

BYLAWS
OF
HANGMAN HILLS RESIDENTS' ASSOCIATION

ARTICLE 1

DEFINITIONS

The following terms when used herein shall have the following meanings unless a different meaning is plainly required by the context.

1.1 "ASSOCIATION" shall mean HANGMAN HILLS RESIDENTS' ASSOCIATION, its successors, and assigns.

1.2 "COMMON PROPERTIES" shall mean land and/or facilities which the Association owns and/or maintains.

1.3 "DECLARATION" shall mean the Declarations of Covenants applicable to the Properties of the HANGMAN HILLS subdivisions (Hangman Valley Addition, Hangman Valley First Addition, and Hangman Short Plat No. 80-154) as recorded with the office of the Spokane County Auditor, Spokane County, Washington.

1.4 "PROPERTIES" shall mean all of the property described in the Hangman Valley Addition, Hangman Valley First Addition, and Hangman Short Plat No. 80-154, as recorded with the office of the Spokane County Auditor, Spokane County, Washington.

1.5 "MEMBER IN GOOD STANDING" shall mean all members meeting the requirements of Article VII of the Articles of Incorporation who are current in the payment of all dues.

1.6 "ASSOCIATE MEMBER" shall mean all members meeting the requirements of Article VII, paragraph 2, of the Articles of Incorporation. The dues of an Associate Member shall be an amount equal to 50% of the assessment cost for a member rounded up to the nearest dollar.

ARTICLE 2

LOCATION

The principal office of the Association shall be the residence of the president of the Association.

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ARTICLE 3

MEMBERSHIP

3.1 ELIGIBILITY: Eligibility for membership and associate membership is set forth in Article VII of the Articles of Incorporation.

3.2 RIGHTS OF ENJOYMENT: Each member shall be entitled to use and enjoyment of the Common Properties and other facilities provided by the Association. Any member may delegate their rights of enjoyment of the Common Properties and other facilities to the members of their family and their tenants who reside in the Hangman Valley Developments. The Board of Directors shall determine the procedure for the notification of the members of the Association of the names of persons to whom such rights have been delegated. In the event that any assessment of property on which a member resides is delinquent, the Board of Directors may suspend the right of the member, members of their family, and tenants to the use of the Common Properties and recreational facilities of the Association until such assessment has been paid. Such rights of a member, members of their family, and tenants may also be suspended after notice and hearing for a period not to exceed thirty (30) days for violation of any rules and regulations established by the Board of Directors concerning the use of the Common Properties and facilities furnished by the Association.

3.3 VOTING RIGHTS: Voting rights of members are set forth in Article VIII of the Articles of Incorporation.

ARTICLE 4

MEETINGS OF MEMBERS

4.1 ANNUAL MEETING: The annual meeting of the members shall be held in Spokane, Washington, or at such other place in Spokane County, Washington, and at such date and time in the month of June of each year as may be prescribed by the Board of Directors.

4.2 SPECIAL MEETINGS: Special meetings of the members may be called at any time by the Board of Directors or upon written request of one-fourth (1/4) of the members of the Association.

4.3 NOTICE: Notice of all meetings of members shall be mailed or distributed by or at the direction of the secretary to each member and all other owners of the "properties", postage prepaid, at the address thereof as shall appear in the records of the Association or supplied by such

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member to the Association for the purpose of notice. Such notice shall be so mailed not less than ten (10) days nor more than fifty (50) days prior to any meeting called to consider any to the following matters:

The notice of the meeting shall specify the place, day, hour and the purpose of the meeting. The only subject(s) to be voted on will be those listed in the notice.

Notification of all meetings of the membership shall be as follows for the method of delivery stated: MAIL - A minimum of ten (10) calendar days. The date the notice is deposited in the United States Mail is the date of delivery, and is counted as day one (1) HAND DELIVERY - The day of delivery is the date of delivery and is counted as day one (1).

The following matters would necessitate a meeting of the membership: Additions to the properties; dedication, sale or transfer of any part of the common properties; merger or consolidation; mortgage of any part of the common properties; dissolution of the Association; levy of special assessments for capital improvements or change in annual assessment; addendums or revisions to the By-Laws or Articles of Incorporation; matters pertaining to Architectural Control; and any other matters affecting the membership.

