

AFTER Recording, RETURN  
CENTEX R.E. CORP  
2320 130 AVE NE #200  
BELLEVUE, WA 98005  
ATTN: CARL GREENE

BYLAWS  
OF  
SILVER FIRS HOMEOWNERS ASSOCIATION PHASE II

ARTICLE 1 OFFICES

The principal office and place of business of the corporation in the state of Washington shall be located at 2320 130th Avenue N.E., #200, Bellevue, Washington 98005.

The corporation may have such other offices within or without the state of Washington as the Board of Directors may designate or the corporation may require from time to time.

ARTICLE 2 DEFINITIONS

2.1 "Association" shall mean Silver Firs Homeowners Association Phase II, a Washington nonprofit corporation, its successors and assigns.

2.2 "Board" shall mean the Board of Directors of the Association as provided for in these Bylaws.

2.3 "Common Area" shall mean all real property (including the improvements thereto) owned by the Association for the common use and enjoyment of the Owners, and shall in all events exclude each Platted Lot.

2.4 "Declarant" shall mean Centex Real Estate Corporation, Washington State Division, and its successors and assigns if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development and by written instrument in recordable form be specifically assigned the rights and duties of Declarant.

2.5 "Declaration" shall mean the Declaration of Covenants, Conditions and Restrictions for Silver Firs Phase II and any amendments thereto.

2.6 "Platted Lot(s)" shall mean any plot of land described in and shown on any recorded subdivision map of the Properties, excluding Common Areas and areas deeded to governments or public agencies.

2.7 "Unplatted Lot(s)" shall mean any plot of land described in and shown on any unrecorded subdivision map or survey map of the Properties, excluding any Common Areas contained in such maps.

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2.8 "Lot(s)" shall mean both Platted Lot(s) and Unplatted Lot(s).

2.9 "Owner" shall mean the record owner, whether one or more persons or entities, of a fee simple title to any Lot in the Properties including any person or entity holding a vendee's interest under a real estate contract for the sale of any such Lots, but excluding those having such interest merely as security for the performance of an obligation.

2.10 "Properties" shall mean Silver Firs Phase II as defined in the Declaration including such additional property as may hereafter be brought within the jurisdiction of the Association.

### ARTICLE 3 NUMBER OF DIRECTORS

The initial Board of Directors of this corporation shall consist of three (3) directors, and thereafter of no less than five (5) directors.

### ARTICLE 4 MEMBERS

**Section 4.1 Classes of Members.** The membership of the corporation shall consist of two classes of members, to be designated as "Class A" members and "Class B" members.

**Section 4.2 Class A Members.** Class A members of the corporation shall be all Owners except Declarant.

**Section 4.3 Class B Members.** Class B members of the corporation shall be Declarant or his successors and assigns as defined in the Declaration.

**Section 4.4 Termination of Membership.** Membership of any Class A or Class B member terminates when the member no longer holds any right, title or interest in any Lot in the Properties.

**Section 4.5 Annual Meeting.** The first annual meeting of the members shall be held within one year from the date of incorporation of the Association, and each subsequent regular annual meeting of the members shall be held on the same day of the same month of each year thereafter. If the day fixed for the annual meeting shall be a legal holiday in the state of Washington, the meeting shall be held on the next succeeding business day.

**Section 4.6 Special Meetings.** Special meetings of the members for any purpose or purposes unless otherwise prescribed by statute may be called by the president, by the Board, or by the written request of the members who are entitled to vote one-fourth (1/4) of all the votes of the Class A membership.

**Section 4.7 Place of Meetings.** Meetings of the members shall be held at either the principal office of the corporation or

at such other place within or without the state of Washington as the Board or the president may designate.

**Section 4.8 Membership List.** At least ten (10) days before each meeting of the members, the officer or agent having charge of the membership list of the corporation shall prepare an alphabetical list of all members who are entitled to vote at the meeting or any adjournment thereof, with the address of each member. Such alphabetical membership list shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any member, member's agent or member's attorney during the whole time of the meeting. Failure to comply with the requirements of this bylaw shall not affect the validity of any action taken at the meeting. Under no circumstances may the membership list be sold to third parties.

