

**BYLAWS
OF
MEADOWWOOD ESTATES PHASE III HOMEOWNERS ASSOCIATION**

SECTION 1. OBJECT AND DEFINITIONS

1.1 Purpose. The purpose for which this Association is formed is to govern the relations of the Owners within that certain Plat, which is governed by the Declaration and Covenants, Conditions, Restrictions, Easements and Reservations for MeadowWood Estates Phase III Homeowners Association recorded with the Spokane County, Washington Auditor's Office on _____ under Recording No. _____, as such Declaration may hereafter be amended from time to time (the "Declaration").

1.2 Assent. All present or future Owners, present or future tenants, or any other person using the facilities of the Property in any manner, including guests and employees, are subject to these Bylaws and the Declaration. The mere acquisition, rental or occupancy of any of a Lot shall constitute assent to be bound by, and ratification of, these Bylaws.

1.3 Definition. The terms used in these Bylaws shall have the same meaning as in the Declaration, unless specifically indicated to the contrary.

SECTION 2. MEMBERSHIP, VOTING AND MEETINGS OF THE ASSOCIATION

2.1 Matters Governed by Declaration.

2.1.1 Qualification for Membership. Qualification for membership in the Association shall be governed by Section 4.3 of the Declaration, as amended, which is incorporated herein by this reference.

2.1.2 Transfer of Membership. The transfer of membership in the Association shall be governed by Section 4.4 of the Declaration, as amended, which is incorporated herein by this reference.

2.1.3 Number of Votes. The total voting power of the Association and the number of votes that an Owner may exercise shall be governed by Section 4.5 of the Declaration, as amended, which is incorporated herein by this reference.

2.2 Meetings of Members.

2.2.1 Annual Meetings. The first meeting of the members shall be held at such time as Declarant shall elect after the Transition Date (or within thirty (30) days prior to the Transition Date) and each subsequent meeting of the members shall be held on the same day of the month of each year thereafter at the hour of 7:00 o'clock p.m., unless the time of such meeting shall be changed by resolution of the Board. If the day for the annual meeting of the

members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

2.2.2. Special Meetings. Special meetings of the members may be called at any time by the President or by the Board, or after the Transition Date, upon written request of the members who are entitled to vote one-third (1/3) of the total votes of the entire Association.

2.2.3 Notice of Meetings. Unless otherwise specifically provided in the Declaration, or in the Articles or Bylaws, 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 mailing a copy of such notice, postage prepaid, not less than twenty (20) days nor more than fifty (50) days before such meeting, to each Owner, addressed to the Owner's address last appearing on the books of the Association, in accordance with Section 9.2 hereof. 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. Presence at any such meeting shall be deemed a waiver of any required notice, or defect therein.

2.2.4 Quorum; Voting Representatives; Pledged Votes. Unless otherwise specifically provided in the Declaration, the presence at a meeting of members or proxies entitled to vote or cast fifty percent (50%) of the votes of the Association shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called, subject to the notice requirements set forth above, and the required quorum at such subsequent meeting shall be one-half (1/2) of the required quorum of the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting. Alternatively, the Owners who are present either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called, and the same fifty percent (50%) quorum requirement shall apply to the reconvened meeting. Reference is hereby made to Section 4.6 of the Declaration, as amended and which is incorporated herein, for the determination of which parties are entitled to vote for a particular Lot. Reference is further made to Section 4.7 of the Declaration, as amended and which is incorporated herein, for the purpose of determining the consequences of casting votes by Owners where such votes have been pledged.

2.2.5 Majority Vote. A majority of the votes entitled to be cast by members present or represented by proxy at a meeting at which a quorum is present shall be necessary and sufficient for the adoption of any matter voted upon by members unless a greater proportion is required by the Declaration, the Articles or these Bylaws.

2.2.6 Proxies. Votes may be cast in person or by proxy. Proxies shall be in writing and the signatures must be witnessed or acknowledged. Proxies must be filed with the Secretary before the appointed time of each meeting. No proxy shall be valid for a period longer than eleven (11) months after the date thereof.

