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BYLAWS OF AVALON COOPERATIVE ASSOCIATION

These Bylaws include revisions and amendments to the previous Bylaws issue dated January, 2005.

ARTICLE 1. NAME, LOCATION, PURPOSE.

1. Name and Location. The name of this association is Avalon Cooperative Association, Inc., and the office and principal place of business is at 22 John Street, Seattle, Washington, 98109.

2. Purpose. The purpose of the Association is to provide its members with Apartment housing on the cooperative plan, to carry out the objectives set forth in the Articles of Incorporation of the Cooperative, and pursuant thereto to acquire and operate the Apartment property known as the Avalon Coop, 22 John Street, Seattle, Washington, 98109, and to engage in such other related activities within the intent and scope of the powers of the Association as set out in the Articles of Incorporation as shall be determined by the Members of the Association.

ARTICLE 2. FISCAL YEAR.

The fiscal year of the Association shall begin on the first day of January and shall end on the thirty-first day of December in each calendar year.

ARTICLE 3. DEFINITIONS.

Unless a contrary meaning is clearly indicated from the context, the following definitions shall govern any interpretation of these Bylaws:

1. "Apartment" means one of the designated separate residential accommodations at the Avalon Coop, as more fully defined in Schedule A to these Bylaws by Apartment number, location, area (square footage), percentage of total occupied space, and location of assigned storage locker, a copy of which is annexed hereto and incorporated herein by this reference. Schedule A may be amended from time to time by the Board of Directors without a Bylaw amendment being required to effect any additions to Apartments or to Non-Residential Spaces resulting from additional space being added to such units and to correct the percentages of total occupied space allocated to each Apartment or Non-Residential Space provided that no such changes shall have retroactive effect.

2. "Block of Shares" means the number of shares to which each Apartment or Non-Residential Space as defined herein is appurtenant. When used in reference to a particular Shareholder, it means the number of shares owned by that Shareholder to which a particular Apartment or Non-Residential Space is allocated and for which the Shareholder holds a Proprietary Lease.

3. "Board" means the Board of Directors of the Corporation.

4. "Corporation" means the Avalon Cooperative Association, Inc.

5. "Departing Shareholder" means a Shareholder who is proposing to dispose of his or her shares in the Corporation.

6. "Director" means a member of the Board of Directors of the Corporation. "Officer" is interchangeable with "Director", as the Directors are also the Officers of the Avalon Cooperative Association, Inc.

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7. "Disposition of Shares" means any sale, transfer, pledge or encumbrance made or suffered of shares in the Corporation.

8. "Lender" means a person or entity which has loaned or proposes to loan money to a Shareholder, including an entering Shareholder, to finance or refinance the purchase by that Shareholder of a Block of Shares in the Corporation and, as part of such transaction, has acquired or proposes to acquire an assignment, pledge, mortgage, deed of trust, or other security interest or rights to such Shareholder's Block of Shares in the Corporation.

9. "Non-Residential Space" means a space which may not be legally occupied as residential accommodations, and that has an appurtenant Block of Shares and a Proprietary Lease as set out in Article 5, Section 3 of these Bylaws. Schedule A annexed hereto and incorporated herein by this reference, further identifies such Non-residential Spaces.

10. "Plurality" means the greatest number of votes received when the opportunity is offered to vote for more than two alternatives, and may be less than a Simple Majority.

11. "Shareholder" means the individual to whom and in whose name a Block of Shares and a Proprietary Lease or Assignment of Lease for an Apartment or Non-Residential Space have been issued. Except as the context so requires, in these Bylaws the term "Shareholder" and "Member" shall be deemed synonymous. Any person approved by the Directors, or by any other procedure provided for by these Bylaws, may become a Member of the Association by agreeing to comply with the provisions of these Bylaws, acquiring a Block of Shares to which an Apartment or other Non-Residential Space is appurtenant and executing the required lease or assignment of lease. The term "Shareholder" and "Member" includes a person who is purchasing shares under a contract in good standing and who occupies the Apartment or owns the Non-Residential Space appurtenant to such shares pursuant to such purchase contract.

12. "Quorum" means the presence at a meeting, either personally or by proxy, of a specified percentage of the Shareholders. Unless otherwise specified in the Articles of Incorporation, these Bylaws, or required by law, a Quorum is one-third of the Shareholders, excluding those Shareholders possessing leases for Non-residential Spaces identified and not one-third of the total number of shares issued and outstanding. For purposes of determining whether a Quorum exists no Shareholder shall be counted more than once even though he or she may own shares and be allocated Proprietary Leases on more than one Apartment or other Non-residential Spaces. A Quorum is required to transact any business, except to adjourn a meeting, or as otherwise provided by law.

13. "Simple Majority" means more than half of the votes cast. Except as otherwise specified in the Articles of Incorporation or these Bylaws, all votes of the Shareholders and the Board require a Simple Majority to be approved.

14. "Subleasing" means the renting of an Apartment by a Shareholder to a non-Shareholder, which may only be done to the extent and as specifically permitted by these Bylaws. "Sublease" refers to a ratified agreement for Subleasing.

15. "Participation" means any of the following:

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- Attending meetings, either in person or by proxy
- Volunteering for Avalon Coop maintenance or other projects
- Assisting the Board of Directors in the day-to-day management of the Coop
- Serving on the Board of Directors

16. "Common Area" means areas within the building that are equally available to all Members of the Avalon Cooperative. The Common Areas include hallways, stairwells, some hallway closets, the laundry room, two basement bathrooms, the storage room, K-room, the defined roof deck area.

ARTICLE 4. RIGHTS AND DUTIES OF MEMBERS.

Each Member shall have the following rights and duties, consistent with and as limited by the Articles of Incorporation, these Bylaws, the Proprietary Lease, and rules and regulations issued by the Board or established by law:

1. Proprietary Lease. Each Member shall have the right to a Proprietary Lease for the premises appurtenant to the Block of Shares owned by the Member.
2. Management of the Corporation. Each Member shall have the right and responsibility to assist in the management of the Corporation and of the Avalon Coop on a cooperative basis. Members shall make themselves reasonably available to assist in managing the affairs of the Corporation and the Apartments.
3. Sale or Encumbrance of Property. Notwithstanding any other provision of these Bylaws, the real property owned by the Corporation may not be sold, transferred or encumbered without the consenting vote of two-thirds of the Members owning shares to which a Proprietary Lease of an Apartment is appurtenant.

ARTICLE 5. SHARE CERTIFICATES.

1. Form of Certificate. The Corporation shall issue share certificates in a form and containing language established by the Board, each of which shall contain an endorsement substantially as follows:

"The shares represented by this certificate may not be sold, transferred, pledged, or encumbered without the express written approval of the Corporation obtained in advance."

Each share certificate shall be numbered consecutively and held in the permanent records of the Corporation and deposit receipts issued for them in such form as the Board shall determine, provided however, if the holder of a security interest in the share certificate is an institutional lender such as a bank or mortgage company which requires that a share certificate be held by it such certificate may be delivered to such institution. Upon delivery of a share certificate to an institutional lender the Corporation shall retain a copy thereof together with a notation of the name, address and phone number of the institution holding the certificate and the name of the borrower who has pledged the certificate as security and such other information as the Board shall determine. Deposit receipts shall identify the share certificate by number, the Apartment or Non-Residential Space appurtenant to such share certificate, the number of shares, and the registered owner or purchaser and the holder of a security interest, if any, in such shares. Under no

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circumstance shall a share certificate being pledged as security for a loan be issued in the name of a lender at the time a loan is made.

2. Registered Owner. Except as otherwise specified in these Bylaws or as required by law, the Corporation shall for all purposes treat the person in whose name the share certificate is issued as the absolute owner of the shares represented by that certificate with all the rights and duties of a Shareholder in the Corporation. Except as otherwise stated in these Bylaws or required by law, the Corporation shall not recognize any claim of any other person or entity to any interest in shares in the Corporation except the person in whose name the share certificate is issued.

3. Blocks of Shares. The number of shares associated with and to which each Apartment and Non-Residential Space is appurtenant are as follows:

Apartment	Shares		Apartment	Shares		Apartment	Shares
1	51		22	30		33	45
2	30		23	45		34	42
3	55		24	44		35	45
4	42		25	45		36	42
5	40		26	42		37	45
6	45		27	45		38	45
7	37		28	45		39	74
8	45		29	30			
9	30		30	45			
10	45		31	55		D*	13
21	45		32	30		J	28

Apartment 1 consists of the combination of Units 1, H, & L.

Apartment 39 consists of the combination of Units 39, 40 & 41.

*Space D (13 shares) may or may not be a legal dwelling unit under the City of Seattle housing code, because it does not contain a separate bathroom. Until such time as a toilet and shower are constructed inside the unit no sale to any person who intends to occupy it as a residence can be approved by the Cooperative unless a disclaimer and release in form approved by the Board of Directors is executed by the Purchaser. Notwithstanding this provision, unit D and the Block of Shares to which the lease on D is appurtenant is regarded as an Apartment for all other purposes of these Bylaws.

