

CANTERWOOD DIVISION 12 STEP SYSTEM ASSOCIATION

BYLAWS

Dated MARCH 25, 2005

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for
BYLAWS
of
CANTERWOOD DIVISION 12 STEP SYSTEM ASSOCIATION

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BYLAWS
OF
CANTERWOOD DIVISION 12 STEP SYSTEM ASSOCIATION

ARTICLE I
Name and Location

The name of the corporation is CANTERWOOD DIVISION 12 STEP ASSOCIATION, hereinafter referred to as the "Association." The principal office of the Association shall be located at 2727 Hollycroft Drive NW, Gig Harbor, Washington 98335, but meetings of Members and Directors may be held at such places within the State of Washington, County of Pierce, as may be designated by the Board of Directors.

ARTICLE II
Definitions

The terms used in these Bylaws shall have the same meaning as in the Declaration of Covenants, Conditions, and Restrictions for a STEP Sewerage System (the "Sewerage Declaration"), recorded on the 23 day of MARCH 2005, under Pierce County Auditor's No. 200503230921.

ARTICLE III
Meetings of Members

Section 1. Annual Meetings. The first annual meeting of the Members shall be held at the discretion of the original Directors within one (1) year from the date of incorporation of the Association. Thereafter, annual meetings shall be held on the anniversary of such date in each succeeding year, or on such other date as may be approved by a majority of the membership. If the day for the annual meeting of the Members is a Saturday, Sunday, or legal holiday, the meeting will be held at the same hour on the first day following which is not a Saturday, Sunday, or legal holiday.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the President, a majority of the Board of Directors, or on written request of the Members who are entitled to vote, in the aggregate, one-quarter (1/4) of the votes.

Section 3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by hand delivery or by mailing a copy of such notice, postage prepaid, at least fifteen (15) days before such meeting to each Member entitled to vote, addressed to the Member's address last appearing on the books of the Association, or supplied in writing by such member to the Association for the purpose of notice. Such notice shall

specify the place, day and hour of the meeting, and in the case of a special meeting, the purpose of the meeting.

Section 4. Quorum. The presence at the beginning of any meeting of Members entitled to cast one-third (1/3) of the votes shall constitute a quorum throughout that meeting for any action. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented. At each subsequent meeting, the number of votes required for a quorum shall be reduced by one-half (1/2) until a quorum is achieved.

Section 5. Manner of Voting. At all meetings of Members, each Member may vote in person, by mail, or by proxy. A proxy is void if it is not dated or purports to be revocable without notice. Unless stated otherwise in the proxy, a proxy terminates eleven (11) months after its date of issuance.

Section 6. Voting Without a Meeting. Any matter which is required to be submitted to a vote of the Members may be submitted to a vote without a meeting. If so submitted, at least a quorum as defined in Section 4 of this Article III must cast votes and the matter must be approved by the appropriate percentage of such quorum.

Section 7. Members Voting Rights.

(a) Each Member shall have one vote for each single-family home, residential condominium, cooperative unit, apartment or other lawfully established residential unit occupied or suitable for occupancy ("Dwelling Unit"). The Association rules shall provide that a Member's voting rights cease during any period in which the Member's assessments are in default.

(b) When more than one person shares ownership of a Dwelling Unit, the votes for such Dwelling Unit shall be exercised as they determine among themselves. In the event they cannot agree, their vote will not be counted on a vote of the Association membership, even though those Owners may be counted for purposes of a quorum (as if abstaining). In no event shall more votes be cast with respect to any Dwelling Unit than the total amount permitted under this Article.

(c) A Member's right to vote shall vest immediately upon the date the Dwelling Unit is connected to the Sewerage System.

(d) The voting rights for any Dwelling Unit shall automatically be suspended during any period in which Assessments against the Dwelling Unit are delinquent. The Board shall have the right to suspend the voting rights for any Dwelling Unit during any period in which there is a material violation of the Articles of Incorporation, Bylaws or Declaration of Covenants, Conditions, and

Restrictions for a STEP Sewerage System with respect to the use of that Dwelling Unit.

(e) A Member's right to vote may be assigned to a tenant or other party by written notice submitted to the Association. Such assignment shall not be effective until ten (10) days after receipt by the Association.

