

BYLAWS OF MELROSE TERRACE, INC.

ARTICLE I

SHAREHOLDER

Section 1. Shares shall be issued to each holder of a 99-year lease from the Cooperative in proportion to the assigned capital cost of the respective apartment as provided in section 2 of such lease. When shares are issued or reissued to more than one person, they are entitled to notify the Cooperative which shareholder is to be the shareholder of the Cooperative entitled to vote. Until such notification is made, the person whose name appears first on the share certificate will be the shareholder of the Cooperative entitled to vote.

Each shareholder shall have one and only one vote, irrespective of the number of shares that he or she shall own or hold. Voting by proxy shall not be permitted. A shareholder may vote by mail as provided in RCW 23.86.115(2),¹ but only in elections to amend the Bylaws or Articles of incorporation. In the event that a shareholder is absent from a meeting of shareholders, a spouse or other adult person in the absent shareholder's immediate family who lives in the apartment with him or her may be designated to vote on his or her behalf at a given meeting.

No interest or dividends shall be paid on the shares. No shares shall be issued, transferred to, pledged or held by any person except one who is approved in writing by the Board of Directors of the Cooperative, and who executes a 99-year lease with the Cooperative on an assignment of the transferor's lease, all in accordance with procedure approved by the Board of Directors, except that shares may be pledged in accordance with a recognition agreement executed by the Cooperative with a Lender.

When a shareholder's legal status changes and requests joint tenancy ownership with another, the stock certificate in the shareholder's name may be reissued in both names as joint tenants with right of survivorship. Until such reissue, only the person whose name appears on the stock certificate shall be allowed to attend membership meetings and vote.

¹R.C.W. 23.86.115(2): "A member may vote in person or, unless the articles of incorporation or the bylaws otherwise provide, may vote by mail...executed in writing by the member or by a duly authorized attorney-in-fact.... Votes by mail ...shall be made by mail ballot...prepared and distributed by the association in accordance with procedures set forth in the articles of incorporation or bylaws. Persons voting by mail shall be deemed present for all purposes or quorum, count of votes, and percentage voting of total voting power."

Section 2. MEETINGS; NOTICE; QUORUM. A regular meeting of the shareholders shall be held once each quarter in the months of July, October, January and April of each year, commencing in June 1961. Special meetings may be called at any time by the President; by any two members of the Board, or by written request of ten (10) of the shareholders. All meetings shall be held in Seattle, at a time and place fixed from time to time by motion of the Board. The Secretary shall give Ten (10) days' written notice of any regular or special meeting. A quorum shall consist of one-third of the resident shareholders and when a quorum is present a majority of those present shall be necessary and sufficient for the adoption of any motion or resolution.

Roberts Rules of Order, as revised, shall be the parliamentary authority for membership meetings of the Cooperative.

Section 3. EXPULSION. Any shareholder may be expelled by a two-thirds vote of the Board of Directors, after a fair notice and bearing. Any shareholder so expelled shall have the right of appeal, with a fair notice and hearing, at the next succeeding regular meeting of the shareholders or at any special meeting called for that purpose, provided, that he or she gives the secretary written notice of appeal within thirty (30) days after notice of expulsion is delivered or mailed to him or her.

His or her expulsion shall be confirmed or reinstatement effected by the majority vote of the shareholders. Grounds for expulsion shall be: violation of the terms of the 99-year lease above mentioned, or of these Bylaws, or any reasonable rule of the Board of Directors. The Cooperative shall repay to any expelled shareholder the contributed capital paid to the Corporation in connection with his or her apartment and stock shares, less reasonable costs and any amount owed to the Cooperative. This payment is to be made solely from moneys paid to it for the certificate by the new shareholder who leases the expelled shareholder's apartment, and not from the regular monthly payment provided for in the Proprietary Lease.

ARTICLE II

DIRECTORS

Section 1. BOARD OF DIRECTORS. All powers of the Cooperative, when the shareholders are not in session shall be exercised by a Board of Directors, composed of five persons. They shall be elected at the meeting of the shareholders to be held in ²October of each year, to serve for two years each or until their successors are elected, except that at the June 1962 meeting the five members receiving the highest number of votes be elected for a two-year term, the remaining two for a one-year term. Only shareholders who are residents of the building are eligible to hold the office of Director. If a Director becomes ineligible by reason of becoming a nonresident of the building during his or her term of office, that position shall become vacant automatically and the position shall be filled as provided in Article II, section 3 hereof.

²Changed to October following the June 1995 election.

Section 2. MEETINGS, QUORUM. Regular meetings of the Board shall be held at least once each quarter, and these meetings shall be open to all shareholders, and the time and place of such meeting shall be posted ten days in advance by the secretary. A majority of the Board shall constitute a quorum and a majority of the whole Board shall be necessary and sufficient to transact any business.

Section 3. VACANCIES; REMOVAL OF DIRECTORS OR OFFICERS. Any vacancy on the Board shall be filled temporarily by majority vote of the remaining Board members. The vacancy then shall be filled at the next regular meeting of the shareholders or at a special meeting called for that purpose. The Director so elected shall hold office for the unexpired term of the retiring Director. The shareholders may remove any director, and the Directors may remove any officer at any regular meeting or at any special meeting called for the purpose, and fill the vacancy. Three absences from Board meetings in any one quarter shall create a vacancy automatically unless excused by motion of the Board.