Non-Residential Space	Shares
A	10
B	10
C	10
E	9
F	9
G	10

4. Blocks of Shares to Remain Intact. No part of a Block of Shares shall be sold, transferred, pledged or encumbered or otherwise disposed of or a disposition or encumbrance suffered separate from all of the remainder of

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such blocks which must be disposed of or encumbered as part of the same transaction; provided, however, that when Apartments are combined into one or an Apartment is combined with one or more Non-Residential Spaces, Schedule A shall be amended by the Board to reflect the new designation, with the new designation of Apartment number being the lowest number of the Apartments combined, or as the case may be the lowest letter of the Non-Residential Spaces combined, with the square footage and percentage of occupancy on Schedule A being adjusted accordingly, and a single share certificate shall be reissued for the combined Blocks of Shares.

ARTICLE 6. DISPOSITION OF SHARES.

1. General Rule. A proposed disposition or encumbering of shares will only be considered for approval by the Corporation if such proposal is part of a transfer of all of a Departing Shareholder's right, title and interest in his or her Block of Shares, and the right to the Proprietary Lease on the premises which are appurtenant to such shares, or is part of the financing or refinancing by a Shareholder, including a prospective new Shareholder, of the acquisition of a Block of Shares.

2. Application for Disposition of Shares. The Board shall prepare and issue appropriate forms upon which application may be made for the Disposition of Shares. One form shall apply to a Disposition of Shares which involves a sale to a prospective new Shareholder and will include questions to determine whether the transaction complies with these Bylaws and whether the prospective Shareholder will be an appropriate Shareholder for the Corporation and resident if the premises are an Apartment. The other form will be issued in the event of the finance or refinance of the purchase of a Block of Shares and will document that the transaction and the Lender will comply with the operative terms of these Bylaws and the Proprietary Lease in the event of default by the borrower and realization by the Lender on the collateral. In each case the appropriate form must be executed by the Departing Shareholder and prospective Shareholder and Lender, as the case may require.

3. Approval of Finance of Share Purchase or Refinance. If the Disposition of Shares involves the finance or refinance of the purchase of a Block of Shares, the application will be approved or denied by the Board within 15 days after the receipt by the Corporation of the application. The application will be approved if it is duly executed and it appears that the finance or refinance arrangement is consistent with these Bylaws and the Proprietary Lease. The approval by the Corporation, if granted, signifies only that the Corporation has approved the finance or refinance arrangement and will comply with these Bylaws, including specifically those provisions contained in these Bylaws pertaining to the rights of Lenders.

4. Disposition of Shares Involving a Sale or Transfer. If a Disposition of Shares involves a sale or transfer to a prospective new Shareholder, the Board shall conduct a meeting within 15 days after receipt by the Corporation of the application. The prospective Shareholder must attend this meeting to answer questions of the Board germane to such person's fitness to be a Shareholder and resident in the Avalon Coop. The Board shall approve the Disposition of Shares to the prospective Shareholder unless it determines that specific factors or characteristics exist which would make such prospective Shareholder unsuitable as a member of the Corporation or resident of the Apartment if an Apartment is involved. Under no circumstances will the Corporation engage in any illegal discrimination. The decision of the

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Board approving a transfer of shares to a prospective Shareholder is final and conclusive. The decision of the Board disapproving the Disposition of Shares to a prospective Shareholder is final and conclusive unless a written appeal is made to the Shareholders by the Departing Shareholder or prospective Shareholder within seven days after the written disapproval is issued by the Board. In the event of an appeal, a special meeting of the Shareholders holding Proprietary Leases of Apartments shall be called within fifteen days from the date the appeal is received by the Corporation. In the event of an appeal, such Shareholders shall have the same authority and responsibilities as did the Board to approve or disapprove the application. The decision of such Shareholders on an appeal is final and conclusive.

5. Deceased Shareholder. The approval and disapproval provisions in this Article do not apply to any transfer of shares either by will or by law of descent and distribution upon the death of a Shareholder. In the event, of the death of a Shareholder, the Corporation shall issue a new share certificate to and in the name of the person entitled thereto upon surrender of the prior share certificate for that Block of Shares and upon satisfactory proof that the person claiming the right to a new share certificate is entitled thereto. All provisions of these Bylaws apply to a Shareholder who acquires his or her Block of Shares under the provisions of this section; provided, however; that if that Shareholder does not live in the Apartment which is associated with his or her Block of Shares, then he or she may sublet the Apartment for a maximum period of one year during which time that Shareholder shall either sell or otherwise dispose of the Block of Shares to which such Apartment is appurtenant or take up permanent residence in the Apartment and terminate any tenancy to any other person. If the successor in interest of a deceased Shareholder applies to Sublease the Apartment to another, the Shareholder must agree in writing to complete the sale or disposition of the relevant Block of Shares to an entering Shareholder within one year from the date when he or she became entitled to such shares, or agree to take up personal residency in the Apartment no later than the expiration of such one year period.

6. One Block of Shares per Shareholder. From and after the adoption of these Bylaws, the Corporation will not, except as provided in this section, consider or approve the sale, transfer or other disposition of a Block of Shares to a Shareholder who already owns or is purchasing another Block of Shares. If a Shareholder wishes to acquire another Block of Shares to which another Apartment is appurtenant the transaction shall not be completed and the Board shall not approve such acquisition unless prior thereto or contemporaneously there with the purchaser's original Block of Shares has been disposed of and a new Shareholder approved by the Board in his or her place. The provisions of this section shall not apply to a Shareholder who applies for Board approval of the acquisition of a Block of Shares to which an Apartment is appurtenant which is adjacent to the Apartment already occupied by the purchaser, provided that the Apartments are physically combined to make one Apartment; nor shall the provisions of this section apply to prevent a Shareholder having a Proprietary Lease on an Apartment from acquiring any Block of Shares to which a Non-Residential Space is appurtenant.

7. Fee. The Board may establish, and from time to time change, a reasonable fee to be paid at the time application is made to approve a Disposition of Shares.

8. Share Certificate and Proprietary Lease. Upon the approval of a Disposition of Shares to an entering Shareholder, the Corporation will cause a new share certificate and Proprietary Lease or assignment of lease to be executed by and to the entering Shareholder contemporaneously with the completion of the sale.
9. Fulfillment of Obligations to Corporation. As a condition to issuance and delivery of a new share certificate and Proprietary Lease to an entering Shareholder, or approval of a Disposition of Shares which involves the finance or refinance of the purchase of a Block of Shares, all unpaid fees, including but not limited to unpaid assessments for maintenance and operating fees, must be paid in full to the Corporation. Unless otherwise specified in writing by the Corporation the issuance and delivery of a share certificate and Proprietary Lease by the Corporation is conclusive evidence that there are no outstanding sums owed to the Corporation with respect to that Block of Shares on the date of issuance.
10. Redelivery to Corporation of Prior Certificate and Cancellation of Previous Lease. Before a new share certificate is issued for a block, of shares the certificate it replaces and the original deposit receipt for such certificate must be endorsed to the entering Shareholder by the Departing Shareholder and delivered to the Corporation if not already in the possession of the Corporation together with an acknowledgement that the Proprietary Lease of the Apartment or Non-Residential Space appurtenant to the Block of Shares represented by such certificate has been assigned to the new Shareholder or is canceled and a new lease executed.
11. Lost or Missing Share Certificates and Deposit Receipts. Upon the written application of a Shareholder and upon satisfactory proof of the facts alleged in such application, the Board may issue a replacement for any lost or missing share certificate or deposit receipt. The Board shall require the Shareholder to execute an agreement to indemnify, defend and hold the Corporation harmless for any expense or loss the Corporation might suffer by reason of the issuance of a replacement certificate.
12. Effect of Transfer of Share Certificate. Upon the issuance and delivery of a new share certificate all right, title and interest associated with or pertaining to that Block of Shares, the Apartment or Non-Residential Space appurtenant to such Block of Shares, and the Proprietary Lease of such Apartment or Non-Residential Space shall pass to the entering Shareholder, and all right, title and interest of the Departing Shareholder with respect to such Block of Shares, Apartment or Non-residential Space and Proprietary Lease shall cease, except to the extent a security interest is retained as collateral for payment of any deferred portion of the purchase price and disclosed to the Corporation.
13. Obligations Transfer with Share Certificate. Upon the issuance to and delivery of a share certificate to an entering Shareholder by entering it in the share registry of the Corporation, all responsibility associated with or pertaining to that Block of Shares shall pass to the entering Shareholder.
14. Option of Corporation to Acquire. Notwithstanding any provisions of the foregoing sections of this Article 6, the Corporation shall have the option of purchasing the shares of any Member who has made an application for sale or transfer of such shares to a prospective new Shareholder, for a period of ten days following the receipt, by the Corporation of the application, on the same terms and conditions as proposed in such application; provided that if

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said option shall not be exercised by the Corporation, no amendment to the terms and conditions proposed shall be made unless the Corporation is granted an additional ten day option to meet such changed terms and conditions.

