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AFTER RECORDING, RETURN TO:
R. & S. Land Development Company % Terry Sullivan
PO Box 30487
Spokane, WA 99223

Document Title: Owners' Association By-laws
Grantor: R. and S. Land Development Company
Grantee: The Public
Legal Description: Lots 1-10 of Block 1, Lots 1-4 of Block 2, Lots 1-6 of Block 3, along with Tracts A, B and C in Laurelhurst Place, situate in Government Lot 13 of Section 4, Township 24 North, Range 43 East, Willamette Meridian, Spokane County, Washington
Assessor's Tax Parcel Number: 34042.2149
County Reference No.: Plat No.: PS-1772-95; PUDS-1-95

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= By-laws =

**Laurelhurst Place
Homeowners' Association
(Phase I)**

* * * * *

Spokane, Washington

= ARTICLE 1 =

General Aspects of the Homeowners' Association

Section 1.1 Name and Location. The name of the association described herein is the "Laurelhurst Place Homeowners' Association" (the "Association"), a non-profit corporation charged with management of the Association's business affairs for its on-going operation as a planned unit development (which shall include all phases of its development). The principal office of the Association shall be in Spokane County, Washington, at an address selected by the Association's Board of Directors.



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Section 1.2 Applicability of By-laws to the Planned Unit Development. The provisions of these By-laws are applicable to the planned unit development referred to in Section 1.1 hereof (the "Community"). All present and future Owners of Property in the Community, including tenants, future tenants, employees, and any other person who might use the facilities of *Laurelhurst Place* in any manner, are subject to the regulations set forth in these By-laws, the Articles of Incorporation for the Association (the "Articles"), and in the Community's Declaration of Covenants, Conditions and Restrictions and Reservation of Easements (the "Declaration"), under document Number 417384 recorded in the office of the Spokane County Auditor. The use or acquisition of Property or occupancy of a Dwelling Unit in the Community shall constitute acceptance and ratification of these By-laws and any of the Governing Documents of *Laurelhurst Place*.

Section 1.3 Meaning of Terms. Unless otherwise specifically provided herein, the definitions contained in the *Laurelhurst Place* Declaration are hereby incorporated into these By-laws by reference and shall be used in the interpretation of this document.

Section 1.4 Governance of the Association. Governance of the Association shall be provided by its Board of Directors, who shall receive and act upon recommendations, requests and motions from its Members. The Officers of the Association shall be responsible to conduct the meetings of the Association's membership and to carry-out duties with which they are charged. Until "Turnover" of the Association by Declarant, as provided for in Section 2.08 of the *Laurelhurst Place* Declaration, the initial Officers of the Association may also serve as the members of the Board of Directors. Thereafter, it shall be the prerogative of the Association to change this arrangement.

= ARTICLE 2 =

Association Members' Voting Rights, Association Meetings

Section 2.1 Voting Class of Members. There shall be one (1) voting class for Association Members: each Member shall be entitled to one (1) vote for each Lot/Dwelling Unit owned. Restrictions and conditions pertinent to one's voting power are described in Section 2.06 of the Declaration.

Section 2.2 Voting Requirements/Majority of Quorum. Except when otherwise expressly provided in the Declaration, the Articles or these By-laws, any action by the Association that must have the approval of the Association membership before being undertaken shall require the vote or written assent of the prescribed percentage of the total voting power of the Association. Except in matters specifically provided for in the Declaration, the Articles, these By-laws, or the majority vote of a quorum present at any meeting, in person or by proxy, shall constitute the vote of the Members.

Section 2.3 Determination of a Quorum. The presence, in person or by proxy, of at least thirty-four percent (34%) of the voting power of the Members of the Association shall con-



stitute a quorum. The Members present at a duly called and held meeting at which a quorum exists may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to create less than a quorum. In the absence of a quorum, another meeting may be called, subject to compliance with the conditions of Sections 2.7/2.8 hereof; and a quorum for the subsequent meeting shall be one-half (1/2) of that normally required for an Association meeting.

Section 2.4 Proxies. At all meetings of the Association, each empowered Member may vote in person or by proxy. All proxies shall be delivered in writing to the Association's Secretary before the appointed time of a meeting. All proxies shall be valid only for the meeting for which the proxies are given (including any reconvened meeting in the event of an adjournment), unless provided otherwise in the proxy. Every proxy shall be revocable and shall automatically cease upon receipt of notice by the Secretary or the death or judicially declared incompetence of Member.

