

BY-LAWS
OF
CHELTENHAM HOMEOWNERS ASSOCIATION

ARTICLE I

OBJECT AND DEFINITIONS

Section 1. Name and Location. The name of the corporation is CHELTENHAM HOMEOWNERS ASSOCIATION hereinafter referred to as the ("Association"). The registered address of the corporation shall be 12720 E. Nora, Suite E, Spokane Valley, WA 99216-1197, meetings of Members and Directors may be held at such places within the State of Washington, County of Spokane, as may be designated by the Board of Directors.

Section 2. Purpose. The purpose for which the ("Association") is formed is to govern the single family residential subdivision property located in the County of Spokane, State of Washington, which property is described in Exhibit "A" attached hereto and by this reference made a part hereof, and which property is further governed by a Declaration entitled "Declaration of Protective Covenants, Conditions, Restrictions and Reservations of Easements" for "Cheltenham Homeowners Association)", recorded February 20, 2009, at the Spokane County Auditor's Office (hereinafter referred to as the "Declaration").

Section 3. Assent. All present or future owners, tenants, future tenants, or other persons using the facilities of the Properties in any manner are subject to the regulations set forth in these By-Laws. The mere acquisition or rental of any of the Dwelling Units or the mere occupancy of any Dwelling Unit shall constitute ratification of these By-Laws.

Section 4. Definitions. Unless otherwise specified, all terms shall have the same meaning in these By-Laws as such terms have in the Declaration. The terms "Owners" and "Members" as used herein shall be synonymous.

Section 5. Membership and Voting Rights. Membership in the ("Association") and the voting rights of members shall be governed by the applicable provisions in the applicable provisions in the Declaration.

ARTICLE II

MEETING OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held within one (1) 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, at the hour of 10:00 A.M.. 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. At such meetings there shall be elected a Board of Directors in accordance with the provisions and requirements of Articles IV and of these By-Laws. The member may also transact such other business of the ("Association") as may properly come before them.

Section 2. Special Meetings. It shall be the duty of the President to call a special meeting of the Members as directed by resolution of the Board of Directors or on a petition signed by one-fourth (1/4) of the Members and presented to the Secretary.

Section 3. Notice of Meetings. Written or printed notice stating the place, day and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the President, to each Member. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Member at his address as it appears on the records of the corporation, with postage thereon prepaid.

Section 4. Quorum. The presence in person or by proxy of fifty-one percent (51%) of the Members entitled to vote shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these By-Laws. An affirmative vote of a majority of the Members present, either in person or by proxy, shall be required to transact business. If, however, such quorum shall not be present or represented at any meeting, the Members present entitled to vote shall have the 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.

Section 5. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and the signatures must be witnessed or acknowledged. Proxies must be filed with the Secretary before the appointed time or each meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Dwelling Unit.

Section 6. Vote Distribution. Members shall be entitled to one (1) vote for each Dwelling Unit owned. When more than one person has an interest in a Dwelling Unit ("Co-Owner"), all such Co-Owners shall be Members and may attend any meeting of the ("Association"), but only one such Co-Owner shall be entitled to exercise the vote to which the Dwelling Unit is entitled. Such Co-Owners may from time to time designate in writing one of their Members to vote. Fractional votes shall not be allowed, and the vote for each Dwelling Unit shall be exercised if at all, as a unit. Where not voting Co-Owner is designated or if such designation has been revoked, the vote for such Dwelling Unit shall be exercised as the majority of the Co-Owners of the Dwelling Unit mutually agree. Unless the Board of Directors received a written objection from a Co-Owner, it shall be presumed that the voting Co-Owner is acting with the consent of his or her Co-Owner. No vote shall be cast for any Dwelling Unit where the majority of the Co-Owners present in person or by proxy and representing such Dwelling Unit cannot agree to said vote or other action.

Section 7. Order of Business. The order of business at all meetings of the Members shall be as follows:

- (a) Roll Call.
- (b) Proof of Notice of Meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting.
- (d) Reports of Officers.
- (e) Reports of Committees.
- (f) Election of Board Members (if necessary).
- (g) Unfinished business.
- (h) New business.
- (i) Adjournment.