ARTICLE 7, PROPRIETARY LEASE, OCCUPANCY, SUBLEASING.

1. General. Each Shareholder is entitled to and shall execute a Proprietary Lease to the Apartment or Non-Residential Space appurtenant to the Block of Shares represented by his or her share certificate, in the form annexed hereto as Schedule B and made a part of these Bylaws by this reference, or an assignment of such lease. Except as otherwise specifically provided for by these Bylaws, such a Proprietary Lease or assignment of lease will be issued to, and in the name of that Shareholder, and to no other person.

2. Occupancy. Except as otherwise specifically provided for in these Bylaws or the Proprietary Lease no person other than the Shareholder owning a Block of Shares to which an Apartment is appurtenant may reside in such Apartment, but this provision shall not be deemed to forbid immediate family members from living there, or friends from residing in such Apartment so long as the Shareholder named in the lease also physically resides there.

3. Subordination of Rights under Lease. The rights of the Lessee under the Proprietary Lease are subordinate to mortgages, deeds of trust and other security interests granted by the Corporation on the real property of which the leased premises forms a part, whether any such mortgage, deed of trust or other security interest was created before or after the execution and delivery of such Proprietary Lease.

4. Existing Subleases. (Paragraph deleted: Date-related and expired).

5. Future Subleases. Any Shareholder of a Block of Shares to which an Apartment is appurtenant who is in actual physical occupation of the Apartment on the date of the adoption of these revised Bylaws and who has not sublet it to another on such date and any entering Shareholder approved by the Corporation after such date may sublet an Apartment only as provided in these Bylaws.

6. Limitation on Subleases. The Corporation reaffirms the principle that the Apartments of the Cooperative shall be occupied by Shareholders, and that it is not in the best interest of the Corporation or its members to permit Subleasing of Apartments to renters except to the limited extent set out herein.

(a) Except, as provided herein, no further Subleasing of Apartments by Shareholders shall be permitted if such Subleasing would result in more than 20 percent of the Apartments being sublet.

(b) No Subleasing is permitted without permission of the Board being first obtained and only then in accordance with the standards and limitations set out herein.

(c) No Subleasing shall be approved except on a month-to-month basis terminable by the Corporation on one month's notice, if the Board determines that such Subleasing is in violation of any provision of these Bylaws including the limitations as set out herein.

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7. Rules for Board Approval of Subleasing.

(a) Applications for Subleasing will be considered by the Board on a first-come, first-serve basis, except as provided in section 8.

(b) The Board shall not approve applications for Subleasing from Shareholders who owned their shares for less than one year.

(c) The Board shall not approve applications for Subleasing from Shareholders who are in violation of Article 4, sec. 2 due to inactivity and non-Participation.

(d) The Board shall approve applications if none of the disqualifying criteria have been met, and if such Subleasing would not result in more than 20 percent of the Apartments being sublet.

8. General Guidelines for Subleasing. Subleasing of Apartments that have been approved by the Board for Subleasing shall be governed as follows:

(a) Subleasing shall be month-to-month only, and the specific lease used must be approved by the Board.

(b) Approval for Subleasing shall be granted by the Board for one year at a time. The Shareholder that has been approved must re-apply each year to the Board no later than two months before the one-year anniversary-date of first approval.

(c) In addition to the approved lease referred to in section (a) above, the sub tenant shall be bound to the same obligations and responsibilities as set forth in section 4 of the Avalon Proprietary Lease.

(d) An approved Sublease may be terminated by the Board for valid cause at any time. Eviction shall proceed with accordance to Washington State Law.

9. Procedure for Subleasing at the 20% limit. If twenty percent of the Apartments are sublet at any given time, and an application to sublet is received by the Board, the following procedure shall apply:

(a) The Board shall first determine whether the application would be approved if the co-op were within a 20% limit. If not, then the Board shall not approve the application.

(b) If the application would be approved within a 20% limit, then the Board shall determine whether any Apartments have been sublet for more than one year. If no Apartments have been sublet for more than one year, then the application is conditionally approved and tabled until the anniversary of the first approved Sublease. At the anniversary of the first approved Sublease, the first approved Sublease is terminated and the tabled application is finally approved. The Shareholder whose Sublease was terminated may reapply at any time to the Board.

(c) If one or more Apartments have been sublet for more than one year, the Sublease longest in effect shall be terminated and the application shall be approved. The Shareholder whose Sublease was terminated may reapply at any time to the Board.

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(d) If more than one application is conditionally approved and pending an anniversary date, priority approval shall be given to Shareholders who have not sublet in the past, or who have sublet the lease amount of times.

10. Sublease Fee. The Board may establish and from time to time increase or decrease a reasonable fee to be paid as a condition to any application for authority to Sublease any Apartment.

ARTICLE 8. ASSESSMENTS.

1. Board Action. Prior to the annual meeting of Shareholders the Board shall prepare a budget covering the estimated cost of operating the Corporation and the property of the Corporation for the forthcoming year, including but not limited to, mortgage and other similar payments, taxes, insurance, utilities, reserves, administrative, legal and accounting expense, anticipated repairs, and any other extraordinary expenses which are foreseeable.

2. Approval by Shareholders. At the annual meeting the Shareholders shall consider and approve the budget for the ensuing year and the assessments to be charged each Shareholder. Unless otherwise voted by a two-thirds majority of the Shareholders the assessments shall be allocated among the Shareholders in proportion to the ratio which the square footage of each leased premises bears to the total square footage of all Apartments and Non-Residential Spaces combined, as such calculation is set out on Schedule A annexed hereto, provided, that the Board of Directors at any regular meeting may reduce the square footage rate to be charged to Non-Residential Spaces.

3. Increase in Budget and Assessments. In the event of an emergency or unforeseen expenses or increases in operating costs, the Board may increase the annual budget by up to ten percent and may increase the monthly maintenance assessment chargeable to each Shareholder by a like percentage. Increases over ten percent shall be submitted to the Shareholders for approval.

4. Assessments, Dues, Penalties. Unless otherwise decided by the Board all monthly assessments shall be due and payable by each Shareholder without notice on the first day of each month and shall be paid to the Corporation at the Treasurer's residence or other address designated by the Board. Reasonable penalties to be established and published by the Board may be charged for payment received after the tenth day of the month in which a payment is due.

ARTICLE 9. SECURITY INTEREST OF CORPORATION IN SHARES.

1. Security Interest Created. The Corporation has and hereby declares a security interest in the shares owned by a Shareholder with respect to all sums including but not limited to unpaid assessments and penalties owed to the Corporation by such Shareholder.

2. Priority of Security Interest. Unless otherwise agreed to by the Corporation, the security interest created in a Shareholder's shares by these Bylaws has priority over and is superior to any other security interest, lien or encumbrance claimed or sought to be created against such shares.

3. Pledge of Shares. The shares in the Corporation are hereby continuously pledged to the Corporation to ensure faithful compliance by each Shareholder

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and any person or entity claiming by, under, or through each Shareholder with the Articles of Incorporation, these Bylaws, the Proprietary Lease and the rules and regulations promulgated by the Board. In the event of any breach of or failure to comply with any of these documents by a Shareholder and if such breach or failure continues for ninety days after notice specifying the breach or failure is sent by the Corporation to the Shareholder at his or her address as shown in the records of the Corporation, without the Shareholder having exercised the right of disposition of such shares and the lease appurtenant to them as provided in the lease, then the Corporation may take possession of such shares and dispose of them in the manner provided by law for enforcing a security interest under Title 62A, Article 9 of the Revised Code of Washington, or by petitioning the King County, Washington, Superior Court for an order to sell said shares.

4. Unlawful Detainer and Other Rights. In addition to and without limiting any other rights of the Corporation it may bring an appropriate action in court to seek possession of the premises and any other appropriate relief in the event of any failure to comply with or breach of the Articles of Incorporation, these Bylaws, the Proprietary Lease or the rules and regulations promulgated by the Board or if a lease is terminated for cause as provided in the lease. If the Corporation takes possession of premises it is hereby authorized to lease them to a non-Shareholder until the Block of Shares to which they are appurtenant is sold to an entering Shareholder. During any such period the rent from the premises shall first be applied to reimbursing the Corporation for any costs it incurred in taking possession of and renting the premises, then to all past due sums owed to the Corporation, then to any sums presently due and payable to the Corporation, then the balance, if any, shall be paid to the person who is entitled to such rent.

