

# THE LLOYD CHARLES ESTATES HOMEOWNERS ASSOCIATION

## BYLAWS

### ARTICLE 1

#### DEFINITIONS

1.01 Nature of Bylaws. The following paragraphs contain provisions for the regulation and management of the Lloyd Charles Estates Homeowners Association, a nonprofit corporation organized and operating under the laws of the state of Washington, hereinafter referred to as "Association".

1.02 Conflicts. In the event that there is a conflict between a provision of these Bylaws, a mandatory provision of the Articles of Incorporation, a mandatory provision of the laws of the State of Washington, or the Declaration as amended from time to time, then any conflict shall be resolved by giving priority to the mandatory provision of the laws of the State of Washington, then the Declaration, and finally the mandatory provision of the Articles of Incorporation shall control.

1.03 Remedies. All persons subject to these Bylaws shall have the enforcement remedies described in the Declaration.

### ARTICLE II

#### Registered Agent and Office

2.01 Registered Agent and Office of the Association. The registered agent and office of the Association in the State of Washington shall be Eleven Fourteen, Inc., located at 1100 U.S. Bank Building, Spokane, Washington, 99201. The Association may have such other offices, either within or without the state of Washington, as the Board of Directors may designate from time to time.

### ARTICLE III

#### Definitions

3.01 "Association" shall mean and refer to the Lloyd Charles Estates Homeowners Association.

3.02 "Property" shall mean and refer to that certain real property described in the Declaration.

3.03 "Assessment" shall mean as defined in the Declaration.

3.04 "Parcel" and "Lot" shall mean as defined in the Declaration.

3.05 "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any lot which is a part of the properties, including contract purchasers, but excluding those having such interest merely as security for the performance of an obligation.

3.06 "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions and Reservation of Easements For the Lloyd Charles Estates, a Planned Unit Development, recorded in the records of the Spokane County Auditor, as amended from time to time.

3.07 "Member" shall mean and refer to those persons entitled to membership as provided

in the Declaration.

## ARTICLE IV

### Membership Meetings

4.01 Annual Meeting. There shall be at least one meeting annually. The first annual meeting of the members shall be held within one year of the date of incorporation of the Association. Except for the initial meeting, the annual meeting of the association shall be held on the first Friday in November of each year at 7:30 p.m. at the property, or at such other reasonable time and place designated by the Board of Directors. In the event such annual meeting is omitted by oversight or otherwise, it may be held at a subsequent special meeting called in accordance with the provisions of these Bylaws and the laws of the State of Washington, and any business transacted or elections held at such meetings shall be valid as if transacted or held at the annual meeting.

4.02 Notice. The Board or its delegates shall give to the members a written notice of the annual meeting not less than ten (10) days nor more than fifty (50) days prior to the date fixed for the meeting. The notice shall be sent and addressed in the manner set forth in Section 5.09.

4.03 Special Meeting. Special meetings of the membership of the Association may be called from time to time at the discretion of the President, a majority of the Board of Directors, or the members having twenty percent (20%) of the total votes. Written or printed notice stating the place, day, hour and purpose for which the meeting is called shall be personally delivered or mailed to each member's last known address not less than ten (10) nor more than fifty (50) days before the meeting at the direction of the president or secretary. No business shall be transacted at a special meeting except as stated in the notice, unless by consent of four-fifths (4/5) of the members present, in person or by proxy.

4.04 Conduct of Meeting. The president of the corporation shall preside at all meetings of the members, and the secretary of the corporation shall record the minutes of all such meetings.

4.05 Quorum. At any meeting of the membership of the corporation, the presence of the voting members entitled to vote, or the proxies entitled to vote, one-third (1/3) of the total votes of the Association shall constitute a quorum. The act of a majority of the members present shall be the act of the membership, provided a quorum is met, unless a greater number of votes is required by the Declaration, Articles of Incorporation or these Bylaws, in which case said required number of votes must be cast to be the act of the membership.

4.06 Voting. Each member shall be entitled to exercise the voting power allocated to it in the Declaration on each matter submitted to a vote of the membership. The determination, if necessary, of which member may vote shall be determined as follows:

(a) If only one of the multiple owners of the Lot is present at a meeting of the Association, the owner is entitled to cast all the votes allocated to that Lot. If more than one of the multiple owners are present, the votes allocated to that Lot may be cast only in accordance with the agreement of a majority in interest of the multiple owners. There is majority agreement if any one of the multiple owners cast the votes allocated to that unit without protest being made promptly to the person presiding over the meeting by any of the other owners of the Lot.

