

BYLAWS
OF
THE CANYON LAKES PROPERTY OWNERS' ASSOCIATION

ARTICLE I. TERMS

Capitalized terms used in these bylaws shall have the meanings assigned in the Master Declaration of Covenants, Conditions, and Restrictions for the Community of Canyon Lakes recorded or to be recorded in Benton County, Washington or in any supplemental declaration thereto ("Covenants, Conditions, and Restrictions").

ARTICLE II. OFFICES

The registered office of 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.

ARTICLE III. MEETINGS

Section 1. Annual Meeting. The Association shall hold an annual meeting of Delegates each year for the purpose of electing directors and for the transaction of such other business as may come before the meeting. The first meeting shall be held during the first two months of the first calendar year following the close of the first sale of a Unit. Subsequent annual meetings shall be held on the anniversary date of the first annual meeting provided, however, that should the anniversary date fall on a legal holiday or Saturday or Sunday, then such annual meeting shall be held on the following day. If the annual meeting shall not be held at said time, the president or the board of directors may call the annual meeting at a time fixed by them, not more than 60 days after said time, by proper notice designating the meeting as the annual meeting.

Section 2. Special Meeting. Special meetings of the Delegates, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the president or by the board of directors, and shall be called by the president at the request of Delegates representing more than 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 Delegates holding at least 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 Delegates. In the absence of any such determination, all meetings shall be held at the registered office of the Association in the state of Washington. All meetings shall be held within the Community 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 meeting and the nature of the business to be undertaken, shall be delivered not less than 10 nor more than 30 days before the date of the meeting, either by regular mail or telegram, by or at the direction of the president, the secretary or the officer, or persons calling the meeting, to each Delegate. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Delegate at his 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

Delegate entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

Section 5. Quorum; Manner of Acting. The presence at any meeting in person of Delegates representing more than 40 percent of the total voting power of the Association shall constitute a quorum at a meeting of Delegates. 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 or voting by classes is required by statute, the Covenants, Conditions, and Restrictions, the articles of incorporation or the bylaws. If any meeting cannot be held because a quorum is not present, the Delegates present may adjourn the meeting to a time not less than 5 days no more than 30 days from the time the original meeting was called, provided that the quorum requirement for such adjournment shall be Delegates representing no less than 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 Delegates present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Delegates to leave less than a quorum.

Section 6. Selection of Delegates.

Class A Delegates. Each Local Association shall in writing designate one Delegate to the Association to exercise the voting power of all of the members of the Local Association in the manner provided herein. The chairman of any meeting at which a Delegate is elected shall certify in writing to the board of directors the name of the Delegate elected, the time and place of the meeting at which the election occurred and the Local Association which the Delegate represents. A Delegate may be removed without cause by the vote in person or by proxy at any duly constituted meeting of a majority of the members in the Local Association. Each Delegate will be entitled to cast one vote for each Unit owned by members of the Local Association, other than Developer, which the Delegate represents. Only members of the Local Association for which the Delegates are selected shall be eligible for election as Delegates. Upon termination of any Delegate's membership in the Local Association for which he is selected, such Delegate's term of office shall immediately terminate, and a new Delegate shall be elected in his place. Each Delegate shall cast the votes which he represents in such manner as he may, in his sole discretion, deem appropriate acting on behalf of all of the members in the Local Association represented by such Delegate provided, however, that as to any special assessment or increase in maximum assessment which requires the consent of a majority of the members of the Association pursuant to Sections 7.3 and 7.4 of the Covenants, Conditions, and Restrictions or in the event that at least 51 percent of the voting membership in any Local Association shall determine at any duly constituted meeting of the members in such Local Association to instruct their Delegate as to the manner in which he is to vote on any issue to be voted on by the Delegates, then, in either event, the Delegate representing such Local Association shall cast all of the voting power in such Local Association in the same proportion, as nearly as possible without counting fractional votes, as the members in such Local Association shall have voted "for" and "against" such issue in person or by proxy. When a Delegate is voting in his own discretion without instruction from the members whom he represents, then such Delegate shall cast all of the votes which he represent as a unit and may not apportion such of such votes in opposition to such proposition. It will be conclusively presumed for all purposes that any Delegate casting votes on behalf of the members of a Local Association will have acted with the authority and consent of all such members. All agreements and determinations lawfully made by the Association in accordance with the voting procedures established herein shall be deemed to be binding on all members, Unit Owners, and their respective successors and assigns.