2.2.7 Voting by Mail. The Board may provide for voting of the members by mail with respect to any particular election of Directors or with respect to adoption of any proposed amendment of the Declaration, Articles or Bylaws, or with respect to any other matter

for which approval by Owners is required by the Declaration, Articles or Bylaws, in accordance with the following procedure:

(a) In case of election of Directors by mail, the existing Directors shall advise the Secretary in writing of the names of proposed Directors sufficient to constitute a full Board and of a date at least fifty (50) days after such advice is given by which all votes are to be received. The Secretary, within five (5) days after such advice is given, shall mail written notice of the number of Directors to be elected and of the names of the Board's nominees to all Owners. The notice shall state that any member may nominate an additional candidate or candidates, not to exceed the number of Directors to be elected, by notice in writing to the Secretary at the specified address of the principal office of the Association, to be received on or before a specified date fifteen (15) days from the date the notice is mailed by the Secretary. Within five (5) days after such specified date the Secretary shall mail written notice to all Owners, stating the following: (1) the names of Directors to be elected, (2) the number of all persons nominated by the Board and by the members on or before said specified date, (3) that each Owner may cast a vote by mail, and (4) the date established by the Board by which such votes must be received by the Secretary at the address of the principal office of the Association, which shall be specified in the notice. Votes received after that date shall not be effective. All persons elected as Directors pursuant to such an election by mail shall take office effective on the date specified in the notice for receipt of such votes.

(b) In the case of a vote by mail relating to any other matter, the Secretary shall mail written notice to all Owners which notice shall (1) include a proposed written resolution setting forth a description of the proposed action, (2) state that such persons are entitled to vote by mail for or against such proposal and stating a date not less than twenty (20) days after the date such notice shall have been mailed on or before which all votes must be received, and (3) state that votes must be sent to the specified address of the principal office of the Association. Votes received after the specified date shall not be effective. Any such proposal shall be adopted if approved by the affirmative vote of not less than a majority of the votes entitled to be cast on such question, unless a greater voting requirement is established by the Declaration or Bylaws for the matter in question.

(c) Hand delivery of a vote in writing to the principal office of the Association shall be equivalent to receipt of a vote by mail at such address for the purpose of this Section 2.2.7.

(d) For purposes of a vote by mail, quorum requirements shall be deemed satisfied on the basis of the number of ballots timely submitted. If a sufficient number of ballots are not received by the Association by the required date to either constitute a quorum, or to approve a proposal, the Board may extend the date for solicitation of ballots on further notice to all members of not less than ten (10) and no more than thirty (30) days of the new date for counting of ballots. In that event all ballots previously cast on the proposal shall be counted. No such vote may be extended by more than a total of sixty (60) days.

2.2.8 Order of Business. The order of business at all meetings of the Owners of Lots shall be as follows unless dispensed with on motion:

1. Roll call.
2. Proof of Notice of meeting or waiver of notice.
3. Reading of minutes of preceding meeting.
4. Reports of officers.
5. Reports of committees
6. Election of Directors.
7. Unfinished business.
8. New business.
9. Adjournment

2.3 Suspension of Membership. During any period in which an Owner shall be in default in the payment of any assessment levied by the Association or the Declarant, the Board may suspend the voting rights of such Owner until such assessment has been paid. Such voting rights may also be suspended after notice and a hearing, for a period not to exceed sixty (60) days, for violation of any provision of the Declaration or the rules and regulations established by the Board. In the event voting rights are suspended, such vote(s) shall not be counted for any purpose including for the purpose of determining whether a quorum has been achieved or whether any required majority or supermajority has been achieved.

SECTION 3. BOARD OF DIRECTORS

3.1 In General. The affairs of the Association shall be governed by a board (the "Board") of Directors (each a "Director") composed of three (3) members, who need not be members of the Association. The Board's powers are set forth in Section 6 of the Declaration. Until the Transition Date all Directors shall be appointed by the Declarant, and shall serve at Declarant's pleasure.