(f) A Member's right to vote automatically transfers with any change in the ownership interest required for membership.

ARTICLE IV

Board of Directors; Selection; Term of Office

Section 1. Number. The affairs of the Association shall be managed by the Board of Directors. The initial Board shall have three (3) Directors, all of whom shall be selected by Declarant. The number of Directors which shall constitute the whole Board shall be no less than three (3) and no more than seven (7). The number of Directors may be increased to five (5) or seven (7) Directors by a majority vote of the Association membership at any meeting where a quorum is present and for which proper notice has been given to all Members. The Declarant shall have the power to select and replace any Director subject to the provisions of this Article IV and subject to the provisions of Article III of the Declaration of Covenants, Conditions & Restrictions for the CANTERWOOD DIVISION 12 STEP Sewerage System.

Section 2. Term. Approximately one-half (1/2) of the terms of the Directors shall expire annually. Directors' terms on the Board shall be for two (2) years with Directors alternating years so that at any point in time the Board is not composed of all new Members.

Section 3. Board Elections.

3.1 Time. Elections of Directors (other than those selected by Declarant) shall be held in January of each year at a date and time fixed by the Board.

3.2 Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nomination Committee shall consist of a Chairperson, who shall be a member of the Board of Directors, and one (1) or more Members of the Association who shall serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nomination Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

3.3 Election. Election to the Board of Directors shall be by secret written ballot. At such election the Members may vote in person, by proxy, or by mail in response to each vacancy, as many votes as they are entitled to exercise under the provisions of the Sewerage Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

Section 4. Removal. Any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association, except that no Director appointed by the Declarant may be removed without the consent of Declarant. In the event of death, resignation or removal of a Director, the successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of the predecessor.

Section 5. Compensation. No Director shall receive compensation from the Association for any service rendered as a Director of the Association. However, any Director may be reimbursed for actual expenses incurred in the performance of duties.

ARTICLE V

Meetings of Directors

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held no less than one (1) time a year at such place and hour as may be fixed by the Board of Directors. Notice shall be given annually to the Members of the next year's meeting times.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by any two (2) Directors, after not less than one (1) day notice to each Director.

Section 3. Action Taken Without a Meeting. The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

Section 4. Quorum. A quorum is deemed present throughout any meeting of the Board of Directors if persons entitled to cast sixty percent (60%) of the votes on the Board of Directors are present at the beginning of the meeting. Members present through use of telephone shall be deemed present for purposes of a quorum and may vote by telephone. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as an act of the Board.

ARTICLE VI

Powers and Duties of Board of Directors

Section 1. Powers. The Board of Directors shall have power to:

- (a) Suspend the voting rights of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association.
- (b) Exercise for the Association all powers, duties, and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Sewerage Declaration.
- (c) Declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent without approval from three (3) consecutive regular meetings of the Board of Directors. The successor shall be appointed pursuant to Article IV, Section 4 of these Bylaws.
- (d) As necessary to pursue the Association responsibilities, employ an independent contractor, or such other employees as they deem necessary, and to prescribe their duties.
- (e) Adopt reasonable rules and regulations for the maintenance, operation, and use of the system.

Section 2. Duties. It shall be the duty of the Board of Directors to:

- (a) Keep 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 Members who are entitled to vote.
- (b) Hire and supervise all agents and employees of this Association, and see that their duties are properly performed.
- (c) As more fully provided in the Sewerage Declaration, to: (1) Adjust the amount of the monthly, bi-monthly or annual assessments against each Lot at least thirty (30) days in advance of each assessment period. (2) Send written notice of each assessment to every Owner subject thereto at least fourteen (14) days in advance of each assessment period. The written notice shall also include the time when the payment of the assessment is due. (3) File a lien if the assessment is not paid within fifteen (15) days of its due date. (4) When deemed necessary, may foreclose upon the lien after fifteen (15) days but prior to ten (10) years from date of assessment.

(d) Issue, or to cause an appropriate officer to issue, upon demand by any person, a statement signed by the Treasurer setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of such statement. If a statement states an assessment has been paid, such statement shall be conclusive evidence of such payment.

(e) Maintain any Association Property.

(f) Perform any and all other functions which are necessary for maintenance and continuance of the Association.