Class B Delegate. The Delegate for the Class B member of the Association shall be any partner or authorized representative or agent of the Developer. The Delegate for the Class B member shall be entitled to cast the votes of the Class B member specified in the articles of incorporation.

ARTICLE IV. BOARD OF DIRECTORS

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

Section 2. Number, Tenure, and Qualifications. The number of directors of the Association shall be five. Directors shall be divided into classes as specified in the articles of incorporation. Each director shall hold office until the next annual meeting of Delegates and until his successor shall have been elected and qualified, unless sooner removed from office as hereinafter provided.

Section 3. Regular Meetings. A regular meeting of the board of directors shall be held without other notice than this bylaw immediately after, and at the same place as, the annual meeting of Delegates. The board of directors 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. Special Meetings. Special meetings of the board of directors may be called by or at the request of the president or any two directors.

Section 5. Place of Meetings. All regular and special meetings shall be held within the Community or as close thereto as practicable at a reasonable place selected by the board.

Section 6. Notice; Waiver. Notice of any special meeting shall be given at least 36 hours previously thereto by written notice delivered personally or mailed to each director at his business address. If mailed, such notice shall be deemed to be delivered 48 hours after it is deposited in the United States mail so addressed, with postage thereon prepaid. 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. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board of directors need be specified in the notice or waiver of notice of such meeting. 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 such notice.

Section 7. Quorum. A majority of the number of directors fixed by Section 2 of this Article IV shall constitute a quorum for the transaction of business at any meeting of the board of directors, 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.

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 of directors.

Section 9. Vacancies. Any vacancy occurring in the board of directors, 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 of the class of directors in which the vacancy exists though less than a quorum of the board of directors. A director elected to fill a vacancy shall be elected

for the unexpired term of his 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 of directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken, unless his dissent shall be entered in the minutes of the meeting, or unless he shall file his 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 Delegates representing a majority of the voting power of the Delegates entitled to vote for such director. 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 of directors, 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, 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. Competition. 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 therefore.

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 other powers and duties as shall be given to or imposed upon the board by the Covenants, Conditions, and Restrictions, or by law, the board shall have the power and duty to carry out the following:

- a) Maintenance of all Common Areas, Private Ways, Semipublic Recreational or Service Areas and the improvements thereon.
- b) Construction of such improvements on or under the Common Areas, Private Ways, and Semipublic Recreational or Service Areas as it 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 the Covenants, Conditions, and Restrictions.
- d) Promulgation and enforcement of the Rules and Regulations and the enforcement of the Architectural Review Committee Rules and Regulations and the decisions of the Architectural Review Committee.
- e) Payment of all ad valorem taxes and assessments on any of the Common Areas, Private Ways, or Semipublic Recreational or Service Areas within the Community.
- f) Provision of such services to the Residents as it shall deem to be of benefit to the Residents.

- g) Procuring and maintenance of insurance on all improvements constructed on the Common Areas, Private Ways, or Semipublic Recreational or Service Areas.
- h) Imposition and collection of assessments and penalties.
- i) Fixing of fees for use of recreational and service facilities within the Common Areas and in the Semipublic Recreational or Service Areas and for the collection thereof. All such fees shall be paid into the maintenance 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 of the Community owned by the Association to owners, occupants, and invitees of office, commercial, and lodging or other facilities constructed on land within a Developer's Area whether or not subject to the Covenants, Conditions, and Restrictions, and entering into road maintenance agreements providing for contribution to the cost of maintenance of the entrances to the Community and roadways and related improvements which are subject to easements granted by the board.
- l) Maintaining a complete record of all of its acts and affairs and, within 90n days following the close of each calendar year, rendering to each Unit Owner an accounting as specified in the Covenants, Conditions, and Restrictions.
- m) Supervision of all officers, agents, and employees of the Association.
- n) Keeping of a maintenance fund and making deposits to and payments from such fund in the manner provided in the Covenants, Conditions, and Restrictions.

Section 15. Delegation of Functions. The board may at any time delegate to a manager employed by the board or to any Local Association responsibility for the performance of any duty or function of the board. All contracts for management of any Common Areas shall be for a term not exceeding one year and shall be subject to review by the board upon termination of the Class B membership. The Association shall provide funds to any Local Association to permit such Local Association to accomplish any functions delegated.

Section 16. Limitation of Liability. The board shall not be liable for failure to carry out any power in cases in which there are insufficient moneys in the maintenance fund to enable it to carry out its power. The board shall have sole power to determine for which authorized purpose moneys in the maintenance fund shall be held in reserve. Neither the board, the Association nor any director shall be liable to any Unit Owner or to any Resident on account of any action or failure to act of the board, provide only that it has acted in good faith.