**Section 4.9 Notice of Meetings.** Written or printed notice stating the date, time and place of a meeting of members and, in the case of a special meeting of members, the purpose or purposes for which the meeting is called, shall be given by or at the direction of the president, the secretary, or the officer or persons calling the meeting to each member of record entitled to notice of or to vote at such meeting, not less than ten (10) days and not more than sixty (60) days before the meeting. Except that notice of a meeting to act on an amendment to the Articles of Incorporation, a plan of merger, a proposed sale, lease, exchange or other disposition of all or substantially all of the assets of the corporation other than in the usual course of business, or the dissolution of the corporation shall be given not less than twenty (20) days and not more than sixty (60) days before the meeting. Written notice may be transmitted by: mail, private carrier or personal delivery; telegraph or teletype; or telephone, wire or wireless equipment which transmits a facsimile of the notice. Such notice shall be effective upon dispatch if sent to the member's address, telephone number, or other number appearing on the records of the corporation.

If an annual or special members' meeting is adjourned to a different date, time or place, notice need not be given of the new date, time or place if the new date, time or place is announced at the meeting before adjournment unless a new record date is or must be fixed. If a new record date for the adjourned meeting is or must be fixed, however, notice of the adjourned meeting must be given to persons who are members as of the new record date.

**Section 4.10 Waiver of Notice.** A member may waive any notice required to be given under the provisions of these Bylaws, the Articles of Incorporation or by applicable law, whether before or after the date and time stated therein. A valid waiver is created by any of the following three methods: (a) in writing signed by the member entitled to the notice and delivered to the corporation for inclusion in its corporate records; (b) by attendance at the meeting, unless the member at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; or (c) by failure to object at the time of

presentation of a matter not within the purpose or purposes described in the meeting notice.

**Section 4.11 Manner of Acting; Proxies.** A member may vote either in person or by proxy. A member may vote by proxy by means of a proxy appointment form which is executed in writing by the member or by his or her duly authorized attorney-in-fact. All proxy appointment forms shall be filed with the secretary of the corporation before or at the commencement of meetings. No unrevoked proxy appointment form shall be valid after eleven (11) months from the date of its execution unless otherwise expressly provided in the appointment form. No proxy appointment may be effectively revoked until notice in writing of such revocation has been given to the secretary of the corporation by the member appointing the proxy.

**Section 4.12 Participation by Conference Telephone.** At the discretion of the Board, members and proxies may participate in a meeting of the members by any means of communication by which all persons participating in the meeting can hear each other during the meeting, and participation by such means shall constitute presence in person at the meeting.

**Section 4.13 Quorum.** At any meeting of the members, attendance by forty (40) percent of all the members entitled to vote on a matter shall constitute a quorum of that voting group for action on that matter. Once a member is present or represented at a meeting, other than to object to holding the meeting or transacting business, the member is deemed to be present for purposes of a quorum for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be fixed for the adjourned meeting. At such reconvened meeting, any business may be transacted which might have been transacted at the adjourned meeting. If a quorum exists, action on a matter is approved if the votes cast favoring the action exceed the votes cast opposing the action, unless the question is one upon which a different vote is required by express provision of law or of the Articles of Incorporation or of these Bylaws.

**Section 4.14 Voting for Directors.** Unless otherwise provided in the Articles of Incorporation, in any election of directors, the candidates elected are those receiving the largest numbers of votes cast by the members entitled to vote in the election, up to the number of directors to be elected by such members.

**Section 4.15 Action by Members Without a Meeting.** Any action which may or is required to be taken at a meeting of the members may be taken without a meeting if one or more written consents setting forth the action so taken shall be signed, either before or after the action taken, by all the members entitled to vote with respect to the subject matter thereof. Action taken by written consent of the members is effective when all consents are in possession of the corporation, unless the consent specifies a later effective date. Whenever any notice is required to be given

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to any member of the corporation pursuant to applicable law, a waiver thereof in writing, signed by the person or persons entitled to notice, shall be deemed equivalent to the giving of notice.

## **ARTICLE 5           BOARD OF DIRECTORS**

**Section 5.1    General Powers.** The business and affairs of the corporation shall be managed by its Board of Directors.

**Section 5.2    Number, Tenure and Qualification.** The number of directors set forth in Article 3 of these Bylaws may be increased or decreased from time to time by amendment to or in the manner provided in these Bylaws. No decrease, however, shall have the effect of shortening the term of any incumbent director unless such director resigns or is removed in accordance with the provisions of these Bylaws. Except as classification of directors may be specified by the Articles of Incorporation and unless removed in accordance with these Bylaws, each director shall hold office until the next annual meeting of the members and until a successor shall have been elected and qualified. Directors need not be residents of the state of Washington but, except for those directors elected by Class B members, must be members of the corporation.