3.2 Election; Term; Vacancies; Additional Provisions Regarding Board.

3.2.1 Term of Office. At the first meeting after the Transition Date, the members of the Association shall elect one (1) Director for a term of one (1) year, one (1) Director for a term of two (2) years, and one (1) Director for a term of three (3) years; and at each annual meeting thereafter the members shall elect one (1) Director, for a term of three (3) years.

3.2.2 Nomination. After the Transition Date, a nominating committee appointed by the Board shall make nominations for election of Directors to the Board. The selection of the nominating committee and the rules under which it will function shall be determined from time to time by the Board. The nominating committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not less than the number of vacancies to be filled. Nominations may also be made from the floor at any annual meeting of the members or special meeting called for the purpose of electing Directors.

3.2.3 Election. Election to the Board shall be by secret written ballot, on a non-cumulative basis.

3.2.4 Vacancies. Vacancies in the Board occurring after the Transition Date caused by any reason other than the removal of a Director by a vote of the Association shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected at the next annual meeting of the Association.

3.2.5 Removal. Any Director may be removed from the Board, with or without cause, by a vote of a majority of all Owners in the Association. In the event of death, disability, resignation or removal of a Director, his successor shall be selected by the remaining Directors and shall serve for the unexpired term of his or her predecessor.

3.3 Meetings of the Board

3.3.1 Organizational Meeting. The first meeting of a newly elected Board shall be held immediately following the annual meeting of the Association and no notice shall be necessary to the newly elected Directors in order to legally constitute such meeting.

3.3.2 Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined, from time to time, by a majority of the Directors, but at least two (2) such meetings shall be held during each fiscal year and one (1) such meeting shall be held immediately following the annual meeting of Owners. Notice of regular meetings of the Board shall be given to each Director, personally or by mail, or by telephone at least three (3) days prior to the day named for such meeting.

3.3.3 Special Meetings. Special meetings of the Board may be called by the President on three days notice to each Director, given personally, or by mail or by telephone, which notice shall state the time, place (as hereinabove provided), and purpose of the meeting. Special meetings of the Board shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) Directors.

3.3.4 Waiver of Notice. Before, at or after any meeting of the Board, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him or her of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

3.3.5 Actions Taken Without Meeting. The Directors shall have the right to take any action in the absence of a meeting that 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.

3.3.6 Quorum. At all meetings of the Board, a majority thereof shall constitute a quorum for the transaction of business, and the acts of the majority of the directors present at a meeting at which quorum is present shall be the acts of the Board. If, at any meeting of the

Board, less than a quorum is present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business that might have been transacted at the meeting as originally called may be transacted without further notice. Attendance at any meeting of the Board may be by telephone or in person.

3.3.7 Compensation. No Director shall receive compensation for any service he may render to the Association as a Director. However, any director may be reimbursed for his or her actual expenses incurred in performance of his or her duties.

3.3.8 Open Meeting. Any member of the Association or voting representative may attend any meeting of the Board that occurs after the Transition Date, but shall not be entitled to prior notice of a right to participate.

SECTION 4. POWERS AND DUTIES OF THE BOARD OF DIRECTORS

4.1 Powers. The Board of Directors shall have the power to do all of the following:

4.1.1 Establish rules and regulations governing the members and their guests, and to establish penalties for the infraction thereof.

4.1.2 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 Declaration.

4.1.3 Declare the office of a Director to be vacant in the event such director shall be absent from three (3) consecutive regular meetings of the Board.

4.1.4 Employ as a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties.

4.1.5 Take any and all actions necessary to comply with and enforce the provisions and requirements of the Declaration, the Articles of Incorporation and these Bylaws, and all powers and rights as provided in the Declaration.

4.2 Duties. It shall be the duty of the Board to do all of the following:

4.2.1 Cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members of the Association at the annual meeting of the members.

