

AMENDED AND RESTATED BY-LAWS

OF

SHELLEY LAKE ESTATES HOMEOWNERS' ASSOCIATION

ARTICLE I

NAME LOCATION SEAL BUSINESS

Section 1. Name. The name of the corporation shall be Shelley Lake Estates Homeowners' Association.

Section 2. Location. The principal place of business of the corporation shall be P.O. Box 1872, Veradale, Washington, 99037.

Section 3. Purpose. This corporation shall engage in the enhancement and promotion of the following purposes:

A. To provide for the acquisition, construction, management, operation, administration, maintenance, repair, improvement, preservation, and architectural control of Association property within that certain development situated in the County of Spokane, legally known as Shelley Lake Estates.

B. To promote the health, safety, and welfare of all residents within the above-described property and any additions thereto as may hereafter be brought within the jurisdiction of this Association for such purpose, all according to that certain Declaration of Covenants, Condition, and Restrictions (the "Declaration") recorded or to be recorded with respect to said property in the office of the Auditor of Spokane County.

C. Fix, levy, collect, and enforce assessments and fines as set forth in the Declaration.

D. Pay all expenses and obligations incurred by the Association in the conduct of its business, including, without limitations, licenses, taxes, or governmental charges levied or imposed against the Association property.

E. Acquire (by gift, purchase, or otherwise) own, hold, improve, build upon, operate, maintain, convey, sell, lease, exchange, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association.

F. Make contracts and incurs liabilities, borrow money and mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

G. Dedicate, sell, transfer, or grant easements over all or any part of any Association Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the members.

H. Participate in mergers and consolidations with other non-profit corporations organized for the same purposes, or annex additional property to the property managed by the Association.

I. Have and exercise any and all powers, rights and privileges which a corporation organized under the Miscellaneous and Mutual Corporations Act of the State of Washington by law may now or hereafter have or

exercise.

## ARTICLE II MEMBERSHIP

Section 1. Corporate Members. Every person or entity who is a record owner of a fee or undivided fee interest in any lot which is subject by covenants or record to assessment by the Association shall be a member of the Association in accordance with the recorded Declaration of Covenants, Conditions and Restrictions. The foregoing is not intended to include persons who or entities which hold an interest merely as security for the performance of any obligation. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association. Membership shall be in accordance with the Articles of Incorporation and the By-Laws of the Association and shall be subject to all covenants and restrictions of record which have been duly recorded with the County Auditor in Spokane County.

Section 2. Membership Meetings. Unless an alternative date is selected as provided in Article III, Section 4, the annual meeting of the membership of this corporation shall be held during or immediately prior to the annual meeting of the Board of Directors unless it is a holiday in which case it shall be held the second Monday in January. Special meetings of the membership of the corporation may be called from time to time at the discretion of the Board of Directors of the corporation.

Section 3. Membership Votes. At any meeting of the membership of the corporation, forty percent (40%) of the members of the corporation must be present, in person or by proxy, to constitute a quorum. Each member so represented shall be entitled to voting rights as provided in the Declaration of Covenants, Conditions and Restrictions for Shelley Lake Estates.

## ARTICLE III DIRECTORS

Section 1. Board of Directors. The activities and affairs of the corporation shall initially be managed by a Board of Directors of one (1) member: who need not be a Member of the Association, until transfer of control of the Association to the general membership: after which time the Board of Directors must consist of no less than three (3) members and who must be Members of the Association in good standing. The Board may elect to increase the Board of Directors to seven (7) members. The initial term of the new board members positions will be determined by the existing Board of Directors. Reduction of board members must coincide with a Director's end of term. These changes may only occur during the Association's annual meeting. The Board of Directors may also be referred to as a Board of Directors in the Articles of Incorporation for the corporation.

Section 2. Election of Directors. The Directors of the corporation shall be elected at the annual meeting of the membership with regard to the initial Board elected by the Membership and at the annual meeting of the membership thereafter, in either case by a majority of the votes cast in person or by proxy.

Section 3. Term of Office. The term of office of each Director of the corporation shall be a period of four (4) years or until their successor is elected and qualified, except that the initial term of the original Board of Directors elected at the organizational meeting of the corporation shall be staggered so that as nearly as possible an equal number shall be elected each year or every other year, and such staggering shall be determined by a vote of the membership at the first annual meeting of the membership.