**Section 5.3    Election of Directors.** Until such time as the Class B membership terminates, the Declarant shall, at each annual meeting, appoint two Class A members as directors. At the first annual meeting, one such director shall be appointed to serve a one (1) year term. The other Class A director, and each director appointed or elected thereafter, shall serve a two (2) year term. Class A directors may be appointed or elected to serve more than once, but no Class A director may serve more than two (2) consecutive terms. After Class B membership terminates, directors shall be elected by the Class A members. No member may cast more than one (1) vote for any candidate for each Lot owned by that member. The Class B members shall elect or appoint three directors for terms of two (2) years each.

**Section 5.4    Removal of Directors.** Directors elected by Class A members may be removed from office by majority vote of the Class A members voting in person or by proxy at a meeting called for the purpose of considering such removal. Directors elected by the Class B members may be removed by the written notification from such member to the secretary of the Association of such removal.

**Section 5.5    Annual and other Regular Meetings.** An annual meeting of the Board shall be held without other notice than this Bylaw, immediately after and at the same place as the annual meeting of members. The Board of Directors may specify by resolution the time and place, either within or without the state of Washington, for holding any other regular meetings of the Board of Directors.

**Section 5.6 Special Meetings.** Special meetings of the Board may be called by the Board, the president, the secretary or any director. Notice of special meetings of the Board stating the date, time and place thereof shall be given at least three (3) days prior to the date set for such meeting by the person or persons authorized to call such meeting, or by the secretary at the direction of the person or persons authorized to call such meeting. The notice may be oral or written. Oral notice may be communicated in person or by telephone, wire or wireless equipment, which does not transmit a facsimile of the notice. Oral notice is effective when communicated. Written notice may be transmitted by mail, private carrier, or personal delivery; telegraph or teletype; or telephone, wire, or wireless equipment which transmits a facsimile of the notice. Written notice is effective upon dispatch if such notice is sent to the director's address, telephone number, or other number appearing on the records of the corporation. If no place for such meeting is designated in the notice thereof, the meeting shall be held at the principal office of the corporation. Any director may waive notice of any meeting at any time. Whenever any notice is required to be given to any director of the corporation pursuant to applicable law, a waiver thereof in writing signed by the director, entitled to notice, shall be deemed equivalent to the giving of notice. The attendance of a director at a meeting shall constitute a waiver of notice of the 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 convened. Unless otherwise required by law, 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.

**Section 5.7 Quorum.** A majority of the number of directors specified in or fixed in accordance with these Bylaws shall constitute a quorum for the transaction of any business at any meeting of directors. If less than a majority shall attend a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice, and a quorum present at such adjourned meeting may transact business.

**Section 5.8 Manner of Acting.** If a quorum is present when a vote is taken, the affirmative vote of a majority of directors present is the act of the Board, unless the question is one upon which a different vote is required by express provision of law or of the Articles of Incorporation or of these Bylaws.

**Section 5.9 Participation by Conference Telephone.** Directors may participate in a regular or special meeting of the Board by, or conduct the meeting through the use of, any means of communication by which all directors participating can hear each other during the meeting and participation by such means shall constitute presence in person at the meeting.

**Section 5.10 Presumption of Assent.** A director who is present at a meeting of the Board at which action is taken shall be presumed to have assented to the action taken unless such

director's dissent shall be entered in the minutes of the meeting or unless such director shall file his written dissent to such action with the person acting as secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the corporation immediately after adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

**Section 5.11 Action by Board Without a Meeting.** Any action permitted or required to be taken at a meeting of the Board may be taken without a meeting if one or more written consents setting forth the action so taken, shall be signed, either before or after the action taken, by all the directors. Action taken by written consent is effective when the last director signs the consent, unless the consent specifies a later effective date.

**Section 5.12 Resignation.** Any director may resign at any time by delivering written notice to the president, the secretary, or the registered office of the corporation, or by giving oral notice at any meeting of the directors or members. Any such resignation shall take effect at any subsequent time specified therein, or if the time is not specified, upon delivery thereof and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

**Section 5.13 Removal.** At a meeting of the members called expressly for that purpose, any director or the entire Board may be removed from office, with or without cause (unless the Articles of Incorporation provide that directors may be removed only for cause), by a vote of a majority of the members then entitled to vote at an election of the director or directors whose removal is sought. If the entire Board or any one or more directors is so removed, new directors may be elected at this same meeting.