ARTICLE VII

Officers and Their Duties

Section 1. Enumeration of Officers. The officers of this Association shall be a president, vice president, secretary, and treasurer, who shall at all times be members of the Board of Directors and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

Section 3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year or until that officer's successor is elected, unless the officer sooner resigns, or shall be removed, or otherwise is disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the president, or the secretary. Such resignation shall take effect on the date of 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 6. 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 who is replaced.

Section 7. Multiple Offices. The offices of secretary and treasurer may be held by the same person.

Section 8. Duties. The duties of the officers are as follows:

- (a) President. The president shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; and shall sign all written instruments and promissory notes.
- (b) Vice President. The vice president shall act in the place and stead of the president in the event of absence, inability, or refusal to act, and shall exercise and discharge such other duties as may be required by the Board.
- (c) Secretary. The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association together with their addresses; prepare, execute, certify and record Amendments to the Sewerage Declaration on behalf of the Association; and, perform such other duties as required by the Board.
- (d) Treasurer. The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall: disburse such funds as directed by resolution of the Board of Directors; sign all checks and promissory notes of the Association; keep proper books of accounts; cause an annual audit of the Association books to be made by a public accountant whenever requested by the Board or by one of the Members; and, prepare an annual budget and a statement of income and expenditures. The desired time for preparation shall be just prior to the regular annual meeting so that the budget and statement can be presented to the membership at its regular annual meeting.

ARTICLE VIII

Committees

The Board of Directors shall appoint such committees as it deems appropriate in carrying out its purpose.

ARTICLE IX

Books and Records

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member. These documents shall be available for inspection by any Member at the principal office of the Association, 2727 Hollycroft Street NW, Gig Harbor, Washington 98335, where copies may be purchased at a reasonable cost.

ARTICLE X

Assessments

As more fully provided in the Sewerage Declaration, each Member is obligated to pay to the Association monthly, bi-monthly or special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due, shall be delinquent. If the assessment is not paid within fifteen (15) days after the due date, the assessment shall bear interest from the date of delinquency at the highest rate provided by law, and the Association may bring an action of law against the Member personally obligated to pay the same and/or foreclose the lien against the property as provided for in the Sewerage Declaration, and interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment, including those for appeals. Any assessment shall be a personal obligation of the Member and no Member may waive or otherwise escape liability for the assessments provided for herein by non-use or abandonment of the property subject to such assessment.

ARTICLE XI

Indemnification of Employees and Agents

Section 1. Right of Indemnification. The Association shall indemnify its Directors and Officers against all liability, damage, or expense resulting from the fact that such person is or was a Director or Officer, to the maximum extent and under all circumstances permitted by law.

Section 2. Effect on Other Rights. 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, Sewerage Declaration, agreement, vote of shareholders or disinterested Directors or otherwise.

Section 3. Insurance. The Association may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Association or another association, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Association would have the power to indemnify such person against such expense, liability or loss under the Washington Non-Profit Corporation Act. The Association may enter into contracts with any Director of the Association 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 4. Advance Payment. The Association 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 Association 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 Association or pursuant to rights granted pursuant to, or provided by, the Washington Nonprofit Corporation Act or otherwise.

ARTICLE XII

Amendments

Section 1. These Bylaws may be amended, at a regular or special meeting of the Members, by a vote of the Members representing a majority of vested votes, as provided for in the Sewerage Declaration, present in person, by mail, or by proxy, but subject to certain restrictions as set forth in the Sewerage Declaration.

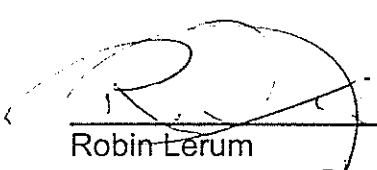
Section 2. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Sewerage Declaration and these Bylaws, the Sewerage Declaration shall control.

ARTICLE XIII

Fiscal Year

The fiscal year of the Association shall be a calendar year, unless determined otherwise by the Board of Directors.

IN WITNESS WHEREOF, we, being all of the directors of the Canterwood Division 12 Step Association, have hereunto set our hands this 25th day of MARCH 2005.



Robin Lerum



Thair Jorgenson



Terry Morrow