

Bylaws of Shangri-La Shores Inc

DECEMBER 1, 1976 and as Amended

ARTICLE I

MEMBERSHIP

Section 1. Classes of Members. The Corporation shall have one class of members.

Membership shall consist of the subscribers to the Agreement of Association, pursuant to which the Corporation is formed, and of the fee owners (excluding contract vendors) and contract vendees of lots of real property located within the plats of "Shangri-La Shores, Division No. 1" and Shangri-La Shores, Division No. 2" situated in Island County, State of Washington, said plats being recorded in said county of said state on August 16, 1961 in Volume 7 of Plats, Page 12. Every person or entity who is an Owner of any lot within Shangri-La Shores Division 1 and 2, shall be a Member of the Corporation of Shangri-La Shores, Inc. Transfer of title of a lot shall automatically transfer Membership in Shangri-La Shores, Inc. and all rights of the Transferor with respect to the Common areas.

Water shares (rights) have been and may be in the future, granted to land parcels outside the Shangri-La Shores, Inc. Division 1 and Division 2 boundaries. These parcel owners are not Shangri-La Shores Inc. owners nor members nor do they have any rights to access any Shangri-La Shores, Inc. assets (beach, play field, boat-launch ram, dock, beach picnic area, etc.). They are however subject to Shangri-La Shores Inc. Dues and Assessments as covered in Article III Section 8c, Article VIII and Article XVI.

Section 2. Interest of Members. No member of the Corporation shall have any right, title or interest in or to the whole or any part of the property or assets of the Corporation, and no member shall be entitled to either the whole or any part thereof in the event of the termination of his membership in the Corporation.

Section 3. Voting Rights. Each of the subscribers to this Agreement of Association, pursuant to which the Corporation is formed, shall have at least one vote on each matter submitted to a vote of the members. Each member holding lots in the manner set forth in Article 1, Section 1 of these By-Laws, shall have one vote for each lot held by him on each matter submitted to a vote of the members. In the event a lot is held in said manner by more than one person, nevertheless, only one vote may be cast. Voting by proxy shall be permitted.

Section 4. Dues or Assessments and Sanctions for non-payment of dues and assessments. The Members shall be jointly, severally, and/or personally liable for the payment of dues and assessments fixed and levied by the Board of Trustees and the general membership. Any non-payment of dues and assessments shall be subject to sanctions applied by the Board of Trustees. The details of these dues and assessments and sanctions for non-payment are provided in Article VIII.

Section 5. Transfer of Membership. Membership in the Corporation shall be automatically transferred upon the transfer of title to any of the lots within the plats of Shangri-La Shores Divisions No. 1 and Division No.2. All dues and assessments payable and any delinquent dues and assessments also transfer with the title.

Section 6. Compliance with BY-LAWS, COVENANTS AND RESTRICTIONS AND LIMITATIONS and any other local and County Laws and Regulations.

Members/Owners (including their guests whether members are present or not) of property (lots) shall comply with the RULES AND REGULATIONS, RESTRICTIONS AND LIMITATIONS and By Laws of Shangri-La Shores Corporation and any other local and County laws and regulations. Failure to do so can result in warnings, sanctions, restrictions or penalties determined and administered by the Board of Trustees. Absentee owners, who allow the use of their property by others, whether rental or otherwise or use by guests, shall be responsible that those persons shall comply with the RULES and REGULATIONS , RESTRICTIONS AND LIMITATIONS of Shangri-La Shores Corporation and By Laws. Failure to do so can result in sanctions, restrictions or penalties determined and administered by the Board of Trustees. The Owner of each lot must identify to the Board of Trustees their intention of renting and also provide their contact information if problems occur, as well as specific time limit on how long the contact has to respond and rectify any problems identified. The Owner is required to inform the renters of their obligations to adhere to all Corporation By-Laws and Corporation Rules and Regulations and Restrictions and Limitations. A Summary of Expectations and Reminders for Shangri-La Shores Members, Guests and Short-term Renters or Long-Term Renters that provides some guidance for the community and use of community amenities shall be provided to guests, renters and others using the properties. A copy of this Summary of Expectations and Rules and any other regulations summary the Board of Trustees develops shall be made a part of any short term and long term rental agreements.