**Section 5.14 Vacancies.** A vacancy on the Board may occur by the resignation, removal or death of an existing director, or by reason of increasing the number of directors on the Board as provided in these Bylaws. Except as may be limited by the Articles of Incorporation, any vacancy occurring in the Board may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office, except that a vacancy to be filled by reason of an increase in the number of directors shall be filled by the Board for a term of office continuing only until the next election of directors.

**Section 5.15 Compensation.** No director shall receive compensation for any service he may render to the Association. However, by resolution of the Board, the directors may be paid the expenses, if any, for attendance at meetings of the Board or committee thereof.

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ARTICLE 6            POWERS AND DUTIES OF DIRECTORS

**Section 6.1    Powers.** The Board, on behalf of and acting for the Association and for the benefit of the Properties and the Owners, shall have all the powers and authority permitted to the Board under the Declaration, including but not limited to the following:

6.1.1 Rules and Regulations. Adopt and publish rules and regulations governing the use of Common Areas and facilities, and the personal conduct of the members and their guests, and establish penalties for the infraction thereof.

6.1.2 Suspension of Voting Rights. Suspend the voting rights and right to use of the recreational facilities of a member during any period in which such member shall be in default in the payment of any assessment levied by the Association or in violation of the rules, regulations, Bylaws, etc.

6.1.3 Assessments. Establish and collect regular assessments and/or special assessments to defray expenses attributable to carry out its duties hereunder and maintain an adequate reserve fund for the maintenance, repair and replacement of those portions of the Common Areas or facilities which must be maintained, repaired or replaced on a periodic basis which reserve shall be funded by the above assessments.

6.1.4 Service. Obtain the services of persons or firms as required to properly manage the Properties to the extent deemed advisable by the Board including legal and accounting services, property management services, as well as such other personnel as the Board shall determine are necessary or proper for the operation of the Common Area.

6.1.5 Utilities. Obtain water, sewer, garbage collection, electrical, telephone, gas and any other necessary utility service, including utility easements, as required for the Common Area.

6.1.6 Insurance. Obtain and pay for policies of insurance or bonds providing Common Area casualty and liability coverage and for fidelity of Association officers and other employees.

6.1.7 Maintenance and Repair of Common Area. Pay for the costs of painting, maintenance, repair and all landscaping and gardening work for the Common Area and improvements located thereon, including repairing and painting any fence constructed on the perimeter boundary of the project, and such furnishings and equipment for the Common Area as the Board shall determine are necessary and proper to keep the Properties in a good, clean, attractive, sanitary and safe condition and in full compliance with applicable governmental laws, rules and regulations and the provisions of the Declaration.

6.1.8 Lot and Lot Improvement Maintenance. In the event an Owner of any Lot in the Properties shall fail to maintain the



premises and improvements situated thereon, the Association, after approval by two-thirds (2/3) vote of the Board, shall have the right, through its agents and employees, to enter upon the Lot and to repair, maintain and restore the Lot and the exterior of the buildings and any other improvements erected thereon. The cost of such exterior maintenance shall be added to and become part of the assessment to which such Lot is subject as well as the personal obligation of the Owner.

6.1.9 Lien/Encumbrance. The Board may pay any amount necessary to discharge any lien or encumbrance levied against the Common Area. Where one or more Owners are responsible for the existence of such lien, they shall be jointly and severally liable for the cost of discharging it, and any costs and expenses including court costs and attorneys' fees incurred by the Board by reason of such lien or liens shall be specially charged against the Owners and the Lots responsible to the extent of their responsibility.

6.1.10 Enforce Declaration. Enforce the applicable provisions of the Declaration for the management and control of the Properties.

6.1.11 Contracts. Contract for materials and/or services to carry out its responsibilities provided herein.

6.1.12 Financial Statements. Prepare or cause to be prepared at least annually a balance sheet and an operating income/expense statement for the Association, copies of which shall be distributed to each of the Owners within thirty (30) days after the accounting date. The operating statement shall include a schedule of assessments received and receivable, identified by the number of the Lot and the name of the Owners so assessed. The Board may require that an external audit be prepared annually by an independent public accountant within ninety (90) days following the end of each fiscal year.