Attendance at a meeting shall constitute a waiver of notice thereof.

4.4 QUORUM: Except as provided elsewhere herein, the presence at any meeting in person or by proxy of members entitled to cast one-tenth (1/10) of the votes of the membership shall constitute a quorum for any action. Members present but delinquent in the payment of membership dues shall not be counted for purposes of determining a quorum. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereon shall have power to adjourn the meeting from time to time, without notice other than announcement of the meeting, until a quorum as set forth above shall be present or be represented. The vote of a majority of the votes entitled to be cast by the members present or represented by proxy at a meeting at which a quorum is present shall be necessary for the adoption of any matter voted upon by the members unless a greater proportion is required by the Declaration, the Articles of Incorporation, or the Bylaws.

4.5 PROXIES: A member may vote in person or by proxy executed in writing and filed with the secretary. Every proxy shall be revocable and shall automatically terminate upon termination of membership.

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4.6 PARLIAMENTARY PROCEDURES: Roberts Rules Of Order should be used by the Association in all cases applicable and where they are not inconsistent with the Articles Of Incorporation or the By-Laws. A Parliamentarian and/or person well versed in the By-Laws should be appointed by the President for each Association meeting to monitor the proceedings.

ARTICLE 5

BOARD OF DIRECTORS

5.1 NUMBER: The affairs of this Association shall be managed by a Board of nine (9) Directors.

5.2 TERM: Members of the Board of Directors are elected for a term of three (3) years. During each annual meeting three (3) directors shall be elected to replace the Directors whose term has expired.

5.3 VACANCIES: In the event of the death, resignation, or removal of a Director, a successor shall be selected by a majority vote of the remaining Directors who have been elected by the members. A Director elected to fill a vacancy shall hold office during the remainder of the term of the Director succeeded.

5.4 COMPENSATION: No Director shall receive compensation for services rendered to the Association as a Director. However, any Director may be reimbursed for their actual expenses incurred in the performance of duties as a Director and may receive compensation for service to the Association in other capacities other than as a Director.

5.5 NOMINATION OF DIRECTORS: Nomination for election to the Board of Directors shall be made by a Nominating Committee appointed by the president and consisting of a chairperson, who shall be a member of the Board of Directors, and two (2) Members in Good Standing of the Association. The Nominating committee shall take as many nominations as it shall in its discretion determine, but not less than the number of vacancies that are to be filled at such annual meeting. The report of the Nominating Committee shall be included in the notice of the annual meeting. Nominations may also be made from the floor at the annual meeting.

5.6 MANNER OF ELECTION: In any case where the number of nominations of members for the Board of Directors exceeds the number of vacancies, election shall be by secret written ballot. At each election, the members or their proxies may cast respect to each vacancy as many votes as they are entitled to vote by the provisions of the Declaration. The persons

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receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

5.7 CONFLICT OF INTEREST: Any person may hold a board position concurrent with another publicly elected position provided that a written statement of public disclosure is given to the board within 30 days of the condition of concurrence. The statement will contain: 1) name of the organization 2) title of the position 3) term of service 4) a general description of anticipated responsibilities, and 5) an assessment regarding what the frequency of possible conflicts of interest with normal Association Business might be (often, occasionally, rarely, never). Willful violation of this paragraph can be cause for removal from office in accordance with paragraph 9.2 of the Bylaws.

ARTICLE 6

MEETINGS OF THE BOARD OF DIRECTORS

6.1 REGULAR MEETING: Immediately following or within ten (10) days after each annual meeting of members, the Directors elected at such meeting and those holding over shall hold an organization meeting for the purpose of electing officers as hereinafter provided, and for transaction of such other business as may come before the meeting. If all Directors are present at the time and place of the annual meeting, no prior notice of such organizational meeting shall be required to be given to the Directors.

The Board of Directors, by resolution, may establish the date, time, and place for other regular meetings of the Board however the Board shall meet not less than once every two (2) months.