Section 4. Meetings. The Board of Directors of the corporation shall hold an annual meeting on the second Monday in January, or such other date as the Board of Directors shall determine and for which they shall provide notice of not less than 30 days to the membership. In addition, the Board of Directors shall

conduct quarterly meetings unless any of such quarterly meetings are dispensed with pursuant to the written consent signed by all members of the Board of Directors. The Board shall additionally be entitled to hold special meetings at such times and at such places as it shall deem necessary for the competent management of the activities of the corporation and all such special meetings shall be by written notice to all members of the Board of Directors.

Section 5. Voting. Each member of the Board of Directors shall possess one (1) vote in matters coming before the Board. All voting at meetings of the Board of Directors shall be by each member in person and voting by proxy shall not be allowed. The Board of Directors may vote by email providing the results are recorded at the next board meeting.

Section 6. Removal of Board Member. Any director may be removed by the members, in accordance with Washington law, whenever, in the judgment of the Members the best interests of the Association would be served thereby.

Section 6.5. Disqualification. Any Director may lose his or her position as a Director by disqualification for any one of the following reasons:

6.5.1 The Director is absent from three (3) consecutive Board of Director's meetings without just cause.

6.5.2 The Director has a continuing conflict of interest between outside interests and duties as a Director.

The final determination of disqualification for any of the above reasons shall be made by the Board of Directors by a unanimous affirmative vote of the remaining Directors. Upon such an affirmative determination of disqualification, that Director's seat shall be considered vacant.

Section 7. Board Member Vacancies. Any vacancy occurring on the Board of Directors by reason of death, resignation, or removal of a Director the remaining Board will attempt to fill the position with a member who owns a lot within the vacant Director's responsibility. If no qualified applicant is received within thirty (30) days, the Board may appoint a member at large. With such person to be chosen by a majority vote of the remaining Directors. The appointment shall be made as soon as is reasonably practicable after the vacancy arises and such appointee shall serve during the unexpired term of the Director whose position has become vacant.

#### ARTICLE IV POWERS AND DUTIES OF BOARD OF DIRECTORS

Section 1. General Powers. The Board of Directors shall have the power to conduct, manage, and control the affairs and the business of the Corporation; to make rules and regulations not inconsistent with the laws of the State of Washington, the Articles of Incorporation, and By-Laws of the Corporation for the guidance of its officers and the management of the affairs of the Corporation. Should the Board of Directors deem it advisable and for the best interests of the Corporation, the Board may appoint and compensate a Manager to administer day-to-day management and administration of the Association's business, on terms and conditions approved by a majority of the Board.

Section 2. Officers. The Membership of the Corporation shall have the power to elect a President and other officers of the Corporation. The Board of Directors, directly or through the officers as determined by the Board of Directors, shall have the further right to employ such assistance as from time to time may be deemed

necessary to assist the Board of Directors in the management and investment of any property or funds contributed to the corporate foundation; to appoint and remove at pleasure all officers, agent, and employees of the Corporation, prescribe their duties and fix their compensation and require from them, if advisable, security for faithful service.

Section 3. Contracts. The Board of Directors shall have the power to make and enter into any and all contracts and agreements with any person, firm, or corporation that may be necessary or to enforce and carry out any and all such contracts. The Board shall carry out and faithfully perform on behalf of the Corporation the terms and conditions of any and all agreements made and entered into by the Corporation. No contract shall be void or voidable if entered with a member of the Board of Directors or any entity in which any member of the Board of Directors shall have any interest.

Section 4. Depository. The Board of Directors shall have the power to select anyone or more banks to act as depository or depositories of the funds of the Corporation; and to determine the manner of receiving, depositing, and disbursing the funds of the Corporation, the form of checks and the person or person signing checks of the Corporation.

Section 5. Finances. The Board of Directors shall have the control over the funds of the Corporation and shall have the power to borrow and loan money.

Section 6. Property. The Board of Directors shall have the power to buy sell, lease and acquire in any lawful manner and mortgage or otherwise encumber any and all real or personal property which in its judgment may be beneficial or convenient to the purposes of the corporation. It shall be the duty of the Board of Directors to properly protect, care for, and maintain any and all property, real, personal, and mixed belonging to the corporation.

