

FIRST ANNUAL MEETING OF THE
MEMBERS
OF
SHELLEY LAKE ESTATES HOMEOWNERS' ASSOCIATION

The annual meeting of the Members of Shelley Lake Estates Homeowners' Association, a Washington nonprofit corporation ("Association"), was called to order on June 22, 2006, at the hour of 7:05 p.m., at Spokane Valley, Washington.

There were 63 homeowners present at the meeting (with one present homeowner having two lots and voting rights for each such lot) and 31 proxies were presented. This represented a total of 95 votes represented at the meeting for quorum purposes and Mr. Balch declared that a quorum was present.

Also present were Brian C. Balch, the attorney for Robert Heitman, and Kathryn R. McKinley, the attorney for some of the homeowners. The meeting was conducted by Brian C. Balch and Christy Smith acted as Secretary.

Wes Schmidt of 625 South Shelley Lake Lane questioned whether all of the homeowners present or represented by proxy could vote and be counted in the quorum since some are delinquent on their assessments due to the Association. Mr. Balch noted Mr. Schmidt's question and proceeded with the meeting. Mr. Schmidt later stated that he did not vote and had not been included in the vote count for purposes of determining whether a quorum was present. A subsequent review of the Association's records showed that no voting rights had been suspended because of unpaid assessments or for any other reason.

Mr. Balch then noted that there is now only one class of membership.

I. ELECTION OF DIRECTORS

Nominations were taken from the floor for Directors to represent each of the additions within the Shelley Lake development. Each nominee was given the opportunity to address the Association. Following a vote by show of hands, the following Members were elected to serve on the Board of Directors, until the next annual meeting of the Members of the Association and until successors are elected and qualified. The term length was determined by draw.

| Phase | Name | Term |
|--------------------------|--------------|-------------|
| PUD and Reflections | Mike Syrcle | Four years |
| 1 st Addition | Mike Girtz | Four years |
| 2 nd Addition | Bill Martin | Three years |
| 3 rd Addition | Bob Harris | Two years |
| 4 th Addition | Scotty Smith | One year |

II. ELECTION OF OFFICERS

The following persons were elected to the offices appearing opposite their respective names, to serve in those offices until the next annual meeting of the Members of the Association and until their respective successors are elected and qualified:

| | |
|----------------|----------------|
| Scotty Smith | President |
| Mike Syrcle | Vice President |
| Claudia Hersey | Secretary |
| Norene Green | Treasurer |

III. ELECTION OF ARCHITECTURAL CONTROL COMMITTEE

The following persons were elected to the Architectural Control Committee, to serve until the next annual meeting of the Members of the Association and until their respective successors are elected and qualified:

Mike Girtz
Bill Martin
Joe Pallaria

IV. RESIGNATIONS OF ROBERT HEITMAN

Letters from Robert Heitman, as Declarant, were presented by Brian C. Balch. Mr. Heitman officially resigned as a Director and Officer of the Association and conditionally resigned from the Architectural Control Committee. Mr. Heitman's resignation from the Architectural Control Committee was conditional on the elected Committee responding to requests from builders within 5 business days. Mr. Heitman will continue as Declarant with all obligations unchanged.

V. TRANSFER OF ASSOCIATION RECORDS

The Secretary and Treasurer will work with Mr. Heitman's assistant in transferring all Association records and finances.

Mr. Balch then turned the meeting over to Scotty Smith and left the meeting.

Mr. Smith called for a brief recess. When the meeting reconvened, Mr. Smith announced that another meeting of the Association would be called at a later date after the new Directors and Officers had been able to review the Association records to conduct such business as may be required.

No further business being presented, upon motion duly made, seconded and carried, the meeting thereupon adjourned.

Claudia Hersey, Secretary

Attested:

Scotty Smith, President