ARTICLE II

MEETING OF MEMBERS

Section 1. Annual Meeting. The annual meeting of the members of the Shangri-La Shores Corporation shall be held in a spring month. Such annual meeting shall be held within Island County, Washington, with the precise location and time to be specified in the notice of the annual meeting. The Board of Trustees, under certain circumstances, may find reasons to modify the timing and notice shall be given to all Members of any changes. Electronic Meetings may also be substituted where necessary as long as notice and adequate attendance can be assured.

Section 2. Special Meetings. Special meetings of the members may be called by the President, a majority of the Board of Trustees, or not less than ten percent (10%) of the members.

Section 3. Notice of Meetings. Not less than fourteen (14) nor more than sixty (60) days in advance of any meeting, the Secretary or other Officer of the Corporation shall cause notice of the meeting to be hand delivered or sent prepaid by first class U.S. mail to the mailing address of each owner or to any other mailing address designated in writing by the owner. Notification may also be made to valid electronic means (i.e. email address) where possible if Members have provided email address. The

notice of any meeting shall state the time and place of the meeting (and if Electronic means like video conference for meeting might be necessary) and the business to be placed on the agenda by the Board of Trustees for a vote by the owners, including the general nature of any proposed Amendment to the Articles of Incorporation, By-Laws, any budget or changes in the previously approved budget that result in a change in dues or assessment obligation, and any proposal to remove a Trustee, or any special topic to be brought up by the Board.

Section 4. Quorum. At any regular annual or special meetings of the members of the Corporation, the members present in person or by proxy shall constitute a quorum for any and all purpose.

Section 5. Proxies. Every Member entitled to vote shall have the right to do so either in person, or by an agent authorized by a written proxy executed by such Member and filed with the Secretary of the Corporation.

Section 6. Conduct of meetings and attendance. Except as provided in this subsection, all meetings of the Board of Trustees shall be open for observation by all owners of record or their authorized agents. The Board of Trustees shall keep minutes of all actions taken by the Board of Trustees, which shall be available to all owners. Upon the affirmative vote in open meeting to assemble in closed session, the Board of Trustees may convene in closed executive session to consider personnel matters; consult with legal counsel or consider communications with legal counsel; and discuss likely or pending litigation, matters involving possible violations of the governing documents of the association, and matters involving the possible liability of an owner to the association. The motion shall state specifically the purpose for the closed session. Reference to the motion and the stated purpose for the closed session shall be included in the minutes. The Board of Trustees shall restrict the consideration of matters during the closed portions of meetings only to those purposes specifically exempted and stated in the motion. No motion, or other action adopted, passed, or agreed to in closed session may become effective unless the Board of Trustees, following the closed session, reconvenes in open meeting and votes in the open meeting on such motion, or other action which is reasonably identified. The requirements of this subsection shall not require the disclosure of information in violation of law, or which is otherwise exempt from disclosure.

ARTICLE III

BOARD OF TRUSTEES

Section 1. General Powers. The affairs of the Corporation shall be managed by a Board of Trustees, which shall be composed of seven (7) members of the Corporation. An outgoing president shall remain on the Board of Trustees for up to one year and there will be eight Board members up to a year period.

Section 2. Tenure, Qualification and Methods of Election. The Board of Trustees shall be elected from those individuals who are current members of the Corporation. The first Board of Trustees shall serve until the annual meeting of members of the Corporation to be held in 1965 and until their successors are elected and qualified. Thereafter, the election of Trustees shall be held every year at the regular annual meeting of the members of the Corporation held during said year, and until their successors are elected and qualified. In the event of failure to hold an election of the Trustees as required herein by these By-Laws, election of the Trustees may be held at a special meeting of the members called for that purpose.

The recommendation of the Board of Trustees is for staggering of terms of office of Board members, and that the outgoing president serve a one (1) year term on the Board after succeeded by new President. Board members can identify their terms to help implement this recommendation.

Section 3. Vacancies. Except as otherwise provided by law, Vacancies in the Board of Trustees, whether caused by resignation, death or for any reason, the Board shall replace said member by asking the candidate who received the next highest number of votes at the previous annual election to serve the balance of the unexpired term of his predecessor and until his successor is elected and qualified. If more than one candidate tied for the next highest number of votes at the previous election, the Board shall select one by a majority vote.

In the event there are no former Board candidates available to the remaining term(s) that have been vacated, the Board shall fill this vacancy by requesting a volunteer from the members of the Corporation. A member of the Corporation thus selected to fill the open vacancy shall hold the office for the unexpired term of his predecessor, and until his successor is elected and qualified. If more than one volunteer offers to fill the vacant Board position, then the Board will decide based on majority vote of the Board.