Section 2.5 Annual Meeting. Regular annual meetings of the Association shall be held at least once each calendar year at a place selected by the Association's Board of Directors. The first meeting of the Association shall take place after due notice is provided by the Association's Secretary; and at such meeting the President shall determine an appropriate time and date for the following annual meeting; but in no event shall the first meeting be held later than eighteen (18) months after the close of sale of the first Dwelling Unit in the initial phase of the Community.

Section 2.6 Special Meetings. A special meeting of the Association may be called by the President, the Board or upon receipt of a written request therefor signed by Members representing not less than twenty-five percent (25%) of the total voting power of the Association or by Members representing not less than fifteen percent (15%) of the voting power residing in Members, other than Declarant.

Section 2.7 Notice and Location of Meeting. At the direction of the President, the Secretary, the Officers or persons calling a meeting, written notice of regular and special meetings shall be given to all Members in the manner specified for Notices under these By-laws. Such notice shall specify the place, day, and hour of the business to be undertaken, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Except in the case of an emergency, at least ten (10) days notice (but not more than fifty [50] days notice) of any meeting shall be provided prior to the meeting. Meetings of the Association shall be held at an appropriate place selected by the Board. Notice shall also be delivered to any institutional lender filing a written request to attend meetings, and any such lender shall be permitted to designate a representative to attend in its behalf.

Section 2.8 Executive Session. The President may, at his/her discretion, adjourn a meeting of the Association and then reconvene in executive session to discuss and vote upon: personal or personnel matters; litigation in which the Association is or may become involved; and for orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced to the Members present at open session.

Section 2.9 Adjournment. In the absence of a quorum, a majority of those present in



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person or by proxy may adjourn the meeting to another time, but may not transact any other business. An adjournment for lack of a quorum shall provide for setting of a date to reconvene not less than seven (7) days and not more than thirty (30) days from the original meeting date. The quorum for such a reconvened meeting shall be one-half (1/2) of that required for the preceding meeting.

Section 2.10 Action without Meeting. Any action which may be taken at a meeting of the Association may also be taken without a meeting if written consent, setting forth the action so taken, is signed by all the Members entitled to vote thereon. Such consent shall have the same force and effect as a unanimous vote.

Section 2.11 Rules at Meeting. Except as otherwise provided in these By-laws, the Articles or the Declaration, all meetings of the Association Members shall be governed by Roberts Revised Rules of Order.

Section 2.12. Written Minutes. The Association's Secretary shall prepare and maintain a copy of the written minutes summarizing the decisions and discussion of each meeting of the Association and its Board of Directors. Each set of minutes shall be attested to by the President and made available to all Members of the Association.

= ARTICLE 3 =

Terms of Office/Election/Replacement/Removal/Duties of Association Officers

Section 3.1 Designation and Term. The Officers of the Association (the "Executive Officers") shall be comprised of a President, Vice President, Secretary, Treasurer and such other Officers as the Board approves, from time to, by resolution. The initial Officers shall be selected in accordance with Section 2.07 of the *Laurelhurst Place* Declaration. Said Officers shall remain in office until "Turnover" of the Association occurs. Thereafter, the Officers shall be elected annually by the Members, and each shall hold office for one (1) year unless he/she resigns sooner, is removed, or is otherwise disqualified to serve, as provided herein.

Section 3.2 Election of Officers. Election of the second set of Officers shall take place at the first meeting after "Turnover" occurs and at each subsequent annual meeting of the Association, in accordance with Nomination and Cumulative Voting procedures outlined in Sub-sections 6.2.1/6.2.2 hereof.

Section 3.3 Resignation and Removal. Any Officer may be removed from office by a majority of the Board at any time with or without cause. An Officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such a 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 3.4 Vacancies. A vacancy in any office may be filled by appointment made by



the Board. The person appointed to such a vacancy shall serve for the remainder of the term of the Officer that he/she replaces.

Section 3.5 Multiple Offices. Any two or more offices may be held by the same person, except the offices of President and Secretary.

Section 3.6 Duties of the Officers. The duties of the Officers shall be as follows:

Sub-section 3.6.1 President. The President shall: preside at all meetings of the Association and Board of Directors; see that orders and resolutions of the Association and Board are carried-out; sign all leases, mortgages, deeds, and other written instruments for the Association; co-sign all checks (unless the authority to sign checks in the ordinary course of Association business has been delegated to a management company as provided in these By-laws) and promissory notes approved by the Board; and act as the spokesperson for the Association.

Sub-section 3.6.2 Vice President. The Vice President shall: act in the place and stead of the President in the event of his/her absence, inability or refusal to act; and exercise and discharge such other duties as may be required of him/her by the Association.