6.1.13 Payment for Materials, Services, Etc. Pay for any other materials, supplies, labor, services, maintenance, repairs, structural alterations, insurance, taxes or assessments which the Board is required to secure by law, or which in its opinion shall be necessary or proper for the operation of the Common Area or for the enforcement of the Declaration, provided that for any such materials, supplies, labor, services, maintenance, repairs, structural alterations, insurance, taxes, or assessments which are provided for particular Lots or their Owners, the cost thereof shall be specially charged to the Owner of such Lots.

6.1.14 Non-Profit. Nothing herein contained shall be construed to give the Board authority to conduct an active business for profit on behalf of all of the Owners or any of them.

6.1.15 Exclusive Right to Contract. The Board shall have the exclusive right to contract for all goods and services, payment of

which is to be made from the maintenance fund. The Board may delegate such powers subject to the terms hereof.

6.1.16 Acquisition of Property. The Board may, from common funds of the Association, acquire and hold in the name of the Association, for the benefit of the Owners, tangible and intangible personal property and real property and interests therein, and may dispose of the same by sale or otherwise; and the beneficial interest in such Property shall be owned by the Association and such property shall thereafter be held, sold, leased, rented, mortgaged or otherwise dealt with for the benefit of the common fund of the Association as the Board may direct. The Board shall not, however, in any case acquire by lease or purchase, real or personal property (including capital additions and improvements, but excluding the making of repairs, restoration and replacement of portions of the Common Area) valued in excess of Five Thousand Dollars (\$5,000) except upon a majority vote of the Owners, or valued in excess of Twenty-Five Thousand Dollars (\$25,000) except upon a seventy-five (75) percent affirmative vote of the Owners, with such vote being cast in person or by proxy at a meeting called for such purpose, or if no such meeting is held, the written consent of all of the Owners.

6.1.17 Emergency Entry. The Board and its agents or employees, may enter any Lot when necessary in connection with any maintenance, landscaping or construction for which the Board is responsible or in the event of emergencies. Such entry shall be made with as little inconvenience to the Owners as practicable, and any damage caused thereby shall be repaired by the Board out of the common expense fund if the entry was due to an emergency or for the purpose of maintenance or repairs to Common Areas. If the emergency repairs or maintenance were necessitated by or for the Lot entered or its Owners, or requested by its Owners, the costs thereof shall be specially charged to such Lot.

6.1.18 Borrowing of Funds. In the discharge of its duties and the exercise of its powers, but subject to the limitations set forth herein and in the Declaration, the Board may borrow funds on behalf of the Association and to secure the repayment thereof, encumber the Common Areas and facilities and Association's funds.

6.1.19 Exercise Powers of Association. Subject to the provisions of the Declaration, exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation or the Declaration.

6.1.20 Adopt Amendments. Adopt additional bylaws and rules and regulations governing the Association and Owners. In the event of conflict between the Declaration and any such additional bylaws or rules and regulations, the provisions of the Declaration shall prevail.

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**Section 6.2 Duties.**

6.2.1 Cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A members who are entitled to vote.

6.2.2 Supervise all officers, agents and employees of the Association and see to the proper performance of their duties.

6.2.3 As more fully provided in the Declaration:

a. Fix the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period;

b. send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each assessment period;

c. record and foreclose the lien against any property for which assessments are not paid, or bring an action at law against the Owner personally obligated to pay the same no later than one hundred eighty (180) days after due date.

6.2.4 Issue, or cause an appropriate officer to issue upon demand by any person, a certificate setting forth whether or not any assessment has been paid, which certificate shall be conclusive evidence of such payment.

6.2.5 Procure and maintain adequate liability and hazard insurance on property owned by the Association.

6.2.6 Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate.

6.2.7 Cause the Common Area to be maintained.

**ARTICLE 7 OFFICERS**

**Section 7.1 Number.** The corporation shall have a president and a vice president, who shall at all times be members of the Board, a secretary, a treasurer, and an assistant secretary, and such other officers as may be deemed necessary or appropriate by the Board of Directors. Any two or more offices may be held by the same person.

**Section 7.2 Election and Term of Office.** The officers of the corporation shall be elected by the Board following each annual meeting of the members. The officers shall be elected annually by the Board and each shall hold office for one (1) year unless he or

she shall sooner resign or be removed, or otherwise be disqualified to serve.