Section 4. Regular Meetings. A regular annual meeting of the Board of Trustees shall be held without other notice than this By-Law, immediately after and at the same place as the annual meeting of members. The Board of Trustees may conduct the meeting with attendance of some or all of the Trustees able to appear via video conferencing or other electronic means.

Section 5. Special Meetings. Special meetings of the Board of Trustees may be called by or at the request of the President or by three (3) of the trustees. Notice of any special meeting of the Board of Trustees shall be given at least two (2) days prior to the meeting by written notice delivered personally or sent by mail or telegram or other electronic means such as email to each trustee at his address or email address as shown by the records of the Corporation as well as to the general membership. If mailed, such notice shall be deemed to be delivered, when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid. If notice be given by telegram or other electronic means such as email, such notice shall be deemed to be delivered when the telegram or email is delivered to the telegraph company or received by email recipient. Any trustee may waive notice of any meeting, either before or after the holding of the said meeting. The attendance of a trustee at any meeting shall constitute a waiver of notice of such meeting.

Section 6. Quorum. A majority of the Board of Trustees shall constitute a quorum for the transaction of business at any meeting of the Board. Every act or decision made or done by a majority of the Trustees present at the meeting duly held at which a quorum is present, shall be regarded as the act of the Board.

Section 7. Removal of Trustees. The entire Board of Trustees or any individual trustee, at a special meeting of the members called for that purpose, may be removed from office by a vote of a majority of the members entitled to vote at any election of trustees. If the Board or any one or more trustees are so removed, new trustees may be elected at the same meeting.

Section 8. Power and Authority of the Board of Trustees. The Board of Trustees shall have full power and Authority to:

- a) Appoint and remove at its discretion, all officers, agents and employees of the Corporation, and to prescribe their duties and fix their compensation.
- b) Make such expenditures as the Board deems expedient. With the exception of normal and recurring operating expenses as outlined in the Annual Operating Budgets of Shangri-La Shores, Inc., and the exception of funds needed to restore and/or replace existing common area elements and Water System components that have experienced normal wear and tear, deterioration and/or functional obsolescence, the Shangri-La Shores, Inc. Board of Trustees shall not incur any expense over five thousand dollars (\$5,000.00) without prior approval of the Shangri-La Shores, Inc. members.

Notwithstanding the foregoing, whenever possible the Board shall solicit input and/or comments via email using the distribution list the Board maintains from members (or other method of communication deemed appropriate) on all anticipated expenditures over five thousand (\$5,000.00) dollars including those expenditures specifically not requiring member approval.

For expenditures requiring approval, authorization shall be deemed a majority vote of the members present (in person or by proxy) at the Annual Meeting of Shangri-La Shores, Inc. or at a Special Meeting called for that purpose.

Recognizing that time constraints and other factors could arise that make the above authorization and communication requirements impractical or needing urgent action to protect interests of Shangri-La Shores, Inc., the Board has the right to act when situations arise that the majority of the Board members deem to be an emergency. Any such action shall be placed on the Agenda for explanation and update at the next general meeting.

- c) Collect dues and assessments to be paid by the members of the Corporation. Also collect the dues and assessments of those non-members with land parcels outside of Shangri-La Shores Inc. who have received water shares (rights) only.
- d) Manage and conduct the affairs and business of the Corporation and to maintain the Common Areas, including but not limited to the Corporation's water system and generally do and perform or cause to be done and performed any and every act which the Corporation may lawfully do and perform, subject to the limitations and power of the Board specifically set forth in these By Laws.
- e) To enforce the Corporation RULES AND REGULATIONS and RESTRICTIONS AND LIMITATIONS consistent with the Laws, Articles, Declarations and these By-Laws as the Board deems necessary.

