

BYLAWS

OF

CANYON HILLS OWNERS ASSOCIATION

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ARTICLE I

OFFICES AND PURPOSE

Section 1.1. Principal Office. The principal office of the Corporation shall be established and maintained at 1285 South Wenatchee Avenue, Wenatchee, Washington.

Section 1.2. Other Offices. The Corporation may have other offices, either within or without the State of Washington, at such place or places as the Board of Directors may determine from time to time or the business of the Corporation may require.

Section 1.3. Purpose. The corporation shall enforce the Canyon Hills Covenants, Conditions, and Restrictions.

ARTICLE II

BOARD OF DIRECTORS

Section 2.1. Powers. The business of the Corporation shall be managed and its corporate powers shall be exercised by its Board of Directors, except as otherwise provided by statute or by the Articles of Incorporation.

Section 2.2. Number. Until the number is changed by resolution of the directors at any time, the Board shall consist of one (1) director.

Section 2.3. Election and Term of Office. At the annual meeting of the Board of Directors, the persons receiving the greatest number of votes, up to the number of directors to be elected, shall be the directors. Each director shall hold office for a one-year term, or until his successor is elected and qualified, or until his earlier resignation by written notice to the Secretary of the Corporation, or until his removal from office.

Section 2.4. Elections and Vacancies. Any election of a director, including elections resulting from a vacancy occurring in the Board of Directors or an increase in the number of directors, shall be filled by the affirmative vote of a majority of the directors then in office, though less than a quorum of the Board of

Directors. A director elected to fill a vacancy shall be elected until the next annual meeting of the directors.

Section 2.5. Removal. At a special meeting of the directors, duly called expressly for that purpose as provided in these Bylaws, any director or directors, by the affirmative vote of two-thirds of all the directors, may be removed from office, either with or without cause, and the remaining directors, in the manner provided in these Bylaws, shall fill any vacancy or vacancies created by such a removal.

Section 2.6. Place of Meetings. Meetings of the Board of Directors of the Corporation, regular or special, may be held either within or without the State of Washington.

Section 2.7. Annual Meetings. The Board of Directors shall hold an annual meeting each year on the first Tuesday in October beginning in 1999 for the purpose of election of directors and officers and for the consideration of any other business that may be properly brought before the meeting. No notice of any kind to either old or new members of the Board of Directors for such regular meeting shall be necessary. At the annual meeting, the Board of Directors shall accept nominations for the directors' positions to be filled from any sitting director.

Section 2.8. Special Meetings. Special meetings of the Board of Directors may be called by any two directors, the Chairman of the Board or the President or Secretary on two (2) days' written notice to each director, either personally or by mail or by telegram. Notice of any special meeting of the Board of Directors need not be given to any director who signs a waiver of notice either before or after the meeting. Attendance by a director at a special meeting shall constitute a waiver of notice of such special meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because such special meeting is not lawfully convened.

Section 2.9. Quorum. A majority of all the directors shall constitute a quorum for the transaction of business. The affirmative vote of the majority of directors present at a meeting where a quorum is present shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, a majority of the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 2.10. Executive Committee. The Board, by resolution passed by a majority of the whole Board, may designate from among its members an executive committee and one or more other committees, which committees, to the extent provided in such resolution, shall have and exercise any or all of the authority of the Board of Directors, except that no such committee shall have the

authority to designate candidates for the office of director, fill vacancies on the Board of Directors or any committee thereof or amend the Bylaws.

Section 2.11. Presence at Meetings. Members of the Board of Directors or an executive committee shall be deemed present in person at a meeting of such Board or committee if a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other is used.

### ARTICLE III

#### OFFICERS

Section 3.1. Designation. The Corporation shall have a President, a Secretary and a Treasurer. The Corporation also may have, at the discretion of the Board of Directors, a Chairman of the Board and one or more Vice Presidents (however titled), Assistant Secretaries and Assistant Treasurers. One person may hold two or more offices.

Section 3.2. Election. The officers of the Corporation, except such officers as may be elected in accordance with the provisions of Section 3.3 or Section 3.5 of this Article, shall be elected annually by the Board of Directors, and each shall hold his office until he shall resign or shall be removed or otherwise disqualified to serve, or his successor shall be elected and qualified. Officers shall be elected by the affirmative vote of the majority of directors present at a meeting where a quorum is present.

Section 3.3. Subordinate Officers. The Board of Directors may elect such other officers as the business of the Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board of Directors may determine from time to time.

Section 3.4. Removal and Resignation. Any officer may be removed, either with or without cause, by the affirmative vote of the majority of directors present at any meeting where a quorum is present, or, except in the case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the Board of Directors, or to the Chairman of the Board, if one shall have been elected, or the President or the Secretary of the Corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.5. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled by the Board of Directors.

Section 3.6. Chairman of the Board. The Chairman of the Board, if there shall be such an officer, if present, shall preside at all meetings of the Board of Directors and exercise and perform such other powers and duties as may from time to time be assigned to him by the Board of Directors or prescribed by these Bylaws.