Sub-section 3.6.3 Secretary. The Secretary shall: record the votes and keep the minutes of all meetings and proceedings of the Association and Board; serve notice of meetings of the Board and the Association; maintain addresses and telephone numbers of all Members; and perform such other duties as required by the Association and Board.

Sub-section 3.6.4 Treasurer. The Treasurer shall: receive and deposit, in appropriate bank accounts, all monies of the Association and shall disburse such funds as directed by the President or Board of Directors, in accordance with the Declaration; keep proper books of account and prepare or have prepared financial statements, as required in these By-laws. The duty of the Treasurer to receive and deposit funds and to prepare checks in the ordinary course of Association business may be delegated to a management company as provided in these By-laws and the Declaration.

= ARTICLE 4 =

Budgets, Financial Statements, Books and Records

Section 4.1 Budgets and Financial Statements. Financial statements and pro-forma operating budgets for the Association shall be regularly prepared (at least annually), and copies shall be distributed to each Member of the Association. All books and records shall be subject to an annual audit.

Section 4.2 Fiscal Year. The fiscal year of the Association shall be as designated by resolution of the Board. In the absence of such a resolution, the fiscal year shall be the calendar year.



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Section 4.3 Inspection of Association's Books and Records. The membership register, books of account, vouchers authorizing payments, and minutes of Association/Board/Committee meetings shall be made available for inspection and copying by any Member of the Association, or by a duly appointed representative, at a reasonable cost of reproduction. Every Member shall have such absolute right of access at any reasonable time and for a purpose reasonably related to his/her interest as a Member, at the office of the Association or at such other place as the Board shall determine. Such inspection shall take place on weekdays during normal business hours, following at least forty-eight (48) hours written notice to the Board by the Member desiring to make the inspection. Any Member desiring access to any document shall be entitled to sufficient time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Member includes the right to make extracts and copies of documents.

= ARTICLE 5 =

Discipline of Members/Suspension of Rights

The Association shall have no power to cause a forfeiture or abridgment of an Owner's right to the full use and enjoyment of his/her individually owned Lot or Dwelling Unit as the result of an Owner's failure to comply with provisions of the Declaration, Articles, these By-laws or of duly enacted rules of operation for the Common Area and facilities, except where the loss or forfeiture is the result of a court judgment or a decision arising out of arbitration or a foreclosure or sale under a power of sale for failure of the Owner to pay an Assessments levied by the Association. Notwithstanding the foregoing, the Board shall have the power to impose monetary penalties, temporary suspensions of an Owner's rights as a Member of the Association or other appropriate discipline for failure to comply with the Declaration, Articles, these By-laws or duly enacted rules; provided that the accused shall be given due notice and the opportunity to be heard by the Board with respect to the alleged violations before a decision to impose discipline is reached. In the case in which monetary penalties are to be imposed, such penalties shall include attorney's fees and all costs in connection with the collection of such penalties.

= ARTICLE 6 =

Election/Replacement/Terms of Office/Meetings of the Board of Directors

Section 6.1 Number and Term of Directors. The Board shall consist of five (5) Directors, each of whom shall be an Owner, including the Declarant or its agent, so long as Declarant is an Owner. The initial Directors shall be those designated in the Articles of Incorporation, and who shall serve until "Turnover" of the Association by Declarant occurs. Thereafter, the Directors shall serve staggered terms of two (2) years each; provided, however, that at the first meeting after "Turnover," the Members shall elect three (3) Directors for a term of two (2) years and two (2) Directors for a term of three (3) years. Directors shall be elected and removed according to these By-laws. The President of the Association shall serve as Chairperson of the Board of Directors.

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Section 6.2 Election of Board of Directors. Election of Members to the Board after "Turnover" shall be accomplished in accordance with the following procedures:

Sub-section 6.2.1 Nomination. Nominations (other than for the position to be held by the Association President) for election to the Board of Directors may be made from the floor at the annual meeting of the Association. Additionally, the Board may appoint a Nominating Committee, which shall consist of a Chairperson, who shall be a member of the Board, and two (2) or more other Association Members. If the Board determines to appoint a Nominating Committee, the Committee shall be appointed at least thirty (30) days prior to each annual meeting of the Members, to serve until the close of such annual meeting, and shall make as many nominations for election to the Board of Directors as it require to fill the vacancies.

Sub-section 6.2.2 Cumulative Voting. Election of Board members shall be by secret written ballot. All elections in which more than two (2) positions on the Board are to be filled shall be conducted by cumulative voting on a single ballot. The Association Secretary shall tally the ballots, and the President shall validate the vote.

