

BYLAWS  
OF  
THE CANYON LAKES PROPERTY OWNERS' ASSOCIATION

ARTICLE I. OFFICES

The registered office of the Canyon Lakes Property Owners' Association (the "Association") required by the Washington Miscellaneous and Mutual Corporations Act to be maintained in the state of Washington may be, but need not be, identical with the principal office in the state of Washington, and the address of the registered office may be changed from time to time by the Board of Directors of the Association (the "Board").

ARTICLE II. MEETINGS

Section 1. Annual Meeting. The Association shall hold an annual meeting of members each year for the purpose of electing directors and for the transaction of such other business as may come before the meeting. Annual meetings shall be held on the third Tuesday in January; provided, however, that should the annual meeting date fall on a legal holiday, then such annual meeting shall be held on the following day. If the annual meeting shall not be held on the third Tuesday in January, the President of the Association (the "President") may call the annual meeting at a time fixed by him or her, not more than thirty (30) days after said time, by proper notice designating the meeting as the annual meeting.

Section 2. Special Meeting. Special meetings of members for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President or by the Board. Special meetings shall be called by the President at the request of members representing more than forty (40) percent of the total voting power of the Association. No business shall be transacted at a special meeting except as stated in the notice unless by consent of members holding at least eighty (80) percent of the voting power of the Association.

Section 3. Place of Meeting. The board of directors shall determine the place of meeting for all annual and special meetings of the members. All meetings shall be held within the Canyon Lakes or as close thereto as practicable at a reasonable place.

Section 4. Notice of Meeting. Written or printed notice stating the place, day, and hour of the annual meeting or any special meeting and the nature of the business to be undertaken shall be delivered not less than fourteen (14) nor more than fifty (50) days before the date of the meeting either by hand delivery or prepaid first class mail at the direction of the President or persons calling the meeting, to each member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his or her address as it appears in the records of the Association, with postage thereon prepaid. A written waiver of notice of a meeting

signed by the member entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice. Each notice shall contain or be accompanied by a separate writing setting forth:

- (a) The name of any candidate for office with the Association to be voted upon at the meeting;
- (b) The text of each proposal to be voted upon at the meeting; and,
- (c) Instructions for voting by mail or electronic transmission.

Section 5. Quorum; Manner of Acting. The presence at any meeting in person of members representing more than twenty five percent (25%) of the total voting power of the Association shall constitute a quorum at a meeting of members. If a quorum is present, the affirmative vote of a majority of the voting power represented at the meeting and entitled to vote on the subject matter shall be the act of the members, unless the vote of a greater number is required by statute, any covenants, conditions or restrictions of record, the articles of incorporation for the Association or these bylaws.

If any meeting cannot be held because a quorum is not present, the members present may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called, provided that the quorum requirement for such adjournment shall be members representing no less than twenty-five (25) percent of the total voting power of the Association. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. The members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

Section 6. Voting at Meetings. Members may vote at any meeting in person, by mail, by electronic transmission or by proxy executed in writing by the member or by his or her duly authorized attorney-in-fact. Persons voting by mail or by electronic transmission shall be deemed present for all purposes of quorum, count of votes and percentages of total voting power voting.

#### ARTICLE IV. BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Association shall be managed by the Board.

Section 2. Number, Tenure, and Qualifications. The number of directors of the Association shall be eleven (11). Each director shall hold office for a period of two (2) years and shall remain in office until his or her successor shall have been elected at an annual meeting, unless sooner removed from office as herein provided.

Each directorship shall be assigned a position number. Directorships with even position numbers shall be subject to election in even numbered years. Directorships with odd position numbers shall be subject to election in odd numbered years.

Section 3. Regular Meetings. A regular meeting of the Board shall be held without notice other than this bylaw immediately after, and at the same place as, the annual meeting of members. The Board may provide by resolution the time and place for the holding of additional regular meetings without other notice than such resolution. At least two additional regular meetings shall be held during each fiscal year.

Section 4. Place of Meetings. All meetings of the Board shall be held within Canyon Lakes or as close thereto as practicable at a reasonable place selected by the Board.

Section 5. Special Meetings. Special meetings of the Board may be called by or at the request of the President or any two directors.