5. Penalties. In addition to and without limiting any other rights of the Corporation, the Board is authorized to adopt, publish and enforce reasonable penalties for violations by a Shareholder by any person or entity claiming by, through or under such Shareholder, of the Articles of Incorporation, these Bylaws, the Proprietary Lease or any rules or regulations promulgated by the Board.

6. Attorney's Fees and Costs. In any proceeding in which the Corporation asserts any right granted by any provision of this Article 9, in addition to any other relief, the Corporation shall be entitled to an award of reasonable attorney's fees and costs incurred, which shall be deemed to be secured by the security interest and pledge created by this Article 9.

ARTICLE 10. RIGHTS OF LENDERS.

1. General. This Article 10 establishes the rights of Lenders. Notwithstanding any other provision of these Bylaws all Lenders are hereby granted the rights contained in this Article 10 subject to such limitations as provided herein.

2. Right to Sublease. If a Lender becomes a Shareholder in the Corporation and within sixty days after it does so it is unable on its own or with the assistance of the Corporation to sell its Block of Shares to a Shareholder who will reside in the Apartment appurtenant to such Block of Shares then the Lender may Sublease such Apartment for up to three years. The Corporation may propose a subtenant to the Lender which the Lender is obligated to rent to if such proposed subtenant fulfills all the Lender's tenant selection

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criteria. In the event of any Subleasing under this section the provisions of Article 7, section 7, will apply.

3. Eviction of Defaulting Shareholder. Upon request of a Lender the Corporation will commence an unlawful detainer or other appropriate action to terminate the Proprietary Lease and evict any Shareholder who is in default of any obligations owed to a Lender with respect to the financing or refinancing of the Shareholder's purchase of his or her Block of Shares. The Corporation shall require the Lender in such case to provide satisfactory proof of such default and shall require the Lender to indemnify, defend and save the Corporation harmless from all costs, expenses claims and actions related thereto.

4. Insurance. The Corporation shall maintain insurance policies meeting the minimum insurance requirements for cooperatives as established by the Federal National Mortgage Association.

5. Reserves. The Corporation shall maintain replacement and operating reserves calculated in accordance with generally accepted accounting practices and procedures.

6. Notice to Lenders. The Corporation shall notify any Lender of any of the following changes or occurrences:

(a) Any threatened, or actual condemnation, eminent domain proceeding or similar acquisition, or any actual loss or damage, whether or not covered by insurance, which affects the Corporation, its real property or any portion thereof, or any part of an Apartment financed by such Lender;

(b) If the Corporation generates during any taxable year eighty percent or less of its gross income from "tenant stockholders" income, as that term is defined in the Internal Revenue Code, Sec. 216., "Deduction of taxes, interest, and business depreciation by cooperative housing corporation tenant-stockholder".

(c) Any thirty-day delinquency by the Corporation in payments due under any blanket mortgage or real estate taxes, charges or assessments imposed by a governmental entity or public utility or on any ground lease, or any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Corporation.

(d) Any proposed action by the Corporation, which requires the consent of Lenders as established by any provision of these Bylaws;

(e) Any sixty day delinquency in the payment of monthly assessments by a Shareholder whose purchase of shares is being financed or refinanced by a Lender.

7. Right of Lender to Cure Default. A Lender has the right to cure any default by a Shareholder in the payment of his or her assessments.

8. Lender Approval Required. The approval of a Lender financing or refinancing a Shareholder is required before the Corporation may consent to any of the following:

(a) Any surrender, cancellation, modification or assignment of any documents which evidence ownership, possession or use of the Apartment appurtenant to

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the Block of Shares in which such Lender has an interest or any Sublease of such Apartment;

(b) Any further or additional pledge or mortgage of any documents evidencing ownership, possession or use of shares in which the Lender has an interest or the Apartment appurtenant to such shares;

(c) The addition of any blanket financing which is superior to the Lenders interest if it would result in an annual increase of more than ten percent in the monthly assessment chargeable against the Apartment appurtenant to the Block of Shares in which such Lender has an interest;

(d) Any action to change the form of ownership of the Corporation;

(e) Any action to change provisions of these Bylaws which expressly benefit any blanket mortgage or such Lender;

(f) The contraction, expansion or termination of the Corporation.

ARTICLE 11. MEETINGS OF SHAREHOLDERS.

1. Annual Meeting. An annual meeting of the Shareholders shall be held no later than the last day of January of each year at seven P.M. at the Avalon Coop, 22 John Street, Seattle, WA 98109, provided, that if, through inadvertence or otherwise, such meeting is not held at that time, on demand of any Shareholder it shall be called and held within 15 days of such demand being made. Robert's Rules of Order in the most recent edition shall govern procedure at all Shareholders' meetings.

2. Quorum. If a Quorum is not present at a meeting of the Shareholders a majority of the Shareholders present who have Proprietary Leases of Apartments present shall have the power to adjourn to a date of their choice.

3. Special Meetings. A special meeting of the Shareholders may be called whenever it is deemed advisable by the President or by the Board. In addition, a special meeting shall be called upon the written request of not less than five Shareholders possessing Proprietary Leases of Apartments.

4. Voting. Each Shareholder is entitled to one vote regardless of the number of shares in the Block of Shares he or she owns, and regardless of whether he or she owns more than one Block of Shares. Owners of Blocks of Shares to which Non-Residential Spaces are appurtenant shall not be entitled to vote except on matters which diminish or restrict their rights or privileges to occupy and use such spaces or materially alter the proportion of expenses or assessments chargeable to any of such spaces, or otherwise amend the Articles of Incorporation, these Bylaws, their Proprietary Leases or Rules or Regulations promulgated by the Board to the detriment of the proprietary lessees of such spaces.

5. Proxies. Shareholders may vote by proxy, using forms established by the Board. No proxy shall be valid for more than 11 months from the date signed. To be valid at a meeting a proxy must be filed with the Secretary before commencement of the meeting in which it is intended to be used.

6. Notice. Written notice of each meeting must contain the time and location of the meeting and, if it is a special meeting, the purpose or purposes of the meeting. Such written notice must be delivered or mailed to

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each Shareholder not less than ten days before the date of the meeting. The notice shall be mailed or delivered to the address of each Shareholder as shown in the records of the Corporation. Each Shareholder may by written instrument waive the foregoing and other notice requirements. Any such written waiver shall be conclusive proof of compliance with all notice requirements.

7. Action without a Meeting. Any decision or action which may be taken by the Shareholders at a meeting may be done without a meeting if consent in writing setting forth the action taken is signed by all the Shareholders. Such consent shall have the same effect as a unanimous vote on the action taken.

ARTICLE 12. BOARD OF DIRECTORS.

1. Power and Duties. Except for those powers and responsibilities the Articles of Incorporation these Bylaws or the Corporation is delegated to and shall be granted or reserved to the Shareholders by applicable law all business and affairs of the Corporation shall be controlled by the Board of Directors.

2. Number and Qualification. The Corporation shall have no fewer than three nor more than five Directors, the number to be determined each year at the annual Shareholders' meeting prior to the Directors' election. Each Director must be a Shareholder.

3. Election and Term. The Board shall be elected by a Plurality vote at the annual meeting of Shareholders. Each Director shall be elected for a one-year term and shall serve until his or her successor Director is elected and qualified. No Director shall serve for more than three consecutive years, if five or more members object to such continued service.

4. Removal. Any Director may be removed from office with or without cause by a Simple Majority of the Shareholders at a special meeting called for that purpose. At that same special meeting, a replacement Director may be elected by Plurality vote for the remainder of the unexpired term.

5. Vacancy in Office of Director. If a vacancy occurs on the Board the remaining Board members at their discretion may appoint a replacement to fill the unexpired term; provided, that if the vacancy has resulted in there being fewer than three Directors, the President shall call a special meeting of the Shareholders to fill the vacancy. Such meeting must be held within thirty days of the date the Corporation receives notice of the vacancy in the directorship. The replacement Director so elected shall serve for the remainder of the unexpired term to which he or she is elected.

6. Insurance and Indemnification. The Board shall have the power to purchase errors and omissions or similar insurance insuring the Coop and the Officers and Directors against any loss or damage claimed against any of them by reason of their failure to discharge their duties in a proper manner. The Corporation hereby indemnifies its Directors and Officers for the good faith performance of their duties to the full extent permitted by law.

7. Meetings. The Board shall meet as often as needed, but at least once during each calendar quarter. The first meeting of each newly elected Board shall be held within seven days after the annual meeting of Shareholders.

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8. Call and Notice of Meetings. Meetings of the Board shall be called by the President or by a majority of the Board. Notice of each meeting shall be given to each Director either in writing or orally. If the notice is given in writing it must be mailed to each Director or left at his or her address at least three days before the meeting. Oral notice must be given at least one day before the meeting, either personally or by telephone. If all Directors sign a written consent for a meeting notice is conclusively presumed to have been given consistent with these Bylaws and applicable law.