Section 6.3 Removal. Unless the entire Board is removed from office by the vote of Association Members, an individual Director may be removed prior to the expiration of his/her term of office if the number of votes cast against his/her removal is greater than the quotient arrived at by dividing the total number of votes that may be cast under cumulative voting procedures by a divider equal to one (1) plus the authorized number of Directors.

Section 6.4 Vacancies. Vacancies in the Board caused by any reason other than the removal of a Director shall be filled by vote of the majority of the remaining Directors; and each person so elected shall be a Director for the remainder of the term of the Director he/she replaces, or until a successor is elected at a special meeting of the Members called for that purpose.

Section 6.5 Regular Meeting. After the initial meeting, regular meetings of the Board of Directors shall be conducted at least quarterly at a time and place determined in advance by the Board, unless there is no business to be conducted.

Section 6.6 Special Meetings. A special meeting of the Board may be called by written notice signed by the President of the Association or by any two (2) Directors, other than the President. Notice shall be provided to all Directors and shall include an agenda describing the nature of any special business to be considered by the Board.

Section 6.7 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 to that Director. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place of the meeting.

Section 6.8 Quorum. The presence, in person, of a majority of Directors at any meet-



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ing of the Board shall constitute a quorum. The vote of a majority of the quorum actually present at any meeting shall constitute the vote of the Board, unless expressly provided to the contrary in these By-laws or in any future amendment thereto.

Section 6.9 Action by Consent of Directors. Any action which may be taken by the Board of Directors may also be taken without a meeting, if all members of the Board shall individually or collectively consent to such action.

Section 6.10 Adjournment/Executive Session. The Board Chairperson may, with the approval of a majority of a quorum of the Directors, adjourn a meeting and reconvene in executive session to discuss and vote upon: personal or personnel matters; litigation in which the Association is or may become involved; and orders or business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 6.11 Open Board Meetings. Regular and special meetings of the Board shall be open to all Members of the Association; provided, however, that Members who are not on the Board may not participate in any deliberation or discussion unless expressly so authorized by a majority vote of a quorum of the Board.

- ARTICLE 7 -

Powers and Duties of the Board of Directors

Section 7.1 Powers and Duties. The Board shall have the powers and duties necessary for administration of the business affairs of the Association. Without limitation on the generality of the foregoing powers and duties, the Board shall be vested with, and responsible for, the following powers and duties:

Sub-section 7.1.1 To select, appoint, supervise, and remove all Officers, agents and employees of the Association; to prescribe such powers and duties for them as may be consistent with the law, the Articles, the Declaration and these By-laws; and to require from them security for faithful service when deemed advisable by the Board;

Sub-section 7.1.2: To enforce the applicable provisions of the Declaration, the Articles, these By-laws and other instruments relating to the ownership, management and control of the specified business affairs of the Association;

Sub-section 7.1.3 To adopt and publish rules and regulations governing the use of the Common Area, and to establish procedures and penalties for the infraction thereof, subject to the approval of the membership;

Sub-section 7.1.4 To pay all taxes and Assessments which are, or could become, a lien on any Common Area or a portion thereof;

Sub-section 7.1.5 To contract for casualty, liability and other insurance on be-



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half of the Association, as required or permitted in the Declaration;

Sub-section 7.1.6 To cause the Common Area to be maintained and insured, and to contract for goods and/or services for the Association, subject to the limitations set forth in these By-laws and the Declaration;

Sub-section 7.1.7 To delegate its powers to committees, Officers or employees of the Association, or to a management company pursuant to a written contract, as expressly authorized by these By-laws or the Declaration;

Sub-section 7.1.8 To keep complete and accurate books and records of the receipts and expenditures of the Association (relating to the Common Area and other pertinent items), specifying and itemizing the maintenance and repair expenses incurred, and to prepare budgets and financial statements for the Association, as required in these By-laws, in accordance with standard, accepted accounting procedures;

Sub-section 7.1.9 To initiate and execute disciplinary proceedings against Members of the Association for violations of the provisions of the Articles, Declaration, these By-laws and such rules as may be promulgated by the Board, in accordance with procedures set forth in these By-laws and Declaration;

Sub-section 7.1.10 To enter upon any privately owned Dwelling Unit as necessary in connection with construction, maintenance or emergency repair for the benefit of the Community or the Owners;

Sub-section 7.1.11 To fix and collect Regular and Special Assessments according to the Declaration and these By-laws, and, in the Board's discretion, foreclose the lien against any Lot or Dwelling Unit for which a delinquent Assessment, or bring an action at law against the Owner personally obligated to pay such Assessment;

Sub-section 7.1.12 To prepare and file annual reports and/or tax returns with the local, state and federal governments and to make such elections as may be necessary to reduce or eliminate the tax liability of the Association.