Section 6. Notice of Special Meetings; Waiver. Notice of any special meeting, stating the time, date and place for such meeting, shall be sent to each director at least thirty-six (36) hours before the meeting. Notice of a special meeting shall be delivered personally, mailed to a business address or sent by electronic transmission to an address specified by the director for the purpose of receiving electronic communications. If mailed, such notice shall be deemed to be delivered forty-eight (48) hours after it is deposited in the United States mail so addressed, with postage therein prepaid. If sent by electronic transmission, such notice shall be deemed to be delivered upon transmission.

The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. A written waiver of notice of a meeting signed by the director or directors entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of notice.

Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need be specified in the notice or waiver of notice of such meeting.

Section 7. Quorum. A majority of the number of directors set forth in Section 2 of this Article shall constitute a quorum for the transaction of business at any meeting of the Board, but, if less than such majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

Any director present at a meeting by proxy shall be deemed present at the meeting.

Section 8. Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board.

Section 9. Vacancies. Any vacancy occurring in the Board, other than those occurring by reason of the removal of a director, may be filled by the affirmative vote of a majority of the remaining directors. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office. Any directorship to be filled by reason of an increase in the number of directors shall be filled by election at an annual meeting or at a special meeting of members called for that purpose.

Section 10. Presumption of Assent. A director of the Association who is present at a meeting of the Board at which action on any corporate matter is taken shall be presumed to have assented to the action taken, unless his or her dissent shall be entered in the minutes of the meeting, or unless he or she shall file a written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof, or shall forward such dissent by registered mail to the Secretary of the Association immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 11. Removal of Directors. All or any number of the directors may be removed with or without cause at a meeting expressly called for that purpose by a vote of members representing a majority of the voting power of the membership. If any or all of the directors are removed, new directors may be elected at the same meeting.

Section 12. Informal Action by Directors. Any action required to be taken at a meeting of the Board, or any other action which may be taken at a meeting of the directors, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all the directors or all the members of the committee entitled to vote with respect to the subject matter thereof.

Section 13. Compensation. Directors shall not receive any stated salary for their service as directors; provided, however, that nothing herein shall be construed to preclude any director from serving the Association in another capacity and receiving compensation therefor.

Section 14. Powers and Duties of the Board. The powers of the Association shall be exercised by and through the Board. In addition to such powers and duties as shall be given to or imposed upon the Board by any covenants, conditions or restrictions of record or by law, the Board shall have the power and duty to carry out the following:

(a) Maintenance of all Common Areas, Private Ways, Private Recreational Areas and the improvements thereon.

(b) Construction of such improvements on or under the Common Areas, Private Ways and Private Recreational Areas as the Board deems will be of benefit to the Residents and their guests in accordance with any rules and regulations.

(c) Enforcement of all provisions contained in any covenants, conditions or restrictions of record.

(d) Promulgation and enforcement of rules and regulations of the Association, enforcement of any Architectural Review Committee rules and regulations and enforcement of decisions of the Architectural Review Committee.

(e) Payment of all ad valorem taxes and assessments on any of the Common Areas, Private Ways or Private Recreational Areas within Canyon Lakes.

(f) Provision of such services to the Residents as the Board shall deem to be of benefit to the Residents.

(g) Procuring and maintaining insurance on all improvements constructed upon or under Common Areas, Private Ways or Private Recreational Areas.

(h) Imposition and collection of any assessments fees, fines or penalties.

(i) Fixing of fees for use of recreational facilities within the Common Areas. All such fees shall be paid into the assessment fund.

(j) Borrowing of money on behalf of the Association and in connection therewith, the granting of mortgages, deeds of trust or other security interests with respect to land owned or leased by it and improvements thereon.

(k) Granting of easements along roadways owned by the Association to owners, occupants, and invitees of office, commercial and lodging or other facilities, whether or not subject to covenants, conditions or restrictions of record, and entering into road maintenance agreements providing for contribution to the cost of maintenance of the entrances to Canyon Lakes and roadways and related improvements which are subject to easements granted by the Board.

(l) Maintaining a complete record of all of acts and affairs of the Association and, within ninety (90) days following the close of each calendar year, rendering to each Unit Owner an accounting as specified in any covenants, conditions or restrictions of record.

(m) Supervision of all officers, agents, and employees of the Association.