**Section 7.3 Resignation.** Any officer may resign at any time by delivering written notice to the chairman of the Board, the president, a vice president, the secretary or the Board, or by giving oral notice at any meeting of the Board. Any such resignation shall take effect at any subsequent time specified therein, or if the time is not specified, upon delivery thereof and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

**Section 7.4 Removal.** Any officer may be removed by the Board with or without cause. The removal shall be without prejudice to the contract rights, if any, of the person so removed. Appointment of an officer or agent shall not of itself create contract rights.

**Section 7.5 Vacancies.** A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaces.

**Section 7.6 President.** The president shall be the principal executive officer of the corporation and, subject to the control of the Board, shall generally supervise and control the business and affairs of the corporation. When present, the president shall preside at all meetings of the members and at all meetings of the Board of Directors. The president may sign deeds, mortgages, bonds, contracts, or other instruments which the Board has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the corporation or shall be required by law to be otherwise signed or executed. In general, the president shall perform all duties incident to office of and such other duties as may be prescribed by resolution of the Board of Directors from time to time.

**Section 7.7 Vice President.** In the absence of the president or in the event of his death, disability or refusal to act, the vice president shall perform the duties of the president. When so acting, the vice president shall have all the powers of and be subject to all the restrictions upon the president and shall perform such other duties as from time to time may be assigned to the vice president by resolution of the Board.

**Section 7.8 Secretary.** The secretary shall keep the minutes of the proceedings of the members and Board, shall give notices in accordance with the provisions of these Bylaws and as required by law, shall be custodian of the corporate records of the corporation, shall keep a record of the names and addresses of all members, may sign with the president, or a vice president, deeds, mortgages, bonds, contracts, or other instruments which shall have been authorized by resolution of the Board, and in general shall perform all duties incident to the office of secretary and such

other duties as from time to time may be assigned to the secretary by resolution of the Board.

**Section 7.9 Treasurer.** If required by the Board, the treasurer shall give a bond for the faithful discharge of his duties, in such sum and with such surety or sureties as the Board shall determine. The treasurer shall have charge and custody of and be responsible for keeping correct and complete books and records of account for all funds and securities of the corporation; receive and give receipts for monies due and payable to the corporation from any source whatsoever; deposit all such monies in the name of the corporation in the banks, trust companies or other depositories as shall be selected in accordance with the provisions of these Bylaws; and in general perform all of the duties incident to the office of treasurer and such other duties as from time to time may be assigned to the treasurer by resolution of the Board.

## **ARTICLE 8 COMMITTEES**

The Association shall appoint an Architectural Control Committee, as provided in the Declaration. The Board shall appoint other committees as deemed appropriate for carrying out its purposes.

## **ARTICLE 9 CONTRACTS, LOANS, CHECKS, DEPOSITS**

**Section 9.1 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 corporation, and that authority may be general or confined to specific instances.

**Section 9.2 Loans.** No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board which authority may be general.

**Section 9.3 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 corporation shall be signed by the officer or officers, or agent or agents, of the corporation and in the manner as shall from time to time be prescribed by resolution of the Board.

**Section 9.4 Deposits.** All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in the banks, trust companies or other depositories as the Board may select.

**Section 9.5 Loans to Directors and Officers.** No loans shall be made by the corporation to any officer or to any director.

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**ARTICLE 10           ASSESSMENTS**

As more fully provided in the Declaration, each member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the Lot against which the assessment is made. Any assessments not paid when due shall be delinquent. If the assessment is not made within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of six (6) percent per annum. The Association may foreclose the lien against the Lot by judicial or nonjudicial procedures, and interest, costs and reasonable attorney's fees of any such action shall be added to the amount of the assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein and in the Declaration by non-use of the Common Area or abandonment of his Lot.

**ARTICLE 11           RULES OF PROCEDURE**

The rules of procedure at meetings of the Board, meetings of the members, and committee meetings shall be the rules contained in Roberts' Rules of Order on Parliamentary Procedure, as amended, so far as applicable and when not inconsistent with these Bylaws, the Articles of Incorporation or any resolution of the Board.

**ARTICLE 12           SEAL**

This corporation need not have a corporate seal. If the directors adopt a corporate seal, the seal of the corporation shall be circular in form and consist of the name of the corporation, the state and year of incorporation, and the words "Corporate Seal."