4.2.2 Supervise all officers, agents and employees of this Association, and see that their duties are properly performed.

4.2.3 Fix, levy and collect assessments as provided in the Declaration.

4.2.4 Cause the Common Area, entry signs, and rights of ways to be maintained.

4.2.5 Issue, or cause an appropriate officer to issue, upon demand by any person or entity, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment.

4.2.6 Cause the expenses relating to the Common Area to be paid as appropriate.

4.2.7 Obtain insurance as it may deem appropriate.

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

4.2.9 Cause the landscaping to be maintained as provided in the Declaration.

4.2.10 Perform any and all duties necessary to comply with the provisions and requirements of the Declaration, the Articles of Incorporation and these Bylaws.

SECTION 5. OFFICERS

5.1 Designation. The officers of the Association shall be a President, a Vice-President, a Secretary and a Treasurer, all of whom shall be elected annually by the Board. Members of the Board may simultaneously serve as officers.

5.2 Election of Officers. The officers of the Association shall be elected annually by the Board at the organizational meeting of each new Board, and shall hold office at the pleasure of the Board. Any person may hold concurrently any two officers, except that the same person may not concurrently hold the offices of President and Secretary. The office of Vice-President need not be filled. The Board may elect officers from among its members, or otherwise.

5.3 Removal of Officers. Upon an affirmative vote of a majority of the members of the Board, any officer may be removed, with or without cause, and his or her successor elected at any regular or special meeting of the Board called for such purpose.

5.4 President. The President shall be the chief executive officer of the Association. He or she shall preside at all meetings of the Association and the Board. He or she shall have all of the general powers and duties which are usually vested in the office of the President of a nonprofit association including, but not limited to, the power to appoint committees from among the members of the Association from time to time and he or she may in his or her discretion decide what is appropriate to assist in the conduct of the affairs of the Association.

5.5 Vice-President. A Vice-President shall have all the powers and authority and perform all of the functions and duties of the President in the absence of the President or his or her inability for any reason to exercise such powers and functions or perform such duties.

5.6 Secretary. The Secretary shall keep the minutes of meetings of the Board and minutes of meetings of the Association; he or she shall have charge of such books and papers as the Board may direct; and he or she shall in general perform all the duties incident to the office of Secretary. The Secretary may compile and keep up to date at the principal office of the Association a complete list of members and their registered mailing addresses. Such list shall also show opposite each member's name the number of other appropriate designation of the Lot owned by such member. Such list shall be open to inspection by members and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.

5.7 Treasurer. The Treasurer shall have responsibility for Association funds and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He or she shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board.

5.8 Assistant Secretary. The Board may appoint one or more Assistant Secretaries to perform all of the duties of the Secretary in the absence of the Secretary.

5.9 Assistant Treasurer. The Board may appoint one or more Assistant Treasurers to perform all of the duties of the Treasurer in the absence of the Secretary.

SECTION 6. OBLIGATIONS OF OWNERS

6.1 In General. Each Owner shall always endeavor to observe and promote the cooperative purposes for the accomplishment of which the Declaration was created and each Owner shall comply strictly with all provisions of the Declaration.

6.2 Use of Common Areas. Each Owner shall use the Property in accordance with the purpose for which it was intended without hindering or encroaching upon the lawful rights of the other Owners.

6.3 Compliance with Covenants, Bylaws, and Administrative Rules and Regulations. Each member of the Association shall comply strictly with the Declaration, these Bylaws and with the administrative rules and regulations adopted pursuant thereto, as they may be lawfully amended from time to time, and with the covenants, conditions, and restrictions set forth in the deed to his Lot.