(n) Keeping of all assessment fund monies, and making deposits to and payments from such fund in the manner provided in any covenants, conditions or restrictions of record.

Section 15. Delegation of Functions. The Board may at any time delegate to a manager employed by the Board the responsibility for the performance of any duty or function of the Board.

All contracts for management of any duty or function delegated to a manager shall be for a term not exceeding two years and shall be subject to review by the Board.

Section 16. Limitation of Liability. The Board shall not be liable to any person for failure to carry out any power in cases in which there are insufficient monies in the assessment fund to enable the Board to carry out its power. The Board shall have sole power to determine for which authorized purposes monies in the assessment fund shall be spent and in what priority, including the power to determine how much shall be held in reserve. Neither the Board, nor the Association, nor any director shall be liable to any Unit Owner or Resident on account of any action or failure of the Board to act, provided only that it has acted in good faith.

Section 17. Assessments. The Board may impose regular and special assessments against Unit Owners in an amount not in excess of the maximum allowed or approved by members pursuant to the Amended and Restated Master Declaration of Covenants, Conditions and Restrictions for the Community of Canyon Lakes. The Board shall fix the amount of the assessment to be imposed for each year during the budgeting process described herein.

Section 18. Budget. The Board shall prepare each year a budget for the Association for the following year. The budget shall set forth the amount of revenue to be taken in by the Association, the source of such revenue and the regular annual assessment to be paid by the Unit Owners. The budget shall also set forth the amount of Association funds to be expended and a description of the purpose of such expenditures.

The Board shall fix the amount of the budget no later than November 30 each year. No later than December 31 of the same year, the Board shall send notice to each Unit Owner that the budget shall be considered at the annual meeting of members in the following year. The notice shall contain a summary of the budget, set forth the amount of the annual assessment to be paid by each Unit Owner and be delivered in the same manner as required herein for delivery to members of notices of meetings.

## ARTICLE V. OFFICERS

Section 1. Number. The officers of the Association shall be a President, at least one Vice President, a Secretary and a Treasurer, each of whom shall be elected by the Board. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board.

Section 2. Election and Term of Office. The officers of the Association shall be elected annually at the first meeting of the Board held after each annual meeting of members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. Each officer shall hold office until a successor shall have been duly elected and shall have qualified or until his or her death or until he or she shall resign or shall have been removed in the manner hereinafter provided.

Section 3. Removal. Any officer or agent elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of the Association would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise may be filled by the Board for the unexpired portion of the term.

Section 5. President. The President shall be the principal officer of the Association and, subject to the control of the Board, shall in general supervise and control all the affairs of the Association. The President shall preside at all meetings of the members and the Board. The President may sign, with the Secretary or any other proper officer of the Association thereunto authorized by the Board, contracts or other instruments which the Board has authorized to be executed, except in cases where the signing and execution thereof shall be delegated expressly by the Board or by these bylaws to some other officer or agent of the Association or shall be required by law to be otherwise signed or executed. The President shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board from time to time.

Section 6. Vice President(s). In the absence of the President, or in the event of his or her death, inability, or refusal to act, the Vice President (or, in the event there to be more than one vice president, the vice presidents in the order designated at the time of their election, or, in the absence of any designation, then in the order of their election) shall perform the duties of the office of the president, and, when so acting, shall have all powers of and be subject to all the restrictions upon the office of the president. The Board may appoint or elect more than one vice president. Any vice president shall perform such duties as from time to time may be assigned by the President or by the Board.

Section 7. Secretary. The Secretary shall: (a) keep the minutes of the meetings of members and the Board in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these bylaws or as required by law; (c) be custodian of the corporate records; (d) keep a book of record Unit Owners, listing the names and mailing and/or e-mail addresses of such owners as furnished to the Association, and such book shall be changed only at such time as satisfactory evidence a change in ownership of a Unit is presented to the Secretary; and (e) in general perform all

duties incident to the office of secretary and other such duties as from time to time may be assigned by the President or by the Board.

Section 8. Treasurer. The Treasurer shall: (a) have custody of and be responsible for all funds of the Association, have signatory authority on all appropriate financial accounts owned by the Association, sign all checks and payment instruments, shall deposit all Association funds with an appropriate financial institution as herein provided, shall reconcile all financial accounts on a monthly basis and shall sign the reconciled statements of the Master Banking Book for the Association; and (b) in general perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned by the President or by the Board.