Section 9. Limitation Upon the Power and Authority of the Board of Trustees. Notwithstanding the power and authority of the Board of Trustees as provided elsewhere in these By-Laws, the Board of Trustees shall not have authority to sell, convey, encumber, mortgage, hypothecate, transfer, assign, or otherwise dispose of any interest in the real property of the Corporation without the affirmative consent of two-thirds of all of the members of the Corporation. Notwithstanding the other provisions of these By-Laws, the affirmative consent to the member must be obtained in writing and must be two-thirds of the entire membership, not of a quorum at a regular or special

meeting. 'Real property of the corporation' excludes residential lots within the Shangri-La Shores Plat that the Corporation has acquired through means such as, but not limited to, satisfaction of liens or foreclosure for dues and assessments levied by the Corporation. Such Corporation owned residential lots shall not be sold, conveyed, encumbered, mortgaged, hypothecated, transferred, assigned or otherwise disposed of without the affirmative consent of a simple majority of the members of the Corporation present in person or by proxy at an annual or special meeting.

Section 10. Indemnification of Directors, Trustees, Officers. The Corporation may, to the maximum extent permitted by Washington Corporations Code, reimburse, indemnify and hold harmless each present and future director, trustee, or officer of the Corporation, and each person who, at the request of the Corporation, acts as a director, trustee or officer in which the Corporation has an interest from and against all loss, cost, liability and expense which may be imposed upon or reasonably incurred by them, including reasonable settlement payments, in connection with any claim, action, suit or proceeding or threat thereof, made or instituted, in which they may be involved or be made a party by reason of their being or having been a director, trustee, or officer of the Corporation or by reason or any action alleged to have been taken or omitted by them in such capacity.

Other provisions of these By-Laws that may be inconsistent with these notices and voting provisions shall remain in full force and effect for all purposes other than those that effect the real property of the Corporation.

ARTICLE IV

OFFICERS

Section 1. Officers. The officers of the Corporation shall be a President, Vice President, Secretary and Treasurer. The officers of the Corporation shall be elected annually by the Board of Trustees at its regular annual meeting. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. New offices may be created and filled at any meeting of the Board of Trustees. Each officer shall hold office until his successor shall have been duly elected and shall be qualified.

Section 2. Removal or Resignation. Any officer elected or appointed by the Board of Trustees may be removed with or without cause by the Board when, in its judgment, the best interests of the Corporation will be served thereby. A majority vote of the Board is required to remove any officer. Any officer may resign at any time by giving written notice to the Board, and President or the Secretary and be effective as noted or on receipt of written notice.

Section 3. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Trustees for the unexpired portion of the term.

Section 4. President. The President shall be the principal executive officer of the Corporation and shall in general supervise and control all of the business and affairs of the corporation. They shall preside at all meetings of the members of the Board of Trustees; and, in general, they shall perform all duties of the office of president and such other duties as may be prescribed by the Board of Trustees from time to time.

Section 5. Vice President. In the absence of the President or in the event of the President's inability or refusal to act, the Vice President shall perform the duties of the President, and when so acting, shall have all the powers and be subject to all the restrictions upon the President.

Section 6. Treasurer. The Treasurer shall keep, or cause to be kept, full and accurate accounts of the receipts and disbursements of the Corporation. They shall receive and deposit all monies and other valuables of the Corporation in the name and to the credit of the Corporation, in such depository as may be designated by the Board of Trustees. In the event the Board fails to designate a depository, the funds of the Corporation may be placed in a depository selected by the Treasurer. The Treasurer shall disburse, or cause to be disbursed, the funds of the Corporation as directed by the Board, taking proper vouchers for such disbursements. They shall render to the Corporation, whenever required, accounts of all their transactions as Treasurer and of the financial condition of the Corporation. They shall submit and cause to be transmitted to the Board of Trustees financial statements as required by it. They may cause an annual audit of the financial affairs of the Corporation to be made by an independent accountant, and such annual audit shall be presented to the members at the annual meeting.

Section 7. Secretary. The Secretary shall keep the minutes of the meetings of the members and of the Board of Trustees in one or more books or Electronic Storage provided for that purpose; see that all notices are duly given in accordance with the provisions of these By-Laws as required by law; and be custodian of the Corporate records; and, in general, perform all of the duties to the office of Secretary.

ARTICLE V

CERTIFICATES OF MEMBERSHIP

This section in its entirety is deleted. There is no prior use or need to include. A certified deed for each lot provides legal ownership and therefor, membership in the Corporation.

ARTICLE VI

BOOKS AND RECORDS

The Corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of the meetings of its members, Board of Trustees, and committees having

any authority of the Board of Trustees and shall keep at the registered principal office a record giving the names and addresses of the members entitled to vote. Any member, or his agent or attorney may inspect all books and records of the Corporation, for any proper purpose at any reasonable time.