Section 7. Indebtedness. The Board of Directors shall have the power to issues notes or other obligations or evidences of indebtedness of the Corporation and to secure the same if it is deemed advisable by mortgaging, pledging or hypothecating any or all of the real, personal, or mixed property of the Corporation.

Section 8. Records. It shall be the duty of the Board of Directors to keep a complete record of all of its acts and of all the proceedings of its meetings and to present a full statement at the regular meeting of the stockholders, showing in detail the condition of the affairs of the Corporation.

Section 9. Employees. It shall be the duty of the Board of Directors to supervise all officers, agents, and employees and see that their duties are properly performed.

Section 10. Bonds. It shall be the duty of the Board of Directors, at any time it shall deem it necessary, to require of every officer or employee of the Corporation handling funds that he furnish a good and sufficient surety bond in such amount and in such terms and containing such conditions as the Board of Directors may require, in favor of the Corporation; the premiums of such bond to be paid by the Corporation.

Section 11. Bookkeeping. It shall be the duty of the Board of Directors to install such a system of bookkeeping and auditing as well as at all times disclose fully the receipts and disbursements of the Corporation and also disclose the financial situations of the Corporation.

Section 12. Funds. It shall be the duty of the Board of Directors to cause the monies of the Corporation to be safely kept, directing from time to time, where and how they shall be kept and deposited.

ARTICLE V  
OFFICERS

Section 1. Enumeration. The officers of this Corporation shall consist of a President, a Vice-President, Secretary and Treasurer, provided that any two (2) such offices can be combined into one (1) except for President and Secretary.

Section 2. Qualifications. The President and Vice-President, shall be Directors of the Corporation. The Secretary, Treasurer, and any other administrative officers need not be Directors of the Corporation.

ARTICLE VI  
DUTIES OF OFFICERS

Section 1. President. The President shall act as chairman of the Board of Directors and shall preside at all meetings of the Directors or meetings of the membership of the Corporation. The President shall sign as President all notes, deeds, bonds and contracts, and all other obligations on behalf of the Corporation together with the Secretary in the name of the Corporation which have been fully approved by the Board of Directors. The President shall call the Board of Directors together whenever he deems it necessary, and the President shall sign the minutes of the meetings of the Board of Directors and of the meetings of the membership. The President shall perform such other duties usually inherent in such office, except that such duties may be delegated as said President of the Corporation sees fit to so delegate.

Section 2. Vice-President. The Vice-President of the Board of Directors shall act for the President in their absence and perform such other acts and duties as the President from time to time may direct.

Section 3. Secretary. It shall be the duty of the Secretary of the Board of Directors to keep all records of the Board of Directors of the Corporation, and to perform such other acts as the President may direct. The Secretary shall sign in the name of the Corporation with the President (or the President's absence, with the Vice-President) all deeds, bonds, contracts, and other obligations on behalf of the Corporation which the Board of Directors has duly approved. The Secretary shall serve all notices required by the Board of Directors or by the By-Laws of the Corporation.

Section 4. Treasurer. The Treasurer shall receive and be accountable for all funds belonging to the Corporation; pay all obligations incurred by the Corporation when payment is authorized by the Board of Directors; maintain bank accounts and depositories designated by the Board of Directors; and render periodic financial reports.

ARTICLE VII  
ACTIONS BY WRITTEN CONSENT

Any corporate action required or permitted by the Articles of Incorporation or By-Laws of the Corporation or by the laws of the State of Washington, to be taken at a meeting of the members of Directors of the Corporation may be taken without a meeting if a consent in writing, setting forth the actions so taken, shall be signed by all of the member of the Directors entitled to vote have the same force and effect as a unanimous vote, and may be described as such.

ARTICLE VIII  
ADMENDMENTS

These By-Laws shall be amended only by a vote of two-thirds (2/3) of the members of the Association.

The undersigned, the Secretary of Shelley Lake Estates Homeowners' Association, does hereby certify that the above and foregoing Amended and Restated By-Laws were adopted by the action of a duly called meeting held at Spokane, Washington on the 7th day of January 2008 and supercede and replace the By-Laws of Shelley Lake Estates Homeowners' Association dated January 1, 1997.

  
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Christine E. Smith, Secretary

APPROVED:

  
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Scotty Smith, President