6.2 SPECIAL MEETING: Special meetings may be called by the president and must be called by the president at the request of at least two (2) Directors. Such special meeting may be held at such time and place as the Board of Directors or the president shall determine, and any business may be transacted at such meeting.

6.3 NOTICES: No notice need be given of regular meetings held pursuant to resolution of the Board of Directors as hereinabove specified. Notice of special meetings shall be given at least three (3) days prior to the date of such meeting either personally, by mail, or telephone. Attendance at a meeting shall constitute a waiver of notice thereof.

6.4 QUORUM: Four (4) Directors in attendance shall constitute a quorum. No action of the Board of Directors shall be valid unless a Quorum

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is present and an action is approved by an affirmative vote of at least three (3) Directors.

6.5 ACTION WITHOUT A MEETING: Directors may take any action in the absence of a meeting which they could take at a meeting by obtaining a written approval of all of the Directors to such action. Any action taken shall have the same effect as though taken at a meeting of the Directors.

ARTICLE 7

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

7.1 GENERAL POWERS: The Board of Directors shall have power to:

7.1.1 Adopt and publish rules and regulations governing the use of the Common Properties and facilities provided by the Association, and the personal conduct of members and their guests thereon, and to establish penalties for the infraction thereof and for violations of the Declaration.

7.1.2 Exercise for the Association all powers, duties, and authority voted 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.

7.1.3 Lease or otherwise acquire the use of any and all kinds of facilities for the use and benefit of the members of the Association, and to enter into management contracts for the management of such facilities after the approval of the membership.

7.1.4 Declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent without excuse from three (3) consecutive regular meetings of the Board of Directors.

7.1.5 Employ a manager and other employees and officials, prescribe the duties, and fix their compensation.

7.1.6 Conduct hearings to solicit membership input. No prior notification limitations apply to the conduct of hearings unless a vote of the membership will be taken. If a vote will be taken then notification will have to be made in accordance with paragraph 4.3.

7.2 DUTIES OF THE BOARD OF DIRECTORS: It shall be the duty of the Board of Directors to:

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7.2.1 Cause to be kept a complete record of all of its acts and the proceedings of its meetings, and to cause to be presented at the annual meeting of the members a report reviewing the business and affairs of the Association for the year.

7.2.2 As more fully provided in the declaration, to fix the amount of the annual assessment against each Building Site or Living Unit (as those terms are defined in the Declaration) and give the owner subject thereto written notice of such assessment at least thirty (30) days prior to the due date thereof, and to cause to be prepared a roster of property subject to assessment with assessments applicable to each such property and to keep such roster available for inspection by any member.

7.2.3 Procure and maintain adequate liability and hazard insurance on property owned, leased, or otherwise used by the Association.

7.2.4 Cause the Common Properties to be maintained.

ARTICLE 8

COMMITTEES

8.1 ARCHITECTURAL CONTROL COMMITTEE: The Board of Directors shall appoint an Architectural Control Committee of three (3) or more persons. The Committee may act for the Board of Directors to the extent set forth in the Declaration. Committee members shall serve on a rotating basis as determined by the Board.

8.2 OTHER COMMITTEES: The Board of Directors may appoint such other committees as it deems necessary to assist in the operation of the affairs of the Association, including without limitation, a Recreation Committee, a Maintenance Committee, a Publicity Committee, and an Audit Committee. Committee members need not be members of the Board of Directors.

ARTICLE 9

OFFICERS

9.1 OFFICERS: The officers of this Association shall be president and vice-president and shall be members of the Board of Directors, and a secretary and treasurer who need not be members of the Board of Directors. The Board of Directors may appoint an assistant secretary or an assistant treasurer by resolution entered on its minutes. The officers shall be elected at the organization meeting of the Board of Directors each year,

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and the term of office shall be for a period of one (1) year and until their successors are elected and assume office, unless such officer resigns or is removed. Officers may be elected to successive terms. The positions of Secretary and Treasurer may be held by one person.