Section 17. Assessments. The board may impose a regular, special or Section assessment against Unit Owners in an amount not in excess of the maximum allowed or approved by Unit Owners pursuant to the Covenants, Conditions and restrictions. On or before December 1 of each year, the board shall fix the amount of the assessment to be imposed for such year.

ARTICLE V. OFFICERS

Section 1. Number. The officers of the Association shall be a president, one or more vice presidents (the number thereof to be determined by the board of directors), a secretary and a treasurer, each of whom shall be elected by the board of directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the board of directors.

Section 2. Election and Term of Office. The officers of the Association to be elected by the board of directors shall be elected annually at the first meeting of the board of directors held after each annual meeting of the Delegates. 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 his successor shall have been duly elected and shall have qualified or until his death or until he 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 of directors may be removed by the board of directors 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 of directors 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 of directors, shall in general supervise and control all the affairs of the Association. He shall preside at all meetings of the Delegates and of the board of directors. He may sign, with the secretary or any other proper officer of the Association thereunto authorized by the board of directors, contracts or other instruments which the board of directors has authorized to be executed, except in cases where the signing and execution thereof shall be delegated expressly by the board of directors or by these bylaws to some other officer or agent of the Association shall be required by law to be otherwise signed or executed and in general he shall perform all duties incident to the office of president and such other duties as may be prescribed by the board of directors from time to time.

Section 6. Vice Presidents. In the absence of the president, or in the event of his 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 president, and, when so acting, shall have all powers of and be subject to all the restrictions upon the president. Any vice president shall perform such duties as from time to time may be assigned to him by the president or by the board of directors.

Section 7. Secretary. The secretary shall: (a) keep the minutes of the Delegates' and board of directors' meetings 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 owners of Units listing the names and addresses of such owners as furnished to the Association, and such book shall be changed only at such time as satisfactory evidence of a change in ownership of a Unit is presented to the Secretary; and (e) in general perform all duties as from time to time may be assigned to him by the president or by the board of directors.

Section 8. Treasurer. The treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the Association, receive and give receipts for moneys due and payable to the Association from any source whatsoever, and deposit all such moneys in the name of the Association in such banks, trust companies, or other depositories as shall be selected in accordance with the provisions of Article VII of the bylaws; 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 to him by the president or by the board of directors.

Section 9. Compensation. Officers, agents, and employees shall receive such reasonable compensation for their services as may be authorized by the board of directors. Appointment of any officer, agent, or employee shall not of itself create contractual rights of compensation for services performed.

Section 10. Bonds. The board of directors shall require that all officers and employees of the Association handling or responsible for 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. Neither any director nor any 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 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 counsel fees, actually and necessarily incurred by or imposed upon him in connection with the defense of any claim, action, suit, proceeding, investigation or inquiry of whatever nature in which he may have been involved as a party or otherwise by reason of his having been an officer or director of the Association, whether or not he continues in such position at the time such costs are incurred, except with respect to matters as to which he 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 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.

ARTICLE VII. MISCELLANEOUS

Section 1. Architectural Review Committee. The board of directors shall appoint an architectural review committee which shall consist of 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 addresses of the members of the committee. The committee shall have the powers and duties specified in the Covenants, Conditions, and Restrictions.

Section 2. Committees. The board of directors 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 of directors 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 of directors. 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 of directors; provided that, no representative of Developer shall be authorized to sign checks on behalf of the association.

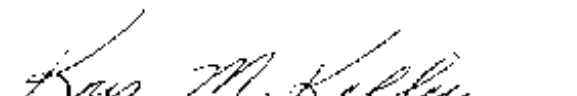
Section 6. Deposits. All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in such banks, trust companies or other depositories as the board of directors may select.

Section 7. Fiscal Year. The fiscal year of the Association shall be determined by the board of directors, subject to change by the board.

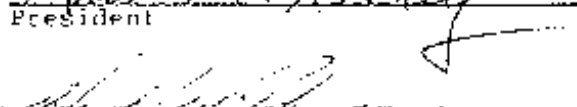
ARTICLE VIII. AMENDMENTS

These bylaws or any portion hereof may be amended, by the board of directors, 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 unless such amendment has received the consent of members having such number of votes and no amendment shall change the rights of Developer without Developer's consent, and provided further that such amendment does not conflict with the Covenants, Conditions and Restrictions.

The foregoing bylaws were adopted by action of the board of directors of the The Canyon Lakes Property Owners' Association on November 17, 1981.



President



Secretary