Section 7.2 Limitations on the Board's Power. Except with the vote or written assent of a majority of the voting power of the Association, the Board shall be prohibited from taking any of the following actions:

Sub-section 7.2.1 Incurring aggregate expenditures for capital improvements to any Common Area in any fiscal year in excess of ten percent (10%) of the budgeted gross expenses of the Association for that fiscal year;

Sub-section 7.2.2 Selling property of the Association during any fiscal year having an aggregate fair market value greater than ten percent (10%) of the gross budget-



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cd expenses of the Association for that fiscal year;

Sub-section 7.2.3 Paying compensation to Directors or Officers for services performed in the conduct of the Association's business; provided, however, that the Board may cause a Director or Officer to be reimbursed for expenses incurred in carrying-out the business of the Association;

Sub-section 7.2.4 Entering into a contract with a third person wherein the third person will furnish goods or services for the Common Area or the Association for a term no longer than two (2) years with the following exceptions:

- (a) A contract with a public utility company if the rates charged for the materials or services are regulated by government authority; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate; or
- (b) Prepaid casualty and/or liability insurance policies not to exceed three (3) years duration, provided that the policy permits for short rate cancellation by the insured.

Any agreement for professional management of the Association's business affairs or any other contract providing for services by Declarant shall provide for termination by either party without cause and without payment of a termination fee on thirty (30) day or less written notice and which shall have a maximum contract term of one (1) year duration per period of service.

= ARTICLE 8 =
Amendment of By-laws

These By-laws may be amended at any time and in any manner by the vote or written assent of a bare majority of a quorum of the total voting power of the Association; provided, however, that the percentage of the voting power necessary to amend a specific clause or provision herein shall not be less than the percentage of affirmative votes prescribed for action to be taken under said clause or provision; and provided further, that any such Amendment shall not be inconsistent with the law.

= ARTICLE 9 =
Miscellaneous Provisions

Section 9.1 Acceptance of Regulations. All Owners, tenants, their employees, or any other person that might use the facilities of the Community in any manner, are subject to the rules and regulations set forth in any of the Governing Documents for *Laurelhurst Place* to all reasonable rules and regulations enacted pursuant its Declaration. The acquisition, rental, or occupancy of any Lot or Dwelling in the Community shall constitute acceptance and ratification of the provisions of all such rules and regulations.



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Section 9.2 Compensation and Indemnity of Officers and Directors. No Director nor Officer shall receive any loan from the Association, or shall receive any compensation for services rendered for or on behalf of the Association, except reimbursement according to Sub-section 7.2.3 hereof. To the maximum extent permitted by law, each Director and Officer shall be indemnified by the Association against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed upon him/her by judgment or settlement, in connection with any proceeding to which he/she may be a party, or in which he/she may become involved, by reason of being or having been a Director or Officer of the Association, except in cases of fraud, gross negligence or bad faith of the Director or Officer in the performance of his/her duties.

Section 9.3 Committees. The Association or Board may, by resolution, designate one or more committees, each of which shall include at least two (2) Members of the Association, and which shall have such powers to act on behalf of the Association, as set forth in the resolution, subject to prohibitions or limitations imposed by law.

Section 9.4 Notices. Any notice permitted or required to be given by provisions contained in any of the Governing Documents may be delivered either personally, by mail or as otherwise specifically provided in the Governing Documents. If delivery is by mail, it shall be deemed to have been given upon deposit thereof in the United States mail, postage prepaid, addressed to each person at the current address given by such person to the Secretary of the Association or addressed to the Dwelling Unit of such person if no address has been given to the Secretary.

* * * * *

| Conclusion of the By-laws for Laurelhurst Homeowners' Association |

The foregoing By-laws are made and executed on the date set forth below by Declarant:

R. and S. Land Development Company
By: Terence A. Sullivan
Terence A. Sullivan, Managing Partner



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STATE OF WASHINGTON)
) ss.
County of Spokane)

On this day personally appeared before me TERENCE A. SULLIVAN, to me known as Managing Partner of R. and S. Land Development Company and the individual who executed the foregoing instrument and acknowledge that he is authorized to sign same as his free and voluntary act and deed for the uses and purposes therein described.

GIVEN under my hand and official seal this 22 day of MAY, 1998.

Kathleen J. Howard
Notary Public in and for the state of Washington, residing at Spokane.

My commission expires 3-21-01