**ARTICLE 13           INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS**

**Section 13.1    Powers.**    The corporation shall have the following powers:

13.1.1    Power to Indemnify.    The corporation may indemnify and hold harmless to the full extent permitted by applicable law each person who was or is made a party to 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 other proceeding, whether civil, criminal, administrative or investigative, by reason of that fact that he or she is or was a director, officer, member of the Architectural Control Committee, employee or agent of the corporation, whether the basis of such proceeding is alleged action or omission in an official capacity or in any other capacity while serving as a director, officer, member of the architectural control committee, employee, agent, trustee or in any other capacity, against all expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines, ERISA, excise taxes or penalties and amounts to be paid in

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settlement) actually or reasonably incurred or suffered by such person in connection therewith. Such indemnification may continue as to a person who has ceased to be a director, officer, member of the Architectural Control Committee, employee or agent of the corporation and shall inure to the benefit of his or her heirs and personal representatives.

13.1.2 Power to Pay Expenses in Advance of Final Disposition. The corporation may pay expenses incurred in defending any such proceeding in advance of the final disposition of any such proceeding; 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, officer, employee or agent only upon delivery to the corporation of an undertaking, by or on behalf of such director, officer, employee or agent, to repay all amounts so advanced if it shall ultimately be determined that such director, officer, employee or agent 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.

13.1.3 Power to Enter Into Contracts. The corporation may enter into contracts with any person who is or was a director, officer, employee and agent of the corporation in furtherance of the provisions of this Article and may create a trust fund, grant a security interest in property of the corporation, 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 13.2 Expansion of Powers.** If the Washington Business Corporation Act or the Washington Nonprofit Corporation Act is amended in the future to expand or increase the power of the corporation to indemnify, to pay expenses in advance of final disposition, to enter into contracts, or to expand or increase any similar or related power, then, without any further requirement of action by the members or directors of this corporation, the powers described in this Article shall be expanded and increased to the fullest extent permitted by the Washington Nonprofit Corporation Act, as so amended.

**Section 13.3 Limitation on Powers.** No indemnification shall be provided under this Article to any such person if the corporation is prohibited by applicable law as then in effect from paying such indemnification. For example, no indemnification shall be provided to any director in respect of any proceeding, whether or not involving action in his or her official capacity, in which he or she shall have been finally adjudged to be liable on the basis of intentional misconduct or knowing violation of law by the director or that the director personally received a benefit in money, property or services to which the director was not legally entitled.

No indemnification shall be provided under this Article to any such person if payment of such indemnification would subject the

corporation to imposition of any of the excise taxes imposed pursuant to Sections 4941, 4942, 4943, 4944, or 4945 of the Internal Revenue Code of 1986, as amended from time to time, or would cause the corporation to lose its tax exempt status (if any) from federal income taxation.

**Section 13.4 Indemnification of Directors, Officers, Employees and Agents.**

13.4.1 Directors. The corporation shall indemnify and hold harmless any person who is or was a director of this corporation, and pay expenses in advance of final disposition of a proceeding, to the full extent to which the corporation is empowered.

13.4.2 Officers, Employees, and Agents. The corporation may, by action of its Board, from time to time indemnify and hold harmless any person who is or was an officer, employee or agent of the corporation, and pay expenses in advance of final disposition of a proceeding, to the full extent to which the corporation is empowered, or to any lesser extent which the Board may determine.

13.4.3 Character of Rights. The rights to indemnification and payment of expenses in advance of final disposition of a proceeding conferred by or pursuant to this Article shall be contract rights.

13.4.4 Enforcement. A director, officer, employee or agent ("claimant") shall be presumed to be entitled to indemnification and/or payment of expenses under this Article upon submission of a written claim (and, in an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition, where the undertaking in Section 13.1.2 above has been delivered to the corporation), and thereafter the corporation shall have the burden of proof to overcome the presumption that the claimant is not so entitled.

If a claim under this Article is not paid in full by the corporation within sixty (60) days after a written claim has been received by the corporation, except in the case of a claim for expenses incurred in defending a proceeding in advance of its final disposition, in which case the applicable period shall be twenty (20) days, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, to the extent successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. Neither the failure of the corporation (including its Board of Directors, its members or independent legal counsel) to have made a determination prior to the commencement of such action that indemnification or reimbursement or advancement of expenses to the claimant is proper in the circumstances nor an actual determination by the corporation (including its Board, its members or independent legal counsel) that the claimant is not entitled to indemnification or to the reimbursement or advancement of expenses shall be a defense to the action or create a presumption that the claimant is not so entitled.