ARTICLE III

BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

Section 1. Number. The affairs of the ("Association") shall be managed by a Board of at least one (1) Directors, who need not be members of the Association. The number of Directors may be increased or decreased from time to time by amendment to these By-Laws, but shall not at any time be less than one (2). No decrease in number shall have the effect of shortening the term of any incumbent Director.

Section 2. Term of Office. At the first annual meeting the Members shall elect one (1) Director for a term of one (1) year; and one (1) Director for a term of two (2) years; and at each annual meeting thereafter the Members shall elect one (1) Director for a term of three (3) years.

Section 3. Removal. Any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the ("Association") at any regular or special meeting duly called and a successor may then and there be elected to fill the vacancy thus created. Any Board member whose removal has been so proposed by the Members shall be given an opportunity to be heard at the meeting.

Section 4. Vacancies. Vacancies in the Board caused by any reasons other than removal of a Board Member by a vote of the ("Association") shall be filled by vote of the majority of the remaining Board Members, even though they may constitute less than a quorum, and shall serve the unexpired term of his predecessor.

Section 5. Compensation. No Director shall receive compensation for any service he may render to the ("Association"). However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE IV

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be made from the floor at the annual meeting. Such nominations may be made from among Members or non-members.

Section 2. Election. Election to the Board of Directors shall be by written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration and according to Article II, Section 6, of these By-Laws. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE V

MEETINGS OF DIRECTORS

Section 1. Organization Meeting. An organizational meeting of the Board of Directors shall be held within ten (10) days of each annual meeting of Members, at such place and time as shall be fixed by the Directors at the annual meeting of Members, and no notice shall be necessary to the Board of Directors in order legally to constitute such meeting, provided a majority of the whole Board shall be present.

Section 2. Regular Meetings. Regular meetings of the Board of Directors shall be held monthly without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 3. Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the ("Association"), or by any two (2) Directors, after not less than three (3) days notice to each Director, given personally or by mail, telephone, or telegraph, which notice shall state the time, place and purpose of the meeting.

Section 4. Quorum. A majority of the number of Directors shall constitute a quorum for the transaction of business. 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 the act of the Board.

Section 5. 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 6. Waiver of Notice. Before, at, or after any meeting of the Board, any Board member may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of notice. Attendance by a Board member at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Board members are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 7. Official Business. All official business submitted to the Board by other Members shall be transmitted in writing, emergencies excepted, and such written business shall be submitted to the Board of Directors through the President, if available, and the Secretary if the President is not available. The Board of Directors, if reasonably possible, shall answer in writing all matters so submitted to it within thirty (30) days after the next meeting of the Board.

ARTICLE VI

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have the powers and duties stated in the Declaration, and all other powers necessary for the administration of the ("Association"), and may do or provide for all such acts and things as are not prohibited by the Declaration or provided for in another manner, including but not limited to the following:

- (a) Adopt and publish rules and regulations governing the use of the Common Area, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;
- (b) Suspend the voting rights and right to use of the Common Area of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the ("Association"). Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations;

- (c) Declare the office of a Member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors;
- (d) Employ or contract with a professional manager to perform all or any part of the duties and responsibilities of the (“Association”);
- (e) Delegate its powers to committees, officers, and employees;
- (f) Subject to the provisions of Article VI of the Declaration, foreclose the lien against any property for which assessments are not paid within thirty (30) days after the due date or bring an action at law against the Owner personally obligated to pay the same;
- (g) Obtain, for the benefit of the Properties, if desirable, refuse collection, water and electric services, and assess the Owners for their proportionate share of the cost;
- (h) 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 any special meeting when such statement is requested in writing by one-fourth (1/4) of the Members who are entitled to vote;
- (i) Supervise all officers, agents and employees of this (“Association”), and to see that their duties are properly performed;
- (j) Subject to the provisions of the Declaration, to:
 - (1) Create a separate account (the Association Maintenance Fund”) into which shall be deposited all common assessments paid to the Association and from which disbursements shall be made in performance of functions by the Association, which shall include an operating fund for current common expenses and a reserve fund for common expenses which would not reasonably be expected to recur on an annual or less frequent basis;