Section 9. Manager. In the event that the Board delegates the performance of any duty or function to a Manager, the Manager shall (a) maintain a database of all property owners, create and mail notices to Unit Owners, facilitate the election of Board members, facilitate Board meetings, create a newsletter and send it to Association members and maintain the Association's office; (b) perform any of the duties of the Treasurer or Secretary as the Board may delegate; and (c) perform any other duties as from time to time may be assigned by the President or by the Board.

Section 10. Compensation. Officers, agents and employees shall receive such reasonable compensation for their services as may be authorized by the Board. Appointment of any officer, agent, or employee shall not of itself create contractual rights of compensation for services performed.

Section 11. Bonds. The Board shall require that all officers and employees of the Association handling or responsible for the Association funds shall furnish adequate fidelity bonds. The premium on such bonds shall be paid by the Association

## ARTICLE VI. LIABILITIES OF OFFICERS AND DIRECTORS

Section 1. Liability. No director or officer of the Association shall be liable for acts or defaults of any other director or officer or for any loss sustained by the Association or any member thereof unless the same has resulted from his or her own willful misconduct or gross negligence.

Section 2. Indemnification. Every director or officer of the Association shall be indemnified by the Association against all reasonable costs, expenses and liabilities, including attorney fees, actually and reasonably incurred by or imposed upon him or her in connection with the defense of any claim, action, suit, proceeding, investigation or inquiry of whatever nature in which he or she may have been involved as a party or otherwise by reason of having been an officer or director of the Association, whether or not he or she continues in such position at the time such costs are incurred, except with respect to matters as to which he or she shall be finally adjudged in such action, suit, proceeding, investigation, or inquiry to be liable for willful misconduct or gross



negligence in the performance of his or her duties, or in the absence of such final adjudication, any determination of such liability of the opinion of legal counsel selected by the Association. The foregoing right of indemnification shall be in addition to and not in limitation of all rights to which such person may be entitled as a matter of law and shall inure to the benefit of the legal representative of such person. The Board may purchase, at the Association's expense, insurance protecting the Board, the officers and any other agents jointly and individually from such liability.

## ARTICLES VII. MISCELLANEOUS

Section 1. Architectural Review Committee. The Board shall appoint the members of the Architectural Review Committee, which shall consist of at least three persons who serve for three years. The Board may remove and replace such members at any time. The Board shall keep on file at its principal office a list of the names and mailing addresses of the members of the committee. The committee shall have the powers and duties specified in the covenants, conditions and restrictions of record.

Section 2. Committees. The Board may from time to time, by resolution, designate such other committees as it shall desire. The resolution designating the committee shall specify its purposes and powers, provide for the appointment of its members, and chairman, and shall provide for reports, termination and other administration matters.

Section 3. Contracts. The Board may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances. Unless so authorized, no officer, agent or employee shall have any power or authority to bind the Association.

Section 4. Loans. No loans shall be contracted on behalf of the Association and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board. Such authority may be general or confined to specific instances.

Section 5. Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Association shall be signed by such officer or officers, agent or agents of the Association and in such manner as shall from time to time be determined by resolution of the Board.

Section 6. Deposits. All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in such banks, trust companies or other depositories as the board of directors may select.

Section 7. Fiscal Year. The fiscal year of the Association shall be determined by the Board, subject to change by the Board at any time.

## ARTICLE VIII. AMENDMENTS

These bylaws or any portion hereof may be amended by the Board, provided, however, that no amendment shall diminish the votes or consent required in respect of any matter for which the number of votes or consenting members required is specifically set forth in any covenants, conditions and restrictions of record.

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I, Jodi Landefeld, Secretary of the Canyon Lakes Property Owner's Association, hereby certify that the foregoing Bylaws of the Community of Canyon Lakes were duly adopted by the Board of Directors of the Canyon Lakes Property Owner's Association on the 17<sup>th</sup> day of February, 2009, pursuant to Master Declaration of Covenants, Conditions and Restrictions for the Community of Canyon Lakes, as amended, and the Bylaws of the Canyon Lakes Property Owners' Association in effect at said time.

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JODI LANDEFELD  
Secretary