9.2 REMOVAL, RESIGNATION, AND VACANCIES: An officer may not be removed from office without cause by the Board of Directors. A vacancy in any office may be filled in the manner prescribed for regular election. The officer elected to such vacancy shall serve for the remainder of the term of the officer replaced.

9.3 PRESIDENT: The president shall preside at all meetings of the members of the Association and of the Board of Directors. The President shall sign for the Association such contracts and other documents as authorized by the Board of Directors, and shall perform all acts and duties usually performed by a president or as prescribed by the Board of Directors.

9.4 VICE-PRESIDENT: In the absence or disability of the president, the vice-president shall preside and perform the duties of the president. The vice-president shall also perform such other duties as may be delegated by the Board of Directors.

9.5 SECRETARY: The secretary shall keep or cause to be kept a complete record of all meetings of the Association and the Board of Directors; serve notice of the meetings of the Board of Directors and of the members; and shall perform such other duties as may be required by the Board. The assistant secretary may be authorized by the Board of Directors to perform the duties of the secretary.

9.6 TREASURER: The treasurer shall maintain financial records and keep Association funds in a Bank designated by the Board; make reports; keep an up to date list of Association members in good standing together with their addresses and telephone numbers; maintain a list of all known "property" owners and homeowners together with their addresses and telephone numbers; perform such duties as are required to be performed in connection with assessments; and perform such other duties as may be required from time to time by the Board of Directors.

9.7 DELEGATION AND CHANGE OF DUTIES: The basis for annual assessments on Building Sites and Living Units is set forth and established in the Declaration(s). The Board of Directors shall determine the assessments for Living Units, structures composed of Living Units (as defined in the Declaration(s)), and condominium developments. The Board of Directors may

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fix an annual assessment in the amount less than the maximum set forth in the Declaration(s). The maximum annual assessment established in the Declaration(s) may be changed as provided in the Declaration(s) by vote of the membership. Special assessment for capital improvements may likewise be established by vote of membership, subject to Board approval, as set forth in the Declaration(s).

ARTICLE 10

BOOKS, RECORDS, SEAL, AUDIT/REVIEW, INCORPORATION REPORT

10.1 INSPECTION BY MEMBERS: The books, records, and papers of the Association shall at all times during reasonable hours be subject to inspection by any Member in Good Standing of the Association.

10.2 CORPORATE SEAL: The corporate seal of the Association shall be circular in form and shall have inscribed thereon the name of the Association, the state of incorporation, and the year of incorporation.

10.3 AUDIT/REVIEW: An annual Audit shall be made by a certified public accountant or internal review conducted by a Member(s) or Associate Member(s) in good standing previous to the date of each annual meeting, at which meeting such report shall be presented with the understanding that an audit by a certified public accountant is the preferred method. A special audit or internal review shall be made at anytime upon the order of the Board of Directors or upon a majority vote of the members at any regular or special meeting.

10.4 EXECUTION OF CORPORATE DOCUMENTS: When the execution of any instrument has been authorized by the Board of Directors without specifying the executing officer, such instrument may be executed by any two (2) of the following officers: the president, vice-president, secretary, treasurer, and assistant secretary. The Board of Directors may, however, authorize any one (1) of such officers to sign any such instruments for and on behalf of the Association, and may designate officials or employees of the Association other than those named above who may sign such instrument.

10.5 CORPORATION REPORT: The Secretary shall complete the annual form from the State Of Washington that maintains the Association's non-profit status.

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ARTICLE 11

AMENDMENTS

These Bylaws may be amended at a regular or a special meeting of the members provided that such amendment shall be by assent of two-thirds (2/3) of the votes of the members who are voting in person or by proxy at such meeting, and that notice of the amendment had been included in notice of the meeting. Any matter stated in these Bylaws to be or which is in fact governed by the Declaration(s) may not be amended except as provided in such declaration(s). In the case of any conflict between such Declaration(s) and these Bylaws, the provisions of the Declaration(s) shall control.

THE UNDERSIGNED certifies the foregoing Bylaws, as amended on June 2, 1993, have been adopted as the Bylaws of the corporation, in accordance with the requirements of the corporation law.

DATED: June 2, 1993

Secretary: Darius K. Taylor