ARTICLE III

OFFICERS

Section 1. OFFICERS; TERMS AND GENERAL DUTIES. The officers of this Cooperative shall be: President, Vice President, Secretary and Treasurer. Each shall be elected at the Board meeting next following the annual meeting of the shareholders and shall serve for one year, or until his or her successor takes office. The same person may hold the office of Secretary and Treasurer. Each officer shall be a member of the Board. Each of the officers shall have the duties customarily discharged by such officers in cooperative associations, including the duties herein referred to, and such other duties as may be designated from time to time by the Board.

Section 2. PRESIDENT, VICE PRESIDENT. The President shall preside at all meetings of the shareholders and of the Board. He or she shall sign all papers, which he or she is directed to sign by the Board, and make regular reports to the Board and to the shareholders. In case of the absence or disability of the President, the Vice President shall perform all the duties of the President.

Section 3. SECRETARY-TREASURER. The Secretary shall keep the minutes of all meetings, and shall have charge of the corporate books, records and seal; he or she shall sign with the President such papers as the Board may direct. The Treasurer shall supervise the custody and disbursements of the moneys of the Cooperative. All incoming moneys received on behalf of the corporation shall be deposited in a bank designated by the Board and withdrawals thereafter shall be by the order of the Board and checks signed by any two of such members of the Board, acting jointly with an officer, as the Board may from time to time designate.

ARTICLE IV

PROCEDURE FOR TRANSFERRING A SHAREHOLDER'S SHARE AND LEASE

Section 1. NOTICE TO COOPERATIVE IN EVENT OF TRANSFER. Any shareholder desiring to assign or transfer his or her shares and lease shall notify the Board in writing of such intention and the name of the proposed purchaser, and the Board shall have up to fifteen (15) days to investigate the proposed purchaser for approval or disapproval under appropriate provisions of the proprietary lease. The Cooperative shall not withhold approval or assignment of such shares or lease to any individual of good character and financial responsibility except for good cause as determined by the Board of Directors.

Section 2. DEATHS. If, upon the death of a shareholder, said lease and the shareholder's shares in the Cooperative pass to a member of his or her immediate family, the latter may, by assuming in writing the terms of said lease within sixty (60) days after the shareholder's death, and assuming the conditions of the contract, acquire all rights of the shareholder thereunder; provided that he or she is approved for membership in the Cooperative. If the beneficiary waives his or her right to assume the lease, or fails to assume it, or if the lease and shares pass to someone not in the shareholder's immediate family, any administrator, executor, heir of other person entitled thereto shall take same subject to the procedures set forth in section I of this Article.

Section 3. NOT TO OWN TWO APARTMENTS. When a shareholder purchases shares pertaining to a second apartment in the building, said shareholder shall, within three (3) months from the date of acquiring shares pertaining to the second apartment, show genuine evidence to the Board of Directors of intent to sell his or her shares pertaining to the first apartment; it being intended hereby that shares pertaining to more than one apartment shall not be owned by a shareholder beyond a reasonable time.

Section 4. INFORMATION OF SALES – TRANSFERS BE GIVEN SHAREHOLDERS. In the event a shareholder's shares pertaining to an apartment are offered for sale or transfer through a bank, real estate or other third party (nonmember) agency, the Board of Directors shall notify the resident membership by posting pertinent information thereof in a conspicuous place in the building.

ARTICLE V

PLAN OF OPERATION

Section 1. SCOPE OF BUSINESS OF THE COOPERATIVE. The business of the Cooperative shall be confined to the construction, maintenance and operation of an apartment house at 308 East Republican Street in Seattle, and related facilities.

Section 2. NONPROFIT OPERATION; FINANCIAL REPORTS; BONDING OF OFFICERS; ANNUAL AUDITS. The business of the Cooperative shall be transacted on a nonprofit basis in such a way as to make available to its shareholders apartments desired by them, and related facilities, at cost, pursuant to a 99-year lease to be executed by each. A detailed quarterly financial report shall be prepared and given to the membership. All officers shall be bonded in such amounts as are required by the Board of Directors. An annual audit of Melrose Terrace funds is to be provided by an independent organization selected by the Board.

Section 3. RULES OF THE BOARD. Each shareholder shall conform with all reasonable rules of the Board of Directors with respect to the maintenance and operation of the apartment house. The Board shall make suitable provision by which each shareholder may have equal opportunity, insofar as practical, to use the sunporch, swimming pool and such other facilities as may be owned by the Cooperative without discrimination of any kind.

ARTICLE VI

Section 1. FISCAL YEAR. The fiscal year of the Corporation shall be the twelve months ending December 31 in each calendar year.

ARTICLE VII

VOTING³

Each shareholder shall have one and only one vote, irrespective of the number of shares that he or she owns or holds, except that any Lender with whom the Cooperative has executed a recognition agreement shall be entitled to one vote for each repossessed but unsold unit owned by the Lender. A shareholder may vote by mailed ballot or proxy only on proposals to amend the Articles of Incorporation, the Bylaws and/or the Proprietary Lease and for election of members of the Board of Directors. A shareholder may not vote by mailed ballot or proxy on any other matter. Notwithstanding the foregoing, in the event that a shareholder is absent from a meeting of shareholders, the spouse or other adult person in the absent shareholder's immediate family lives in the apartment with the shareholder may be designated in writing by the shareholder to vote for him, or her at a given meeting.

ARTICLE VIII

Section 1. AMENDMENT. These Bylaws may be amended by majority vote of the shareholders at any regular meeting or at any special meeting of the shareholders called for that purpose; provided, that the notice of any such meeting shall include a statement as to the nature of the proposed amendment.

Secretary

³ Changed per vote at meeting of October, 2001.