The President, Vice President or Secretary is authorized to prepare, execute, certify and/or record any amendments to the Articles, By-Laws or other governing documents as approved by vote of the Corporation.

ARTICLE VII

FISCAL YEAR

The fiscal year of the Corporation shall be the calendar year.

ARTICLE VIII

DUES, ASSESSMENTS AND LIENS

Section 1. Purpose of Dues and Assessments. The dues and assessments levied by the Corporation, in accordance with its Articles of Incorporation and By-Laws, and in accordance with other applicable instruments, shall be used to promote health, safety, enjoyment, and common welfare of the lot owners and for the improvement and maintenance of the private utilities (including the Corporation Water System) and common areas within Shangri-La Shores Division No. 1 and Division No. 2. Funds, dues or assessments collected for a specific purpose may not be used for any other purpose without the prior vote and approval of at least sixty-five percent (65%) of the voting members of the Corporation in which prior written notice of such vote concerning use of funds has been provided to all members.

Section 2. Duration of Lien and Personal Obligation of Dues and Assessment. Each and every owner of any lot by acceptance of a deed therefore, or execution of a contract to purchase, or like document relating to a lot within Shangri-La Shores Division No. 1 and Division No. 2, whether or not it shall be so expressed in such document, is deemed to covenant and agree to pay to the Corporation annual dues and assessments including delinquent dues and assessments, together with interest, and any costs and reasonable attorney's fees which may be a charge upon such lot, as fully set forth in these By-Laws, the Articles of Incorporation, and the minutes of the Corporation. Each dues and assessment, together with interest at the rate of twelve percent (12%) per annum, and any costs and attorney's fees which are incurred while collecting said dues and assessments, shall be a continuing lien against the lot assessed and shall also be the personal obligation of the person(s) who is (are) the owner(s) of such property at the time of the dues and assessments and the Corporation may record public notices of such liens against the affected lot with the Auditor of Island County, Washington.

When the dues or assessments on any lot (including those parcels outside of Shangri-La Shores Inc. lots that have been granted water service) are sixty (60) days delinquent, ownership thereof shall not qualify a member to vote until said dues and assessments are paid. In the event such dues or assessments remain unpaid for a period of sixty (60) days to up to one (1) year, ownership of such lot shall not qualify the owner to the use of the common areas, dock, or other facilities or amenities provided by or owned by the Corporation. In the event such dues or assessments remain unpaid for a period in excess of one (1) year, the Board of Trustees of Shangri-La Shores, Inc. shall have the right to impose such other monetary penalties or other restrictions (including access to the Corporations water system i.e. water shutoff) upon such property owner (including those properties outside Shangri-La Shores Inc. who have been granted water rights), as shall be deemed proper by the Board of Trustees. In such event, then no subsequent purchaser of any lot or lots against which dues or assessments remain unpaid shall be entitled to vote in the association, and/or to the use of common areas, dock or other facilities and amenities including the Corporations Water system provided by or owned by the Corporation as a matter of right until compliance with such terms and conditions as may be fixed by the Board of Trustees, including the payment of such portion of the delinquencies against such lots as may be required by the Board of Trustees. It shall be within the power of the Board of Trustees and within their discretion to permanently exclude from voting rights or access and including water shutoff, any lot or major portion thereof or those land parcels outside Shangri-La Shores Inc. who have been granted water rights, where the owner thereof fails to pay his dues or assessments and penalties thereon, for a period in excess of (1) year. Liens against titles can be made for delinquencies. The Board of Trustees shall provide notice to members who are delinquent with regards to dues and assessments and shall be provided written notice of delinquencies and actions and schedules to remedy the restrictions. Additional action by the Board could include filing suit in any court with jurisdiction to recover the sums owed.

All dues and assessments, as well as any delinquent dues and assessments and all of the above applicable penalties and restrictions and including water shutoff, apply to those parcels outside of Shangri-La Shores Inc. who have been granted water rights.

Section 3. Lien Priority

Section 3.1. Any lien of the Corporation against a lot for a Corporation dues or assessment shall be subordinate to tax and governmental assessment liens and any prior mortgage or deed of trust (“Mortgage”) of record. Where the buyer or Mortgagee of a lot obtains title to the lot as a result of foreclosure of a first Mortgage, such buyer or Mortgagee, or its successors and assigns, shall not be liable for any of the Corporation assessments chargeable to such lot which became due prior to the acquisition of title to such lot by such buyer or Mortgagee. Such unpaid Corporation assessments shall be a common expense and paid from Corporate assets.