9. Action Taken Without a Meeting. Any decision or action which may be taken by the Directors at a meeting may be done without a meeting if consent in writing setting forth the action taken is signed by all of the Directors. Such consent shall have the same effect as a unanimous vote on the action taken.

10. Voting. Each Director is entitled to one vote. Voting by proxy is not permitted by Directors.

11. Quorum. A majority of Directors constitutes a Quorum at any Board meeting. A Quorum is necessary for any Board action except to adjourn, whether or not to a certain time.

ARTICLE 13. OFFICERS.

1. General. The Officers of the Corporation shall be a President, a Vice-President, a Treasurer, a Secretary, and optionally, a Person at Large. All Officers shall be elected by and from the Board of Directors at their first meeting after the election of Directors.

2. Term of Office. The term of each Officer shall be one year and each Officer shall serve until his or her successor is elected and qualified. No individual shall hold the same office for more than two consecutive years if five or more members object thereto. The President may not simultaneously hold any other office.

3. Vacancies. Vacancies among the Officers shall be filled from and by the Directors for the remainder of the term of such office.

4. Duty of President. The President shall serve as chief executive Officer of the Corporation and the Board, and shall sign all share certificates and sign all contracts, agreements, notes and obligations of the Corporation authorized or required by the Board.

5. Duty of Vice-President. The Vice-President shall assist the President and perform the duties of the President in the absence of the President, and shall perform such other duties as are directed by the Board.

6. Duty of Secretary. The Secretary shall record and distribute in a timely manner to all Shareholders and others entitled thereto the minutes of all meetings of Shareholders and of the Board, and shall countersign all certificates for shares, and provide the required notice for all Shareholder and Board meetings. The Secretary shall also have the responsibility for the books, records, papers and other documents authorized or directed by the Board, including the minute book of the Corporation and share transfer records, provided that the Board may contract with an independent agency to provide record-keeping and depository services.

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7. Duty of Treasurer. The Treasurer shall have responsibility for all financial records and affairs of the Corporation and receive and disburse funds of the Corporation in a timely manner as required in the regular course of business or as authorized by the Board, and shall keep full and accurate accounts of receipts and disbursements in books and records of the Corporation. The Board shall appoint at least one other Director to counter-sign all checks. No disbursements or series of disbursements to the same or related persons or entities for a sum in excess of \$1,000 may be made without express approval of a Simple Majority of the general membership, except those disbursements which are necessary for the monthly management of the building, such as utilities, mortgage payments or essential services.

8. Duty of Person at Large. If one is elected to serve on the Board of Directors, the person at large shall support the actions of the Board toward issue research, reporting, and resolution.

ARTICLE 14. AMENDMENT.

These Bylaws may be altered, amended, repealed or replaced at any meeting of the Shareholders by a two-thirds majority vote of all Shareholders of the Corporation entitled to vote, provided a copy of the proposed alterations, amendments or replacements is given to each Shareholder with a notice of the meeting at which the proposed action is to be taken.

ARTICLE 15. DISSOLUTION.

In addition to dissolution of the Corporation as allowed by law, this Corporation may be dissolved upon a vote of two-thirds of the Shareholders of the Corporation at a special meeting of the Shareholders called for the purpose of considering dissolution. In the event of dissolution the affairs of the Corporation shall be wound up as quickly as practicable. The distribution to Shareholders, if any, shall be in proportion to the number of shares each owns in the Corporation.

ARTICLE 16. NON-WAIVER.

The failure of the Corporation to insist upon strict compliance with any of the terms, covenants or conditions of these Bylaws shall not be deemed a waiver or relinquishment of the right of the Corporation to assert any such provision at any subsequent time.

This issue of the Bylaws was ORDAINED and ADOPTED by a vote of the Shareholders of the Corporation at the Annual Meeting called and held on the 28th day of January, 2010, by a unanimous vote of more than two-thirds of the members entitled to vote thereon.

PRESIDENT

SECRETARY

Steven H. Sauer

Danila C. Rumold

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SCHEDULE A TO AVALON COOPERATIVE ASSOCIATION, INC. BYLAWS

Table 1 (Established at the Annual Meeting on 28 January, 2010):

Calculation of Monthly Dues (Rent):

Unit	area	x	a/n-r	=	f-area	/	f-total	=	rel%	x	2010 Budget	=	\$ 112,944.24	/12	Monthly Dues
1	815	x	100%	=	815	/	15,708	=	5.1884%	x	\$ 112,944.24	=	\$ 5,859.97	/12	\$ 488.33
2	350	x	100%	=	350	/	15,708	=	2.2281%	x	\$ 112,944.24	=	\$ 2,516.55	/12	\$ 209.71
3	699	x	100%	=	699	/	15,708	=	4.4499%	x	\$ 112,944.24	=	\$ 5,025.91	/12	\$ 418.83
4	453	x	100%	=	453	/	15,708	=	2.8838%	x	\$ 112,944.24	=	\$ 3,257.14	/12	\$ 271.43
5	406	x	100%	=	406	/	15,708	=	2.5846%	x	\$ 112,944.24	=	\$ 2,919.20	/12	\$ 243.27
6	453	x	100%	=	453	/	15,708	=	2.8838%	x	\$ 112,944.24	=	\$ 3,257.14	/12	\$ 271.43
7	406	x	100%	=	406	/	15,708	=	2.5846%	x	\$ 112,944.24	=	\$ 2,919.20	/12	\$ 243.27
8	438	x	100%	=	438	/	15,708	=	2.7884%	x	\$ 112,944.24	=	\$ 3,149.28	/12	\$ 262.44
9	376	x	100%	=	376	/	15,708	=	2.3937%	x	\$ 112,944.24	=	\$ 2,703.49	/12	\$ 225.29
10	552	x	100%	=	552	/	15,708	=	3.5141%	x	\$ 112,944.24	=	\$ 3,968.96	/12	\$ 330.75
21	536	x	100%	=	536	/	15,708	=	3.4122%	x	\$ 112,944.24	=	\$ 3,853.92	/12	\$ 321.16
22	350	x	100%	=	350	/	15,708	=	2.2281%	x	\$ 112,944.24	=	\$ 2,516.55	/12	\$ 209.71
23	438	x	100%	=	438	/	15,708	=	2.7884%	x	\$ 112,944.24	=	\$ 3,149.28	/12	\$ 262.44
24	453	x	100%	=	453	/	15,708	=	2.8838%	x	\$ 112,944.24	=	\$ 3,257.14	/12	\$ 271.43
25	478	x	100%	=	478	/	15,708	=	3.0430%	x	\$ 112,944.24	=	\$ 3,436.89	/12	\$ 286.41
26	459	x	100%	=	459	/	15,708	=	2.9220%	x	\$ 112,944.24	=	\$ 3,300.28	/12	\$ 275.02
27	478	x	100%	=	478	/	15,708	=	3.0430%	x	\$ 112,944.24	=	\$ 3,436.89	/12	\$ 286.41
28	438	x	100%	=	438	/	15,708	=	2.7884%	x	\$ 112,944.24	=	\$ 3,149.28	/12	\$ 262.44
29	376	x	100%	=	376	/	15,708	=	2.3937%	x	\$ 112,944.24	=	\$ 2,703.49	/12	\$ 225.29
30	552	x	100%	=	552	/	15,708	=	3.5141%	x	\$ 112,944.24	=	\$ 3,968.96	/12	\$ 330.75
31	536	x	100%	=	536	/	15,708	=	3.4122%	x	\$ 112,944.24	=	\$ 3,853.92	/12	\$ 321.16
32	350	x	100%	=	350	/	15,708	=	2.2281%	x	\$ 112,944.24	=	\$ 2,516.55	/12	\$ 209.71
33	438	x	100%	=	438	/	15,708	=	2.7884%	x	\$ 112,944.24	=	\$ 3,149.28	/12	\$ 262.44
34	453	x	100%	=	453	/	15,708	=	2.8838%	x	\$ 112,944.24	=	\$ 3,257.14	/12	\$ 271.43
35	478	x	100%	=	478	/	15,708	=	3.0430%	x	\$ 112,944.24	=	\$ 3,436.89	/12	\$ 286.41
36	453	x	100%	=	453	/	15,708	=	2.8838%	x	\$ 112,944.24	=	\$ 3,257.14	/12	\$ 271.43
37	478	x	100%	=	478	/	15,708	=	3.0430%	x	\$ 112,944.24	=	\$ 3,436.89	/12	\$ 286.41
38	438	x	100%	=	438	/	15,708	=	2.7884%	x	\$ 112,944.24	=	\$ 3,149.28	/12	\$ 262.44
39	999	x	100%	=	999	/	15,708	=	6.3597%	x	\$ 112,944.24	=	\$ 7,182.96	/12	\$ 598.58
A	173	x	80%	=	138	/	15,708	=	0.8811%	x	\$ 112,944.24	=	\$ 995.12	/12	\$ 82.93
B	186	x	80%	=	149	/	15,708	=	0.9473%	x	\$ 112,944.24	=	\$ 1,069.89	/12	\$ 89.16
C	186	x	80%	=	149	/	15,708	=	0.9473%	x	\$ 112,944.24	=	\$ 1,069.89	/12	\$ 89.16
D	257	x	100%	=	257	/	15,708	=	1.6361%	x	\$ 112,944.24	=	\$ 1,847.87	/12	\$ 153.99
E	185	x	80%	=	148	/	15,708	=	0.9422%	x	\$ 112,944.24	=	\$ 1,064.14	/12	\$ 88.68
F	185	x	80%	=	148	/	15,708	=	0.9422%	x	\$ 112,944.24	=	\$ 1,064.14	/12	\$ 88.68
G	229	x	80%	=	183	/	15,708	=	1.1663%	x	\$ 112,944.24	=	\$ 1,317.23	/12	\$ 109.77
J	407	x	100%	=	407	/	15,708	=	2.5910%	x	\$ 112,944.24	=	\$ 2,926.39	/12	\$ 243.87
	15,937				15,708				100.0000%				\$ 112,944.24		\$ 9,412.02