- (2) Fix the amount of any common, capital or reconstruction assessment against each Dwelling Unit as set forth in Article V of the Declaration;
 - (3) Send written notice of any increase in the common monthly assessment or the fixing of any capital or reconstruction assessment to each Owner of a Dwelling Unit against whom the assessment applies at least twenty (20) days prior to the date such assessment is due (the Board shall not be required to send notice to the monthly common assessments except where there has been an increase in the amount due);
 - (4) Collect all assessments when due;
 - (5) Prepare an annual balance sheet and operating statement reflecting income and expenditures of the Association for each fiscal year, including deposits and withdrawals from the common area reserve fund and operating fund, and cause a copy of each such statement to be distributed to each Member;
 - (6) Prepare a budget of the income and expenses of the Association at least sixty (60) days prior to the beginning of each fiscal year and distribute copies of such budgets to the membership of the Association.
- (k) Issue, or to cause an appropriate officer to issue, upon demand by any person, 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;
 - (l) As more fully provided in Article XIII of the Declaration, procure and maintain adequate liability and hazard insurance on property owned by the Association, and annually review the insurance policies maintained by the Association to ensure their adequacy;
 - (m) Cause all officers or employees handling or responsible for Association funds to furnish adequate fidelity bonds (the premium of such bonds to be paid by the Association);

- (n) Maintain, repair, and otherwise manage the Common Areas and storm drains or drainage fields within the Common Areas;
- (o) Promulgate standards for architectural control by which to approve or disapprove plans for any alteration of any Dwelling Unit or other improvement on the properties.

ARTICLE VII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The Officers of this ("Association") shall be a President and Vice-President who shall at all times be members of the Board of Directors, a Secretary and a Treasurer, 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 unless he shall sooner resign, or shall be removed, or otherwise 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. On an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, with or without cause, and his successor elected at any regular meeting of the Board of Directors or at any special meeting of the Board called for such purpose. 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 he replaces.

Section 7. Multiple offices. Any person may hold concurrently any two offices. The office of Vice-President need not be filled.

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

- (a) President: The President shall have all of the general powers and duties which are usually vested in the office of the President of a non-profit association, including but not limited to: presiding at all meetings of the Association Members and the Board of Directors; seeing that orders and resolutions of the Board are carried out; co-signing all checks and promissory notes; and appointing committees from among the Members from time to time as he may in his discretion decide is appropriate to assist in the conduct of the Association's affairs.
- (b) Vice-President. The Vice-President shall act in the place and stead of the President in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him 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; keep the corporate seal of the Association and affix it on all papers requiring said seal; service notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses, and shall 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; shall co-sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an

annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and to deliver a copy of each to the Members.

ARTICLE VIII

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. The Declaration, the Articles of Incorporation, and the By-Laws of the Association shall be available for inspection by any Member at the registered office of the Association, where copies may be purchased at reasonable cost.

ARTICLE IX

ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association monthly and 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 thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of twelve percent (12%) per annum, and the owner responsible therefor may also be required further by the Board of Directors to pay each month a late charge of Five Dollars (\$5.00) or five percent (5%) of the amount of the delinquent assessment or installment, whichever is greater. The Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs, and reasonable attorney's fees if any such action shall be added to the amount of such assessment. No owner may waive or otherwise escape liability for the assessments provided for hereby by non use of the Common Area or abandonment of his Dwelling Unit.

ARTICLE X

CORPORATE SEAL

The Association may have a seal in circular form having within its circumference the words:

CHELTENHAM HOMEOWNERS ASSOCIATION

ARTICLE XI

AMENDMENTS

Section 1. These By-Laws may be amended, at a regular or special meeting of the Members, by an affirmative vote of sixty (60%) of the voting power, in person or by proxy, except that the rights of any bank or savings and loan association or established mortgage company, or other entity chartered under federal or state laws, any corporation or insurance company, or any federal or state agency which holds or owns a first deed of trust of first mortgage on a Dwelling Unit ("First Mortgagee") shall not be adversely affected unless at least seventy-five percent (75%) of First Mortgagees have given their prior written approval.

ARTICLE XII

MISCELLANEOUS

The fiscal year of the Association shall begin on the first (1st) day of January and end on the thirty-first (31st) day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

IN WITNESS WHEREOF, we being all of the Directors of CHELTENHAM HOMEOWNERS ASSOCIATION, have hereunto set our hand this 20th day of February, 2009.



RICHARD T. DAHM, Director