Section 3.2. In voluntary conveyance of a lot, the buyer or their agent shall be jointly and severally liable with the seller for all unpaid Corporation dues and assessments against the seller of the lot up to the date of the grant or conveyances, without prejudice to the buyer, therefore. However, upon request of a prospective buyer, the Corporation Secretary shall make, certify, and deliver a statement of unpaid Corporation dues and assessments against the prospective seller of the lot, and upon satisfactory payment of all dues and assessment and associated cost the buyer in that case shall not be liable for, nor shall the lot when conveyed by subject to, a lien filed thereafter for any unpaid Corporation dues and assessments against the seller in excess of the amount set for in the statement.

Section 3.3 Reserve account and study.

(1) The Board of Trustees should make efforts to establish a reserve account with a financial institution in the name of the Corporation to fund major maintenance, repair, and replacement of common elements, including limited common elements that will require major maintenance, repair, or replacement within thirty years, including the Water System, pier and docks, and playgrounds. The Board of Trustees is responsible for administering the reserve account.

(2) The decisions relating to the preparation and updating of a reserve study shall be made by the Board of Trustees in accordance with RCW 64.38.65. The initial reserve study should be based upon a visual site inspection and reasonable assumptions.

(3) Unless doing so would impose an unreasonable hardship, the association should update the reserve study annually. At least every three years, an updated reserve study should be prepared and based upon a visual site inspection.

(4) The decisions relating to the preparation and updating of a reserve study must be made by the Board of Trustees in the exercise of the reasonable discretion of the Board. The decisions must include whether a reserve study will be prepared or updated, and whether the assistance of a reserve study professional will be utilized.

ARTICLE IX

SEAL

This Article is deleted in its entirety since a seal has not been used or needed.

ARTICLE X

AMENDMENT OF BY-LAWS

These By-Laws may be amended, altered, or repealed by a majority vote of the members present at any regular or special meeting of the members, if notice of the proposed alteration or amendment is contained in the notice of the meeting.

ARTICLE XI

NET EARNINGS AND DISSOLUTION

In the event of the dissolution or winding up of the affairs of the Corporation, whether voluntary, the assets of the Corporation then remaining in its hands shall be distributed, or the assets shall be sold and the proceeds distributed to the then members of the Corporation pro rata to their voting rights.

ARTICLE XII

RULES OF ORDER

The rules contained in the most recent edition of Robert's Rules of Order, Revised, shall govern all meetings of members and trustees where those rules are not inconsistent with the Agreement of Association, By-Laws, or special rules of the Corporation or specifically identified articles or sections of those Rules.

ARTICLE XIII

PETS

Section 1. Animal Restrictions. No poultry (such as chickens, geese, ducks, swan, ostrich, or other bird) or animals of any kind shall be raised, bred or kept on any lot or the Common Areas, except usual and ordinary dogs, cats, fish, birds and other household pets (excluding, without limitation, equine, bovine, sheep, swine, goats and other such animals) may be kept on lots, provided that they are not kept, bred or maintained for commercial purposes or in unreasonable quantities, nor in violation of the Corporation RULES AND REGULATIONS and RESTRICTIONS AND LIMITATIONS adopted by the Corporation. As used in this document, "unreasonable quantities" shall ordinarily mean more than four (4) pets per household, provided, however, that the Corporation may determine that a reasonable number in any instance may be more or less. The Corporation, acting through the Board of Trustees, shall have the right to prohibit maintenance of any animal which constitutes, in the opinion of the Board, a nuisance to any other Owner. Any Owner (or their renters and guests) found to be in violation of these Animal Restrictions will be notified by the Board and given 30 days to remove the restricted animal or animals or be subject to penalty as determined by the Board of Trustees.

Section 2. Control Off Premises. It is unlawful for the owner, keeper or persons having custody of any dog to cause, permit, or allow such dog to roam, run stray or be away from the premises of such person, unless such dog, while away from such premises, is controlled by a leash or similar device not more than eight (8) feet in length.

Section 3. Prohibited Nuisances. If three or more members of the association complain of any animal noises that interfere with the use and enjoyment of their property on account of the animal being kept by another member then the Board shall inform the owner of the offending animal noises and the owner shall have 30 days to correct the animal behavior leading to the nuisance. If the owner fails to correct, then the Board may take other actions to enforce this By Law.