13.4.5 Rights Not Exclusive. The right to indemnification and payment of expenses in advance of final disposition of a proceeding 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 of members or disinterested directors or otherwise.

**Section 13.5 Insurance.** The corporation may purchase and maintain insurance, at its expense, to protect itself and any director, officer, employee, agent or trustee 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 Nonprofit Corporation Act.

**Section 13.6 Survival of Benefits.** Any repeal or modification of this Article shall not adversely affect any right of any person existing at the time of such repeal or modification.

**Section 13.7 Severability.** If any provision of this Article or any application thereof shall be invalid, unenforceable or contrary to applicable law, the remainder of this Article, or the application of such provision to persons or circumstances other than those as to which it is held invalid, unenforceable or contrary to applicable law, shall not be affected thereby and shall continue in full force and effect.

**Section 13.8 Applicable Law.** For purposes of this Article, "applicable law" shall at all times be construed as the applicable law in effect at the date indemnification may be sought, or the law in effect at the date of the action, omission or other event giving rise to the situation for which indemnification may be sought, whichever is selected by the person seeking indemnification. As of the date hereof, applicable law shall include RCW 23B.08.500 through .600, as amended.

#### **ARTICLE 14        BOOKS AND RECORDS**

The corporation shall keep correct and complete books and records of account, minutes of the proceedings of the meetings of its members, the Board and any committees designated by the Board, and such other records as may be necessary or advisable. The books and records shall at all times, during reasonable business hours, be subject to inspection by any member. The Declaration, the Articles of Incorporation and the Bylaws of the corporation shall be available for inspection by any member at the principal office of the Association, where copies may be purchased at reasonable cost.

**ARTICLE 15 FISCAL YEAR**

The fiscal year of the corporation shall be the calendar year, except that the first fiscal year shall begin on the date of incorporation.

**ARTICLE 16 COPIES OF RESOLUTIONS**

Any person dealing with the corporation may rely upon a copy of any of the records of the proceedings, resolutions or votes of the Board when such records are certified by the president or secretary.

**ARTICLE 17 LIMITATION ON DISTRIBUTION OF FUNDS**

Subject to the applicable law, the funds of the corporation may be distributed only for the purposes of the corporation as described in the Articles of Incorporation.

**ARTICLE 18 AMENDMENTS TO BYLAWS**

These Bylaws may be altered, amended or repealed, and new Bylaws may be adopted, by the Board of Directors or by the members, except that, as long as HUD or the Veterans Administration is guaranteeing any mortgage in the development, any significant material change in these Bylaws must be approved by HUD or the Veterans Administration, as appropriate. Any bylaw adopted, amended or repealed by the directors may be repealed, amended or reinstated by the members at the next meeting of members following such action, without further notice than this Bylaw.

**ARTICLE 19 PROHIBITED ACTIVITY**

**Section 19.1 Self-Dealing.** The corporations will not engage in any act of "self-dealing" as defined in Section 4941(d) of the Internal Revenue Code of 1986, as amended from time to time (the "Code"), which would give rise to any liability for the tax imposed by Section 4941(a) of the Code.

**Section 19.2 Excess Business Holdings.** The corporation shall not retain any "excess business holdings" as defined in Section 4943(c) of the Code which would give rise to any liability for the tax imposed by Section 4943(a) of the Code.

**Section 19.3 Investments.** The corporation shall not make any investment which would jeopardize the carrying out of its exempt purposes, within the meaning of Section 4944 of the Code, so as to give rise as to any liability for the tax imposed by Section 4944(a) of the Code.

**Section 19.4 Taxable Expenditures.** The corporation shall not make any "taxable expenditures" as defined in Section 4945(d) of the Code which would give rise to any liability for the tax imposed by Section 4945(a) of the Code.

The undersigned, being the secretary of the corporation, hereby certifies that these Bylaws are the Bylaws of Silver Firs Homeowners Association Phase II, adopted by resolution of the directors on May 15, 1992.

DATED this 15<sup>th</sup> day of May, 1992.

Phillip L Johnson  
Secretary