasonable expenses actually incurred by him or her in connection with such proceeding if:

A. He/she conducted himself/herself in good faith and: **a.** in the case of conduct in his/her own official capacity with the corporation, he/she reasonably believed his/her conduct to be in the corporation's best interest, or **b.** in all other cases, he/she reasonably believed his/her conduct to be at least not opposed to the corporation's best interest; and

B. In case of any criminal proceeding he/she had no reasonable cause to believe his/her conduct was unlawful. The termination of any proceeding by judgment, order settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself be determinative that the person did not meet the requisite standard of conduct set forth in this subsection.

3. The corporation shall indemnify any person made a party to any proceeding by or in the tight of the corporation by reason of the fact that he/she is or was a trustee against reasonable expenses actually incurred by him/her in connection with such proceeding if he/she conducted himself/herself in good faith, and:

A. In the case of conduct in his/her official capacity with the corporation, he/she reasonable believed his/her conduct to be in the best interests; or

B. In all other cases, he/she reasonably believed his/her conduct to be at least not opposed to its best interests; provided that no indemnification shall be made pursuant to this subsection in respect of any proceeding in which such person shall have be adjudged to be liable to the corporation.

4. A trustee shall not be indemnified under subsection 2 or 3 of this bylaw in respect of any proceeding charging improper personal benefit to him/her, whether or not involving action in

his/her official capacity, in which he/she shall have been adjudged to be liable of the basis that personal benefit was improperly received by him/her.

5. Unless otherwise limited by the Articles of Incorporation, a trustee who has been wholly successful, on the merits or otherwise, in the defense of any proceeding referred to in subsection 2 or 3 of this bylaw shall be indemnified against reasonable expenses incurred by him/her in connection with the proceeding.

6. No indemnification under subsection 2 or 3 of this by law shall be made by the corporation unless authorized in the specific case after a determination that indemnification of the trustee is permissible in the circumstances because he/she has met the standard of conduct set forth in the applicable subsection. Such determination shall be made:

A. By the Board of Trustees by a majority vote of a quorum consisting of trustees not at the time parties to such proceeding; or

B. If such a quorum cannot be obtained, then by a majority vote of a committee of the Board, duly designated to act in the matter by a majority vote of the full Board (in which designation trustees who are parties may participate), consisting solely of two or more trustee not at the time parties to such proceeding; or

C. In a written opinion by legal counsel other than an attorney or a firm having associated with it an attorney, who has been retained by or who has performed services within the past three years for the Board of Trustees or a committee thereof by vote as set forth in A or B of the subsection, or if the requisite quorum of the full Board cannot be obtained thereof and such committee cannot be established, by a majority vote of the full Board (in which selection trustees who are parties may participate); or

D. By the members.

Authorization of indemnification and determination as to reasonableness of expenses shall be made in the same manner as the determination that indemnification is permissible, except that if the determination that indemnification is permissible is made by such legal counsel, authorization of indemnification and determination as to reasonableness of expenses shall be made in a manner specified in C of this subsection for the selection of such counsel. Memberships held by trustees who are parties in the proceeding shall not be voted on the subject matter under this subsection.

7. Reasonable expenses incurred by a trustee who is a party to a proceeding may be paid or reimbursed by the corporation in advance of the final disposition of such proceeding:

A. After a determination, made in the manner specified by subsection 6 of this bylaw, that the information then known to those making the determination (without undertaking further investigation for purposes thereof) does not establish that indemnification would not be permissible under subsection 2 or 3 of this bylaw; and

B. Upon receipt by the corporation of:

1. A written affirmation by the trustee of his/her good faith believed that he/she has met the standard of conduct necessary for indemnification by the corporation as authorized in this bylaw; and

2. A written undertaking by or on behalf of the trustee to repay such amount if it shall ultimately be determined that he/she has not met such standard of conduct.

The undertaking required by B.1 of this subsection shall be an unlimited general obligation of the trustee but need not be secured and may be accepted without reference to financial ability to make the repayment. Payments under this subsection may be authorized in the manner specified in subsection 6 of this bylaw.

8. No provision for the corporation to indemnify a trustee who is made a party to a proceeding, whether contained in the Articles of Incorporation, these bylaws, a resolution of members or trustees an agreement, or otherwise, shall be valid unless consistent with this bylaw, or to the extent that indemnity hereunder is limited by the Articles of Incorporation, consistent therewith. Nothing contained in this bylaw shall limit the corporation's ability to reimburse expenses incurred by a trustee in connection with his/her appearance as a witness in a proceeding at a time when he/she has not been made a named defendant or respondent in the proceeding.

9. Unless otherwise limited by the Articles of Incorporation:

A. An officer of the corporation shall be indemnified as and to the extent provided in this bylaw for a trustee;

B. The corporation shall provide indemnification, including advances of expenses, to an officer, employee, or agent of the corporation to the same extent that it may indemnify trustees pursuant to this bylaw; and

C. The corporation, in addition, shall have the power to indemnify an officer who is not a trustee as well as employees and agents of the corporation who are not trustees, to such further extent, consistent with law, as may be provided by the Articles of Incorporation, these bylaws, general or specific action of the Board of Trustees or contract.

10. The corporation shall have power to purchase and maintain insurance on behalf any person who is or was a trustee, officer, employee or agent of the corporation.

11. Any indemnification of a trustee in accordance with this bylaw, including any payment or reimbursement of expenses, shall be reported to the members with the notice of the next members' meeting or prior thereof in a written report containing a brief description of the proceedings involving the trustee being indemnified and the nature and extent of such indemnification.

The foregoing bylaws were duly adopted by the members of AQUA CLUB at meeting duly held in King County, Washington the 11th day of November, 2007 and supersede all prior bylaws.

Jeff Berkman, President

Patricia Parsons, Secretary