Section 4. Liability of Owners. Any Owner shall be absolutely liable to each and all remaining Owners, their families, guests, tenants and invitees, for any unreasonable noise or damage to person or property

caused by any animals brought or kept upon the Properties by an Owner or by members of their family, their tenants or their guests as according to State of Washington law.

ARTICLE XIV

EXCLUSIVE RIGHTS OF SHANGRI-LA SHORES, INC.

To assert exclusive membership property rights, the private roads on Shangri-La Shores, Incorporated property shall be closed with a gate accessible only to Shangri-La Shores Incorporated members and families or their appropriate authorized guests and tenants.

ARTICLE XV

FINANCIAL RECORDS

Section 1. Financial Records. The officers of the Corporation shall keep financial and other records sufficiently detailed to enable the Corporation to fully declare to each lot owner the true statement of the Corporations financial status. All financial and other records of the Corporation, including but not limited to, checks, bank records and invoices, in whatever form they are kept, are the property of the Corporation.

Section 2. Access to Records. All records of the Corporation, including the names and addresses of owners and other occupants of the lots, shall be available for examination by all owners, holders of mortgages on the lots, and their respective authorized agents on reasonable advanced notice during Normal working hours at the office of the Corporation. The Corporation shall not release the unlisted telephone number of any owner. The Corporation may impose and collect a reasonable charge for copies and any reasonable costs incurred by the Corporation in providing access to records.

Section 3. Financial Statement. At least annually the Corporation shall prepare, or cause to be prepared, a financial statement of the Corporation. At such time as the annual assessments of the Corporation exceed \$50,000.00, the financial statement of the Corporation shall be audited at least annually. Audits shall be conducted annually by an Independent Certified Public Account (CPA) or in-house committee of no less than 2 persons provided however that the audit may be waived by a majority vote of the members present or by proxy at the Annual Members Meeting at which a quorum is present.

ARTICLE XVI

WATER SYSTEM

Section 1. Water System. The Board of Trustees shall manage the Corporation's water system ("Water System") in the best interest of the members of the Corporation and the Authorized Customers of the Water System in accordance with all applicable laws and regulations and with the policies and procedures adopted and updated by the Board from time to time for the maintenance and ongoing operations of the Water System ("Water Service Policies"). The authority of the Board of Trustees to manage the Water System shall include, but not be limited to adopting and updating the Water Service Policies and the establishing of a schedule of regular fees and charges for water services as well as special surcharges for major water system repairs, upgrades and capital improvements payable by the members of the Corporation and all other authorized customers of the Water System ("Water System Customers"). Any special surcharge for major repairs, upgrades or capital improvements to the Water System shall be established by resolution of the Board of Trustees of Shangri-La Shores, Inc. only after a presentation of a capital improvement plan, budget and surcharge schedule to the members of Shangri-La Shores, Inc. at an annual or special meeting of the members for the members' review and comment. Shangri La Shores Inc. may provide water to two classes of users. Class 1 is the members/owners of lots in Shangri La Shores Inc. Class 1 has every right under the Declarations, Articles, and By Laws. Class 2 is providing water to those not living within Shangri La Shores Inc. Division 1 or Division 2. This class is merely a customer of the Water System being provided by Shangri La Shores Inc. and would have the right to receive water pursuant to the Declaration, Articles, and By Laws but no other rights of a member.

Section 2. Water Service. A water service in the Water System is a right to receive water service from the Water System together with related obligations ("Water Service") that is assigned to a particular lot or parcel of real property located in the service area of the Water System approved by the State and County Health Departments. A Water Service shall be automatically transferred upon the transfer of ownership of the particular property to which the Water Service is assigned in accordance with the Water Service Policies.