SECTION 7. AMENDMENTS AND CONFLICTS

7.1 Amendments. Declarant may amend these Bylaws at any time prior to the Transition Date. The Bylaws may be amended at any time by majority vote of the Board. After the Transition Date, any Lot Owner or Owners who desire that these Bylaws be amended may propose amendments to the Board. A majority of the Directors may cause a proposed amendment to be submitted to the members of the Association for their consideration. If an amendment is proposed by Owners of twenty percent (20%) or more of the Lots (after the Transition Date), then irrespective of whether the Board concurs in the proposed amendment it

shall be submitted to the members of the Association for their consideration at their next regular or special meeting for which timely notice may be given. Notice of a meeting at which an amendment is to be considered shall include the text of the proposed amendment. Amendments shall be adopted if approved by a majority of Owners voting at a meeting of the Association at which a quorum is present or by written consent of a majority of Owners entitled to vote, after notice has been given to all persons (including Mortgagees) entitled to receive notice of a meeting of the Association. These Bylaws may not be amended so as to render them inconsistent with the Declaration.

7.2 Conflicts. 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 Declaration and these Bylaws, the Declaration shall control.

SECTION 8. MORTGAGES

8.1 Notice to Association. An Owner who mortgages his or her lot shall notify the Association through the Managing Agent, if any, or the President of the Board, giving the name and address of his or her Mortgagee. The Association shall maintain such information in a book or list entitled "Mortgagees of Lots."

8.2 Notice of Unpaid Assessments. The Association shall at the request of a Mortgagee of a Lot report any unpaid assessments due from the owner of such Lot.

SECTION 9. EVIDENCE OF OWNERSHIP, REGISTRATION OF MAILING ADDRESS AND REQUIRED PROXIES

9.1 Proof of Ownership. Any Person or Persons on becoming an Owner of a Lot shall furnish to the managing Agent or Board a photocopy of a certified copy of the recorded instrument vesting that person with an interest or ownership, which instrument shall remain in the files of the Association.

9.2 Registration of Mailing Address. The Owner of each Lot shall have one and the same registered mailing address to be used by the Association for mailing of monthly statements, notices, demands and all other communications; and such registered address shall be the only mailing address of a person or persons, firm, corporation, partnership, association or other legal entity or any combination thereof to be used by the Association. Such registered address shall be furnished by such Owner to the Secretary within five (5) days after transfer of title; such registration shall be in written form and signed by all of the Persons constituting such Owner or by such Persons as are authorized by law to represent the interests of all such Persons. If no such address is registered or if all the Owners cannot agree, then the address of the Lot shall be the registered address for all purposes of this section. Registered addresses may be changed from time to time by a similar designation.

9.3 Condition to Voting Right. The requirements contained in this Section shall be first met before an Owner of a Lot shall be deemed in good standing and entitled to vote at any annual or special meeting of members, and the vote of any such Owner shall not be counted for

any purpose, including for the purpose of determining whether any quorum, majority or supermajority requirement has been satisfied.

SECTION 10. COMMITTEES

10.1 Committees of Directors. The Board may appoint one or more committees that consist exclusively of one or more Directors. Such committees shall have and exercise, to the extent provided in the resolution establishing the committee, the authority of the Board in the management of the Association; but the appointment of any such committee shall not relieve the Board of its ultimate responsibility for the administration and management of the Property.

10.2 Other Committees. Other committees, not having or exercising the authority of the Board in the management of the Association, may be appointed by the President or the Directors, as they deem appropriate.

SECTION 11 CONFLICTS WITH DECLARATION OR LAW

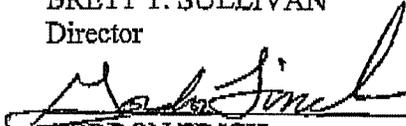
These Bylaws are intended to comply with and supplement the requirements of RCW 24.03 and the Declaration. If any of these Bylaws conflict with the provisions of said statute or Declaration, the provision of the statute and Declaration will control.

The foregoing Bylaws have been adopted by the Board of Directors of MeadowWood Estates Phase III Homeowners Association.

DATED as of this 2nd day of October, 2001.



BRETT T. SULLIVAN
Director



GORDON FINCH
Director