BYLAWS

OF

EAGLE RIDGE [SPOKANE] HOMEOWNERS ASSOCIATION

ARTICLE I.

OBJECT AND DEFINITIONS

Section 1. *Name and Location*. The name of the corporation is **EAGLE RIDGE [SPOKANE] HOMEOWNERS ASSOCIATION**, hereinafter referred to as the "Association". The registered address of the Corporation shall be 717 W. Sprague, Suite 1200, Spokane, Washington 99204, but 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 this Association is formed is to enable first the Declarant, and later, after the Turnover Date, the Association, the means to insure uniformity and consistency in both the development and maintenance of Eagle Ridge PUD (herein "Eagle Ridge"), located in the County of Spokane, State of Washington, and to that end, the ability to assess individual Lots and Living Units in multifamily buildings for common area costs, including, but not limited to, street lighting, maintenance of entry-way signs, landscaping, parks, open space and common areas, and including capital improvements for the benefit of all Lot Owners within Eagle Ridge.

Section 3. *Area of Application*. The Association shall be comprised of all Owners of all property located within Eagle Ridge. It is anticipated that Eagle Ridge will be developed over a period of years in multiple phases, each phase to be an approved plat, and may also include other contiguous properties not owned by Declarant as of the date of incorporation of the Association.

Section 4. *Assent*. All present or future Owners, tenants, future tenants, or other persons using the facilities of Eagle Ridge in any manner, are subject to the regulations set forth in these Bylaws. The mere acquisition of a Lot or Living Unit or rental of any Living Unit or the mere occupancy of any Living Unit shall constitute ratification of these Bylaws.

Section 5. *Definitions*. Unless otherwise specified, all terms shall have the same meaning in these Bylaws as such terms have in the Declaration of Protective Covenants,

Conditions and Restrictions for Eagle Ridge (the "Declaration"). The terms "Owners" and "Members", as used herein, shall be synonymous.

Section 6. *Membership and Voting Rights*. All Owners of individual Lots and all Owners of Living Units within multifamily buildings, within Eagle Ridge shall automatically be Members of the Association upon recording with the Spokane County Auditor a deed or other document conveying to the Owner an interest in a Lot or Living Unit within Eagle Ridge. Membership in the Association and the voting rights of members shall be governed by the applicable provisions herein.

ARTICLE II.

MEETING OF MEMBERS

Section 1. *Annual Meeting*. The first annual meeting of the Members shall be held within two (2) years from the date of incorporation of the Association, and each subsequent regular annual meeting of the Members shall be held in the same month of each year thereafter, at a time and place designated in the meeting notice. 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 V of these Bylaws. The Members may also transact such other business of the Association as may properly come before them.

Section 2. *Special Meetings*. Special meetings of the Members may be called by the President, a majority of the Board of Directors, or by Members having ten percent (10%) of the votes in the Association, by signing a petition calling for such meeting and delivering same to the Secretary.

Section 3. *Notice of Meetings*. Written or printed notice stating the place, day and hour of the meeting and an agenda of the matters for which the meeting is called, shall be delivered not less than fourteen (14) nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the President, or the Secretary, or the officers or persons calling the meeting, 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 Association, with postage thereon prepaid.

Section 4. *Quorum*. The presence in person or by proxy of thirty-four percent (34%) 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 Bylaws. Subject to the provisions of Article II, Section 6, 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 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 of each meeting. Every proxy shall be revocable and shall automatically terminate eleven (11) months after the date of the proxy, or upon conveyance by the Member of his Lot or Living Unit, whichever first occurs.

Section 6. *Vote Distribution*. Prior to the Turnover Date, the Declarant shall have exclusive voting rights. After the Turnover Date, members shall be entitled to one (1) vote for each Lot or Living Unit owned. When more than one person has an interest in a Lot or Living 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 Lot or Living 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 Lot or Living Unit shall be exercised if at all, as a unit. Where no voting Co-Owner is designated, or if such designation has been revoked, the vote for such Lot or Living Unit shall be exercised as the majority of the Co-Owners of the Lot or Living Unit mutually agree. Unless the Board of Directors receives 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 Lot or Living Unit where the majority of the Co-Owners present in person or by proxy and representing such Lot or Living Unit cannot agree to said vote or other action. "Turnover Date" is defined in the Declaration and means the earlier to occur of: (a) six (6) months following the conveyance of the last lot owned by Declarant to a third party; and (b) notification by Declarant to the Owners and Declarant's determination to relinquish control of the Architectural Control Committee.

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 this Association shall be managed by a board of two (2) 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 Bylaws, but shall not at any time be less than two (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; 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.

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 reason, 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. *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 according to Article II, Section 6, of these Bylaws. The persons receiving the largest number of votes shall be elected.

ARTICLE V.

MEETINGS OF DIRECTORS

Section 1. *Organizational 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 to legally 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 at least semi-annually, at such place and hour as may be fixed by the Board. Notice shall be given in a manner as described in Section 3 of this Article.

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 facsimile, 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) Elect officers of the Association in accordance with Article VII, and adopt Bylaws of the Association.

(b) 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.

(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) Authorize the filing of a lien, including foreclosure of 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) 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 (¼) of the Members who are entitled to vote.

(h) Supervise all officers, agents and employees of this Association, and to see that their duties are properly performed.

(i) 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.

(j) Fix the amount of any common, capital or reconstruction assessment against each Lot or Living Unit.

(k) 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 Lot or Living 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 of the monthly common assessments, except where there has been an increase in the amount due).

(l) Collect all assessments when due.

(m) 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.

(n) 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.

(o) 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.

(p) 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).

(q) Maintain, repair, and otherwise manage the entry way signs and its associated landscaping, including all common areas and plantings within such common areas as designated on the Plat for Eagle Ridge.

(r) Construct common area capital improvements for the benefit of all Members and assess Members for the cost thereof.

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, except that the same person may not concurrently hold the office of President and Secretary. 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; preparing, signing and recording any lien authorized by the Board; 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, if any, and affix it on all papers requiring said seal; 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, 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 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 Bylaws 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

Each Member is obligated to pay the Association a monthly or other periodic assessment, including any special assessments, all as may be determined from time to time by the Board of Directors, which assessments are secured by a continuing lien upon the Lot or Living Unit 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 Lot or Living Unit, and interest, costs, and reasonable attorney's fees of any such assessment. No Owner may waive or otherwise escape liability for the assessments provided for hereby by abandonment of his Lot or Living Unit. Notwithstanding the above, the Members or Board may elect to charge an annual assessment in lieu of monthly billings.

ARTICLE X.

CORPORATE SEAL

The Association will not have a seal.

ARTICLE XI.

AMENDMENTS

Prior to the Turnover Date, these Bylaws may not be amended without the consent of the Declarant. Thereafter, these Bylaws may be amended, at a regular or special meeting of the Members, by an affirmative vote of sixty percent (60%) of the Members, 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 or 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 and end on December 31st of that year.

The undersigned, being all of the Directors of Eagle Ridge [Spokane] Homeowners Association, do hereby certify that the foregoing Bylaws constitute the Bylaws of the Association.

DOUG DRAPER Director

SCOTT BROWN Director

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