Section 3. Surrendering Water Service. The holder of any Water Service shall surrender a particular Water Service to the Corporation if the holder combines two or more lots or parcels of real property with Water Service into fewer legally established lots or parcels (the intent is to have only one Water Service assigned to any one lot or parcel of real property). In addition, a subdivision of any Shangri-La Shores Inc. lot or external land parcel that has been granted water rights, will not allow that owner any increased water shares/rights. Such surrender of a Water Service shall provide no relief from the obligation of the holder to pay any charges, fees, costs, penalties or other amounts payable to the Corporation by the holder pursuant to the Water Service Policies ("Water Charges") with respect to the lot or parcel that surrenders a Water Service. No compensation will be granted to holder of the surrendered Water Service or payable by the Corporation or the Water System for any surrendered Water Service with the understanding that commencing on January 1 following the date of surrender, there will be no further responsibility by the owner of the lot or parcel that was assigned the surrendered Water Service to pay any future Water Charges associated with such surrendered Water

Service other than the payment of any special surcharges for major repairs, upgrades or capital improvements previously scheduled for payment by the holder of the surrendered Water Service on or after the January 1 that follows the date of surrender.

ARTICLE XVII

INSURANCE

The Board of Trustees of Shangri-La Shores, Inc. shall assure that the Corporation and its Board members are adequately insured. This shall include Commercial Coverage for Property, Assets and Liability, Water System Issues, and Directors and Officers Liability Coverage. The Board of Trustees shall determine the coverage limits and appropriate policies.

ARTICLE XVIII

USE RESTRICTIONS (A complete listing in SLS Restrictions and Regulations)

1. Single family residences with garage used for residential purposes only
2. No Business or Commercial Activity except Lot 1 Block 3 Div 1 (Boathouse) and Lot 7 Block 5 (on which a garage is situated used for inside storage of equipment) per SLS RESTRICTIONS AND REGULATIONS
3. Nuisances identified by the general membership and Board of Trustees
4. Parking and vehicle restrictions identified by the Board of Trustees as nuisances or offensive
5. House Trailers and Mobile Homes are not allowed as permanent homes
6. Unsightly items and noxious or offensive use of land as identified by the Board of Trustees
7. Temporary buildings as defined by the Board of Trustees as being not allowed
8. Fences and Walls restrictions not to exceed six (6) feet in height as identified by the Board of Trustees

CHANGES

1. Article XIV – Added to By-Laws. Filed Jan 13, 2:23 PM '87, File #87000511
2. Article II – Section 4 revised. Filed March 5 9:07 AM '91, File #91003086
3. Article I – Replaced Section 4. Filed Oct 5, 3:34 PM, '00, File #20 017599
4. Article I – Modified Section 5. Filing same as #3
5. Article I – Added Section 6. Filing same as #3
6. Article II – Revised Sections 1, 2 & 3. Filing same as #3
7. Article VI – Added provisions. Filing same as #3
8. Article VIII – Replaced Article VIII. Filing same as #3

9. Article XIII – Changed Sections 1 & 2. Filing same as #3
10. Article XV – Added Article XV. Filing same as #3
11. Article III – Amended Section 3. Filed Jan 6, 2003, 1:50 PM, File #4043105
12. Article XV – Amended Section 3. Filed Jun 2, 2003, 1.43 PM, File #4061138
13. Article III – Amended Section 9. Filed March 28, 2008, 4:02 PM, File #4224998
14. Article III – Amended Section 9. Filed June 30, 2008, 10:01 AM, File #4231901
15. Article XVI – Added to By-laws. Filed November 1, 2010, 10:58 AM, File #4283876
16. Article I – Amended Section 4. Article III – Amended Section 8. Article VIII – Amended Section 1. Article XVI – Completely revised. Filed July 11, 2011, File #4297711
17. Article III – Amended Section 8, Paragraph b). Filed August 17, 2016, 12:52 PM, File #4405312

18. General update and revisions and Article additions/deletions and section additions/deletions: (Revised 04/08/2021, approved by membership at the annual meeting June 16, 2021, and Filed with Island County on 07/15/21 File #4524412).

1. Article I – Amended Sections 1, 2, 3, 4, 5, 6
2. Article II – Amended Sections 1, 3, 5 added, 6 added
3. Article III – Amended Sections 1, 2, 3, 4, 5, 6, 8, 9, 10 added
4. Article IV – Amended Sections 1, 2, 4, 5, 6, 7
5. Article V – Deleted
6. Article VI – minor edits
7. Article VII – minor edit
8. Article VIII – Amended Sections 1, 2, 3.1, 3.2, 3.3 added
9. Article IX – Deleted
10. Article XI – minor edits
11. Article XII – Phrase added
12. Article XIII – Amended Sections 1 added, 2, 3, 4 added
13. Article XIV - Amended
14. Article XVI – Amended Section 1, 3
15. Article XVII – Added
16. Article XVIII - Added