Section 3.7. President. The President shall be the chief executive officer of the Corporation and, subject to the control of the Board of Directors, shall have general supervision, direction and control of the business and affairs of the Corporation. In the absence of the Chairman of the Board, he shall preside at all meetings of the Board of Directors. He shall execute deeds, bonds, mortgages and other instruments on behalf of the Corporation, except where required or permitted by law to be signed and executed otherwise and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation. He shall be ex-officio a member of all the standing committees, if any, shall have the general powers and duties of management usually vested in the office of the chief executive officer of a corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

Section 3.8. Vice Presidents. The Vice Presidents, if any, shall have such powers and perform such duties as may be prescribed from time to time for them respectively by the Chairman of the Board, the President, the Board of Directors or these Bylaws.

Section 3.9. Secretary. The Secretary shall keep, or cause to be kept, a book of minutes at the registered or principal office, or such other place as the Board of Directors may order, of all meetings of directors with the time and place of holding, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at directors' meetings, and the proceedings thereof.

The Secretary shall give, or cause to be given, notice of all the meetings of the Board of Directors required by these Bylaws or by law to be given, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

Section 3.10. Treasurer. The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Corporation, including accounts of its assets,

liabilities, receipts, disbursements, gains, losses, capital, surplus and shares. The books of account shall be open at all reasonable times to inspection by any director.

The Treasurer shall deposit all moneys and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board of Directors. He shall disburse the funds of the Corporation, shall render to the President and any director, whenever requested, an account of all his transactions as Treasurer and of the financial condition of the Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

Section 3.11. Compensation. The compensation of the officers and agents of the Corporation shall be fixed from time to time by the Board of Directors, or by such officer or officers as said Board shall direct, and no officer shall be prevented from receiving such compensation by reason of the fact that he is or was a director of the Corporation.

#### ARTICLE IV

#### GENERAL PROVISIONS

Section 4.1. Checks. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may designate from time to time.

Section 4.2. Fiscal Year. The fiscal year of the Corporation shall end on the 31st day of December.

Section 4.3. Execution of Deeds, Contracts and Other Documents. Except as otherwise provided by the Articles of Incorporation and the Board of Directors, all deeds and mortgages made by the Corporation and all other written contracts and agreements to which the Corporation shall be a party may be executed on behalf of the Corporation by the Chairman of the Board, if one shall have been elected, the President or one or more Vice Presidents, if any shall have been elected, and may be attested to by the Secretary or Assistant Secretary. The Board of Directors may authorize the execution of deeds, mortgages and all other written contracts and agreements to which the Corporation may be a party by such other officers, assistant officers or agents, as may be selected by the Chairman of the Board or President from time to time and with such limitations and restrictions as authorization may prescribe.

## ARTICLE V

### AMENDMENT TO BYLAWS

These Bylaws may be altered, amended, repealed or added to by the vote of two-thirds of the Board of Directors present at any regular meeting of the said Board, or at a special meeting of the directors called for that purpose, provided a quorum of the directors are present at such meeting.

## ARTICLE VI

### INDEMNIFICATION

Section 6.1 General. Each person who was or is made a party or is threatened to be made a party to or is involved (including, without limitation, as a witness) in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of that fact that he or she is or was a director or officer of the corporation or, being or having been such a director or officer, he or she is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent or in any other capacity, shall be indemnified and held harmless by the corporation to the full extent permitted by applicable law as then in effect, against all expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines, and all amounts to be paid in settlement) actually or reasonably incurred or suffered by such person in connection therewith. Such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators. No indemnification shall be provided under this Article to any such person if the corporation is prohibited by the nonexclusive provisions of the Washington Non-Profit Corporation Act or any other applicable law as then in effect from paying such indemnification. The right to indemnification conferred in this Section shall be a contract right and shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that the payment of such expenses in advance of the final disposition of a proceeding shall be made to or on behalf of a director or officer only upon delivery to the corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Article or otherwise, which undertaking may be unsecured and may be accepted without reference to financial ability to make repayment.

Section 6.2 Non-exclusive. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Articles of Incorporation, Bylaws, agreement, vote or disinterested directors or otherwise.

Section 6.3 Insurance. The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Washington Non-Profit Corporation Act. The corporation may enter into contracts with any director or officer of the corporation in furtherance of the provisions of this Article and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article.

Section 6.4 Interim Payments. The corporation may, by action of its Board of Directors from time to time, provide indemnification and pay expenses in advance of the final disposition of a proceeding to employees and agents of the corporation with the same scope and effect as the provisions of this Article with respect to the indemnification and advancement of expenses of directors and officers of the corporation or pursuant to rights granted pursuant to, or provided by, the Washington Non-Profit Corporation Act or otherwise.

## ARTICLE VII

### SEVERABILITY

The provisions of these Bylaws shall be separable each from any and all other provisions of these Bylaws, and if any such provision shall be adjudged to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, or the powers granted to this Corporation by the Articles of Incorporation or Bylaws.

Adopted as of September 30, 1998.

CANYON HILLS OWNERS ASSOCIATION

By Prima Prop. LLC  
Secretary Mgr.