Unit 1 is a Combined Unit (Jan 2010 Bylaws update): 1/H/L

Unit 39 is a Combined Unit: 39/49/41

Unit D has special conditions: See Bylaws Article 5, 3.

Unit J is an Apartment.

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SCHEDULE A (continued)

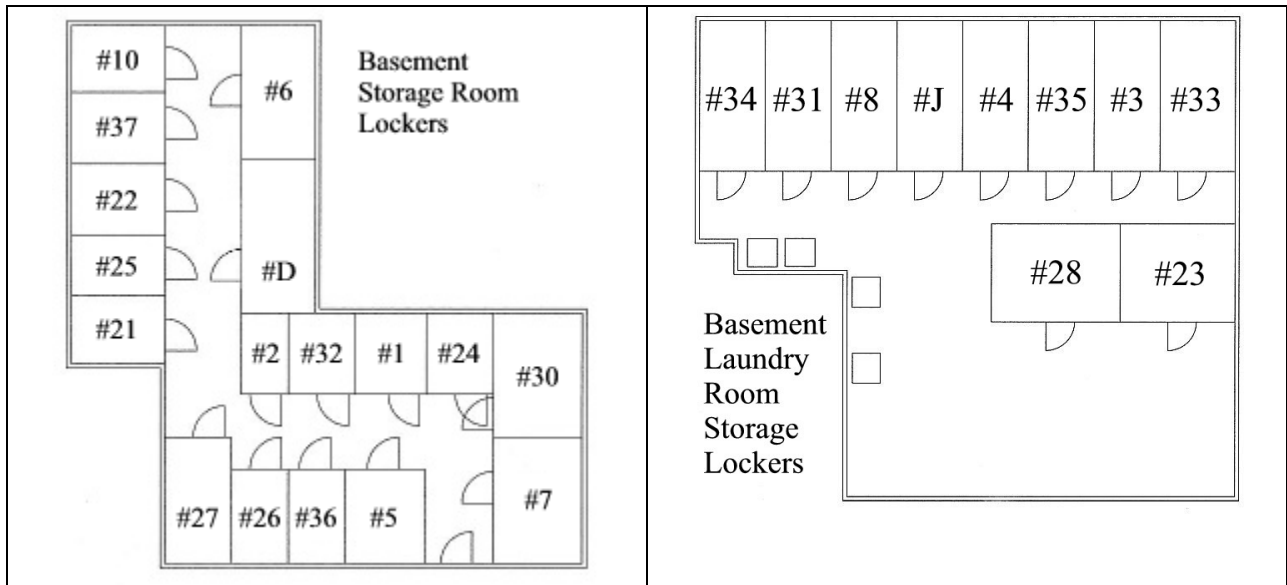
Monthly Dues (Rent) for each Apartment is the Unit's percentage of Area of the **Adjusted** Total Area ("f-total") per Table 1 above, multiplied by the Annual Budget, and divided into twelve equal monthly payments.

Monthly Dues (Rent) for each Non-Residential Space is the Unit's **Adjusted** Area ("f-area", 80% of actual) percentage of the **Adjusted** Total Area per Table 1 above, multiplied by the Annual Budget, and divided into twelve equal monthly payments.

The Non-Residential Spaces are not 'taxed' for the Avalon common amenities, and the dues are therefore discounted by 20%, hence the 100% versus 80% calculation in Table 1.

The Monthly Budget is the total operating budget, but does not include late fee income.

A Storage Locker is allocated for each Apartment. Storage Lockers are located in the Basement Storage Room, in the Basement Laundry Room, and in Hallway Closets on Floors 2 and 3. Storage Lockers are marked with the Apartment number/letter to which they are appurtenant.



Some Hallway Storage Lockers contain gas meters. Such lockers must be marked to identify (e.g. with a PSE sticker) a concealed gas meter, and must be accessible by Puget Sound Energy representatives (e.g. meter readers).

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SCHEDULE B TO AVALON COOPERATIVE ASSOCIATION, INC. BYLAWS
AVALON PROPRIETARY LEASE

THIS INDENTURE, made and entered into on this date by and between AVALON COOPERATIVE ASSOCIATION, INC, a Washington corporation, as Lessor, (the "Cooperative") and the undersigned as Lessee and Member of the Cooperative, in consideration of the mutual promises herein set forth, WITNESSETH:

WHEREAS, Lessee, as owner or purchaser of a Block of Shares in the Cooperative, is entitled to reside in and occupy the Apartment or Non-Residential Space appurtenant to such Block of Shares, identified as _____ Avalon Coop, 22 John Street, Seattle, WA 98109, (herein the "premises") so long as Lessee complies with the Articles of Incorporation of the Cooperative, its Bylaws, a share purchase agreement, if any, and the terms hereof,

NOW, THEREFORE, Lessor hereby leases and sets aside to Lessee and Lessee takes and hires from the Lessor, the said premises, in present condition, for a term beginning this date and ending upon the expiration of the corporate life of the Lessor, unless sooner terminated or transferred as herein provided, and the parties further agree as follows:

1. Rent. Operating expenses of the Cooperative are payable on a mutual basis with the share of each Lessee being calculated in accordance with the Bylaws of the Cooperative, and charged and collected as rent. The rent chargeable at present for the said premises is \$_____, payable monthly in advance on the first day of each month, which is the amount estimated and budgeted by the Cooperative as the present proper contribution required from Lessee for Lessee's share of the common operating expenses, including taxes, assessment installments, interest, fire and liability insurance, repairs, replacements, service charges, reasonable reserve funds, utilities common to the Cooperative, mortgage payments on the common mortgage, and legal and accounting fees. The proportion charged to Lessee is based upon the ratio which the number of square feet in the premises leased to Lessee bears to the total number of square feet in all Shareholder leased premises in the Cooperative as set out in Schedule A of the Bylaws.

2. Adjustments to Rent. The Board of Directors of the Cooperative may by resolution from time to time in accordance with the Bylaws estimate the amount required for said operating expenses for an ensuing year or other period, add to it any carry-over deficit from previous periods, and prorate the total amount each Lessee shall pay in accordance with the formula set in the Bylaws, and adjust the monthly rent required from Lessee in accordance with such formula, the annual sum being divided into twelve equal

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installments and payable as set out in paragraph 1 above, said amount to continue in effect until further change is made by the Board of Directors. The Board of Directors in the event of an emergency may make a supplemental estimate and levy on a prorata basis, which shall be payable as additional rent. Lessee agrees to pay the rent as set forth in this Lease.

3. Obligations of Lessor. Lessor shall maintain and manage the Apartment building on a high level, with suitable cleaning and maintenance of Common Areas, pay the water charges, provide adequate heat and hot water, keep the Common Areas, stairways, halls and entrances clean and properly lighted and free from obstructions, maintain the foundation, sidewalks, basement, roof, gutters, cornices, and plumbing, wiring and conduits intended for common use in good condition, and in accordance with the law; provided, that Lessee agrees to and does give prompt notice of any defect or accident coming to Lessee's attention and allows representatives of Lessor access at all reasonable times for the purpose of determining the necessity and character of repairs and of making the same and, upon reasonable notice, removing such portions of the walls, floors, ceilings and windows as may be required for the purpose of making repairs, which portion so removed shall be replaced as soon as reasonably may be done and in as good condition as before. All such repairs shall be at the expense of Lessor unless rendered necessary by the act, neglect or carelessness of Lessee, member of his family, sub-tenant, guest or employee, in which, case the expense shall be borne by Lessee and may at the option of Lessor be added to the rent of Lessee.

a. The manner of operating the premises shall be determined by the Board or an executive committee designated by it. Lessor shall maintain in force Bylaws and House Rules and may from time to time change the same. Lessee agrees that all persons living in or visiting the leased premises shall comply with the same.

b. Lessor is not liable for interruptions of any service or for any accident, unless the same shall be caused by negligence on the part of the Lessor. Damage caused to any premises or contents by leaks in the roof shall be borne by the Lessor, but damage caused by leaky radiators, plumbing, faulty refrigeration or other causes within other premises, except concealed pipes or other plumbing not reasonably capable of inspection by the tenant, shall be borne by the Lessee from whose premises said damage was caused and such amount may at the option of Lessor be added to the rent.

c. Lessor shall keep the building insured against loss or damage by fire, with extended coverage, loss being payable to Lessor. In case said building shall be partially destroyed by fire, the same shall be repaired as speedily as possible at the expense of Lessor; in case damage is such, through no fault of Lessee, as to render the premises hereby untenable, the rent shall cease and this lease shall thereupon terminate, unless the insurers shall elect to rebuild the building, in which this lease shall not terminate but shall continue and apply to the premises in the rebuilt building which shall correspond with the premises hereby demised. In the event of total destruction and if the building shall not be rebuilt, the assets of the Corporation, including insurance proceeds, shall upon proper vote for dissolution, be distributed as in the case of dissolution.

4. Obligations of Lessee. The obligations of Lessee under this lease are as follows:

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a. Lessee shall always in good faith endeavor to promote the cooperative purposes of Lessor and shall comply with all applicable federal, state, county and city laws, ordinances, rules and regulations, and the Articles of Incorporation, Bylaws and House Rules now or hereafter in effect.

b. Said premises shall be occupied solely as a private dwelling if premises are one of the Apartments, and otherwise only as a Non-Residential Space. Lessee shall keep the interior of the premises and all plumbing and electrical wiring belonging thereto in good repair and at Lessee's expense shall pay for all gas, electricity, telephone and other utilities and services used upon the premises, except those which Lessor has agreed to provide, and shall not do or permit anything to be done or kept on the premises which will increase the rate of fire insurance on the building or which will obstruct or interfere with the rights of other tenants or annoy such tenants by unreasonable noises or odors or otherwise or obstruct the common halls or stairways.

c. Although Lessor assumes no responsibility for care or supervision of the said premises or any pipes, fixtures, wiring or appliances therein, its agents shall be permitted to visit and examine the premises at reasonable hours. In case of refusal or neglect by Lessee to make proper repairs, or restore the premises to good condition, or repair any damage done by Lessee or Lessee's family, guests or employees, within six days after notice in writing from Lessor to do so, such repairs or restoration may be made by Lessor which shall have the right by its authorized agents to enter the premises therefore and to collect from the Lessee the cost of repairs or restoration and at its option to add the same to the rent. If Lessee shall not be personally present to permit entry for inspection or for making repairs, Lessor's agents may, if there is deemed to be an emergency, enter forcibly without rendering Lessor and its agents liable to any claim or cause of action for damages by reason thereof, if reasonable care be afforded Lessee's property.

d. Lessee shall not make or permit to be made any structural alterations in said premises or in the plumbing or other fixtures of the premises, without written advance consent of Lessor; any alterations or additions shall become part of the premises. At expiration or termination of this lease, the Lessee shall surrender possession of the premises in good condition.

e. Lessee is responsible for installing a smoke alarm in the premises and for keeping the alarm in good working order, including the batteries as necessary. Lessor may conduct an inspection of the smoke alarm within four weeks after signing or assignment of this lease and once annually thereafter.

f. Lessee shall not leave the premises vacant for more than three months total during any one year without leaving a key with a responsible person in the Seattle area, whose name, address and telephone number shall be communicated to the Board, and who shall have the authority in an emergency to permit entry to premises. Lessee shall notify the Board of Directors in writing if Apartment premises will be vacant for any period of time greater than two weeks, specifying the expected date of return and leaving a forwarding address and phone number.

5. Assignment. Lessee shall not voluntarily or involuntarily assign, convey, mortgage or encumber this lease or any interest therein except upon compliance with the following conditions;

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a. Written application shall be made to the Board on an application form approved by the Board. The Board shall hold a meeting to consider and act on such application within ten days of its receipt and notify Lessee of its decision. If the Board approves such assignment the decision is final. A decision disapproving such an assignment is subject to an appeal to the Shareholders of the Cooperative in accordance with the provisions of the Bylaws.

b. No assignment of this lease may be approved by the Board or the Shareholders unless the assignee or purchaser simultaneously acquires Lessee's Block of Shares to which the premises described in such lease are appurtenant. Upon an assignment or transfer being approved and the incoming Lessee consenting to such assignment and or execution of a new lease, as the Board may require, in form approved by the Board, and the payment of any and all fees charged by the Board by reason of such assignment, if any and the payment of all rent and all other charges unpaid up to the date of the assignment, the transferring Lessee is relieved of all obligations under the lease, and the incoming Lessee becomes liable thereon.

c. A transfer of shares to an incoming Shareholder in connection with the assignment of an appurtenant lease of premises passes all interest of the transferring Lessee in reserve, depreciation and all other accounts and funds of the Lessor to the incoming Lessee.

d. If the premises are an Apartment, no assignment or transfer of this lease is permitted to any existing leaseholder of an Apartment unless as a condition precedent thereto such acquiring Shareholder has disposed of his existing Block of Shares and the lease of the Apartment premises appurtenant thereto; provided, that a Shareholder may acquire the Block of Shares and lease of an Apartment appurtenant to such Block of Shares if the Apartment involved is immediately adjacent to the acquiring Shareholder's existing Apartment and the two are immediately combined into one Apartment, so long as no more than ten percent of the total square footage leased to all Shareholders results from such combination; and further provided, that upon such acquisition of an adjacent Apartment no Subleasing of it shall be permitted separate from the Apartment with which it is combined.

6. Subleasing. Lessor declares and Lessee acknowledges that the Avalon Coop will be continuously maintained as an owner-occupied cooperative Apartment building. Pursuant to this policy Lessee acknowledges that Subleasing of Apartments is permitted only to a limited extent as authorized under the Bylaws, and under the following express conditions, no deviation from which will be permitted:

a. Except as provided in the Bylaws of Lessor, no Subleasing of an Apartment in addition to that which is presently existing shall be permitted until at least 80 percent of the Apartments in the building are occupied by Shareholders, including Apartments which have been combined. Therefore, no more than six Apartments may be sublet.

b. Subleasing of Apartments is permitted only in strict accordance with the Bylaws of the Cooperative, and Lessee acknowledges receipt of a copy of the Bylaws and consents to and approves of the terms thereof.

7. Default. Except as otherwise herein provided, this Lease and the term hereby created shall cease and determine at the option of the Lessor in the event that Lessee should cease to be the owner or purchaser of the Block of

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Shares to which the premises covered by this Lease are appurtenant; or in the event of default in performance of any term, covenant or condition of this Lease or the Bylaws of the Cooperative then in force, which default shall continue for thirty days after notice thereof is given to the Lessee; and it shall thereupon be lawful for Lessor immediately to commence an unlawful detainer or other appropriate action to terminate the Proprietary Lease and evict the Lessee who is in default. If the premises are vacant at the time of eviction, then the Lessor shall have immediately have the right to reenter the premises and repossess the same Lessee agrees to accept responsibility for all expenses incurred, legal and otherwise, in carrying out this provision of the lease. This Lease is also subject to termination if Lessee shall be adjudged bankrupt or makes a general assignment for creditors or if Lessee's Block of Shares is levied upon or sold under process of any court or pursuant to any law.

8. Termination of Lease for Cause. If at any time the Lessor determines upon the affirmative vote of three-quarters of the Shareholders of Apartment leases, at a Shareholder's meeting called and held to consider the matter, that the tenancy of Lessee is undesirable because of conduct on the part of the Lessee or any person dwelling in or visiting the premises or Subleasing the same, which conduct constitutes a nuisance under the law of the State of Washington, this Lease may be terminated by the Lessor. To repeatedly violate or disregard the rules and regulations established by the Lessor, or to permit a dissolute or immoral person to enter or remain on the premises shall be deemed conduct justifying termination of the lease. If termination for cause is sought with respect to a lease of a Non-Residential Space, all Shareholders shall be allowed to vote on such action at the meeting called to consider it.

9. Disposition of Lease and Shares upon Termination. If this Lease is terminated by default or for cause as provided herein, Lessee shall have ninety days in which to affect a transfer of the Block of Shares and lease appurtenant thereto. If disposition is not made or contracted to be made within that time the Lessor may forfeit, take possession of, and dispose of such shares as provided in the Bylaws, and possession of the premises shall be surrendered to the Cooperative if the Cooperative has not already taken possession. Upon forfeiture of the Block of Shares to which the leased premises are appurtenant, the Board may reissue a like amount of shares and a new lease to a new incoming Shareholder and the Lessee whose interest has been forfeited shall be entitled to the proceeds remaining after all obligations required by the Bylaws have been fully discharged.

10. Death of Lessee. Upon the death of the Lessee, Lessee's estate may dispose of the Block of Shares to which the premises described herein are appurtenant, and assign this lease upon complying with the provisions relating to sale and assignment. If as a result of the death of the Lessee the Block of Shares-to which Apartment premises covered, by this lease are appurtenant descends to a surviving spouse residing in the Apartment or to another person who desires to occupy the Apartment appurtenant to such Block of Shares, this lease shall be assigned to such individual and a new lease entered into without approval being required, from the Board.

11. General Provisions.

a. Failure of Lessor in any one or more instances to insist upon the strict performance of any of the terms or conditions of this lease, or to exercise any option herein conferred shall not be construed a waiver or relinquishment

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for the future of any such right, but the same shall continue and remain in still force and effect.

b. Insofar as Subleasing is concerned, where a Sublease is authorized the lessee under this lease shall be considered as having rights equivalent to ownership, subject to the prior rights of Lessor, including those reserved herein.

c. If the premises are an Apartment and Lessee desires to exercise the right to claim a homestead under the law of the State of Washington or a surviving spouse seeks to obtain an award in lieu of homestead under such law Lessor may make such declaration in aid thereof as may be proper under the circumstances.

d. This form of lease shall be required of all owners of blocks of shares to which an Apartment or a Non-Residential Space is appurtenant. A separate lease shall be required for each Block of Shares to which either an Apartment or a Non-Residential Space is appurtenant, notwithstanding that the same person or persons is the owner of more than one Block of Shares to which premises are appurtenant.

e. Any notice to or demand on Lessee shall be deemed to have been duly given and mailed if mailed by registered letter, postage pre-paid, addressed to Lessee at the premises.

f. None of the other present or future owners of shares in Lessor Corporation or present or future Directors or Officers shall be personally liable under any of the terms of this lease.

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g. The Lessor Corporation reserves the right to adopt, alter, or repeal its Bylaws, Rules, or Regulations from time to time in such manner as in its judgment shall be appropriate, with respect to Corporate matters, share ownership, safety, maintenance, repair, renovation, care and cleanliness of the building and the various premises therein, and preservation of good order and comfort. All such Rules, Regulations and Bylaws now made or hereafter to be made are hereby declared to be part of this Lease as though fully set forth at length herein.

Dated at Seattle, Washington, this _____ day of _____, _____

AVALON COOPERATIVE ASSOCIATION, INC. LESSEE
By: _____ President By: _____
By: _____ Secretary By: _____

ACKNOWLEDGEMENT FOR LESSEE STATE OF WASHINGTON, COUNTY OF KING

On this _____ day of _____, _____, before me personally

Appeared _____, to me known to be the individual(s) named as Lessee(s) in the above Proprietary Lease and acknowledged that they executed the within as their free and voluntary act and deed for the uses and purposes stated herein.

Given under my hand and official seal on the day and year last above written.

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

ACKNOWLEDGEMENT FOR LESSOR STATE OF WASHINGTON, COUNTY OF KING

On this _____ day of _____, _____, before me personally appeared

_____ and _____ to me known personally to be

the President and the _____, respectively, of the Corporation known as Avalon Cooperative Association, Inc., who executed the within and foregoing instrument as the free and voluntary act and deed of said Corporation for the uses and purposes stated therein.

Given under my hand and official seal The Day and year last above written.

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

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AVALON COOPERATIVE ASSOCIATION, INC. HOUSE RULES AND REGULATIONS

It is the desire of this Cooperative Association for all members to be comfortable and contented. To make this possible, it is necessary for each member to cooperate. So that the rights and comforts of each member may be preserved, the Association requires adherence to the following rules and regulations, which have been adopted by the Board of Directors and are modified from time to time as appropriate. Some of the rules and regulations listed below are contained in the Avalon Bylaws. Others have been set forth by the Board to make for better living conditions for all concerned and are enforceable in accordance with the Bylaws and your Proprietary Lease. Each Shareholder is responsible for ensuring that the occupants of his or her premises have a copy of these Rules and Regulations and abide by them.

1. Late Charges. Shareholders are obligated to pay late charges of ten percent of any outstanding balance if special assessments or maintenance fees (rent/dues) are not received by the bookkeeper by the tenth day of the month. All later payments will be applied to the overdue balance first and will not be accepted unless full payment of the fee with the late charge is made. If an NSF check is received by the Association, no further payments will be accepted on that Shareholder's account unless payment is in cash or cashier check until the balance is paid in full. If the delinquency is due to incorrect information provided by the bookkeeper, no late charge will be assessed for that specific delinquency that specific month.

2. Collection and Eviction Fees. Shareholders are obligated to pay those costs and expenses (including but not limited to a reasonable attorney's fee) expended or incurred by the Association by reason of any Shareholder's default in the performance of any of the provisions of his or her lease agreement, to the extent permitted by law.

3. Damages. A Shareholder is obligated to pay the cost of cleaning and repairs for any damages to the building or personal property of the Association which was caused by him or her or any occupant or visitor of his or her premises.

4. Nuisances Forbidden. No Shareholder shall carry on or permit any nuisance on his or her leased premises or in any other part of the building, and must not use any part of the leased premises or any other part of the building for any illegal purposes, or in violation of any law of the State of Washington or City of Seattle.

5. Access and Repairs. Each Shareholder is obligated to allow free access to authorized maintenance agents of the Association to the premises leased at all reasonable times for the purpose of maintenance inspections, and is further responsible for the general maintenance and repair of his or her premises and will be held responsible for the costs of emergency maintenance work ordered by the Association or its agents when neglect of such work could cause damage to the building or other tenants' property.

6. Garbage and Refuse. Occupants of the building are responsible for taking their garbage to the dumpster. Garbage must be wrapped or separated for recycling purposes as required by city ordinance. Hallways, stairwells and landings must be kept clear of rubbish and all personal items. Anything found in the Common Areas of the building will be picked up and disposed of.

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The lessee of the premises responsible will be charged with any disposal fees incurred by the occupants of his or her premises.

7. Aerials and Antennas. Aerials and antennas as well as satellite receivers are permitted in accordance with existing FCC regulations. No equipment shall be installed without Board approval of location and installation method. Members seeking antennas, aerials or receivers should apply to the Board with as much information as is available. All costs associated with installation and maintenance of such equipment is the responsibility of the individual Shareholder submitting the application.
8. Firearms. No firearms are permitted in the building.
9. Smoking. No smoking is permitted inside the building's Common Areas.
10. Major Appliances, Construction. Shareholders must obtain written approval from the Board of Directors before bringing major appliances into or out of the building or proceeding with any construction (regardless of size or extent) in their premises.
11. Car Washing/Outdoor Cooking. Car washing and outdoor cooking are prohibited in any area around the building.
12. Birds. Feeding birds is prohibited on any Association property.
13. Noises and Other Disorderly Behavior. Excessive noise or other disorderly behavior in or about the leased premises or in other parts of the Association property, which disturbs or harasses or annoys other tenants, will not be permitted at any time.
14. Subleasing. No Subleasing of an Apartment premises is permitted without the written consent of the Board of Directors.
15. Soliciting. No soliciting is allowed in the building.
16. Pets. Up to two cats permitted, all others must be approved by the Board. Dogs are generally not allowed.
17. Roof Access. The rooftop walking mat area is available on a first come, first served basis. Users must stay on the rooftop walking mat, and Shareholders are responsible for their guest(s) in the rooftop walking mat area. All activities on the rooftop walking mat area must be over by 11:00 PM Friday and Saturday, and 10:00 PM Sunday through Thursday. No extinguishing cigarettes on the rooftop walking mat. Shareholders must remove all garbage and cigarette butts from the rooftop. No cooking permitted on the rooftop. No pets permitted on the rooftop.
18. Windows and Fire Escapes. Flower boxes are allowed on window ledges provided that they are secured to either the wooden window frame by means of a sealed bolt. Likewise, hanging flowerpots are allowed provided that they are professionally secured to the window frame and that the window frame is sealed against moisture. Flower boxes must be maintained and kept in good condition. Dead plants must be removed and replaced with live plants. No empty flower boxes shall be permitted.
19. Christmas Trees. No live Christmas trees are permitted. Only synthetic trees may be used. (Fire Insurance consideration).

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20. Cooperation Required. Each Member is required to cooperate in carrying out the purposes of this Association.

21. Communication to Board Members. Any non-emergency complaint or request to the Board or to the Manager or Management Company should be made in writing to any Board Member, the Manager, or the Management Company. Shareholders should expect a reply within ten days.

22. Notices. Any notice posted on bulletin board should be signed by persons posting such notice.