(b) Voting powers may be exercised by guardian, administrator(s) or executor(s) of an Owner's estate. Declarant shall be the voting member with respect to any Lot owned by it. If a person owns more than one Lot, he or she shall have votes for each Lot which he or

she owns.

Votes allocated to a Lot may be cast pursuant to a proxy duly executed by the Lot Owner. If the Lot is owned by more than one person, each Owner of the Lot may vote or register protest of the casting of votes by the other Owners of the Lot through a duly executed proxy. A Lot Owner may not revoke a proxy given pursuant to this Section except by actual notice of revocation to the person presiding over a meeting of the Association. A proxy is void if it is not dated or purports to be revocable without notice. Unless stated otherwise in the proxy, a proxy terminates eleven (11) months after its date of issuance. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his/her/its Lot.

Declarant under the Declaration shall have those certain voting rights as set forth in Section 3.4 thereof.

## ARTICLE V

### Directors

5.01 Qualification. Directors need not be members of the corporation and may, but need not, be officers of the corporation or residents of the State of Washington. Each director shall support the purposes of the Association.

5.02 Number. The Board of Directors shall consist of a minimum of one (1) person and a maximum of five (5) persons. So long as there is a minimum of one (1) director, the number of directors may at any time be increased or decreased by the members by amendment to these Bylaws at any annual, regular or special meeting.

5.03 Nomination and Election. Subsequent to the election of the initial board by the members, each year thereafter the nominating committee shall propose directors for the Association as set forth in paragraph 7.02. The proposed directors will be presented to the general membership at the annual meeting, at which time nominations may be received from the floor.

Directors shall be elected by a vote of the membership at the annual meeting of the membership as provided herein. Voting for the election of directors shall be by ballot unless otherwise directed by the Board of Directors. Each member shall have the right to vote for as many persons as there are directors to be elected, but no member shall be entitled to cumulate votes.

Pursuant to the Declaration, the Declarant during a certain period of time may vote all of the votes attributable to it so as to elect some or all of the directors.

5.04 Term. Directors shall hold offices for three (3) years or until their successors shall have been elected and qualified, unless sooner removed as provided in these Bylaws. After the initial term of office, the members shall elect a successor director for a three (3) year term. Any director may be elected to serve an additional term or terms.

5.05 Resignation. Any director may resign at any time by giving written notice to the corporation, the Board of Directors, the president or the secretary of the corporation. Any such resignation shall take effect at the time specified therein or, if the time is not specified, upon its acceptance by the Board of Directors.

5.06 Removal. A director may be removed at any time, with or without cause, by the affirmative vote of two-thirds (2/3) of the votes cast by the members having voting rights with regard to the election of any director, represented in person or by proxy at a meeting of the members at

which a quorum is present. Notice stating that a named director shall be considered for removal and the cause, if any, for such removal must be mailed to the director prior to a duly called meeting of the board of directors at the same time and in the manner prescribed for the notice of the meeting.

5.07 Vacancies. Any vacancy occurring in the Board of Directors may be filled by the Declarant under the Declaration or the members, as applicable, unless the number of directors is increased to greater than one, in which case any vacancy shall be filled by the remaining Director(s). A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor. A vacancy among the Board of Directors shall be deemed to exist upon death, resignation, or removal of a director.

5.08 Meetings. The Board of Directors shall hold at least one (1) scheduled meeting per year, which shall occur immediately after the annual meeting of the members. The dates of the meeting shall be established at a meeting of the Board prior to the annual meeting. The established dates will be announced at the annual membership meeting. The meetings shall be held at such place as the Board may direct. The president, or the vice president in the president's absence, shall call meetings of directors to order and shall act as chair of such meetings. The secretary shall record the minutes of the meeting. Roberts Revised Rules of Order shall govern all meetings of the directors and any of its committees unless in conflict with the laws of the State of Washington or the Articles of Incorporation or the Bylaws of the corporation.

Special Board meetings may be called by the president or any one (1) director.

5.09 Notice of Meetings. Notice of each meeting of directors and of any special Board meeting stating the place, day and hour of such meeting and, if such meeting is a special meeting, the purpose for which such meeting is called shall be given to each director prior to the date of the meeting. Notice shall be given by the secretary personally, by telephone or by mail. Notice by mail shall be deemed to be delivered when deposited in the United States mail, postage prepaid, addressed to the director's last known address. Attendance of a director at a meeting shall constitute a waiver of notice, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Directors may waive notice of meetings, and written waiver of notice executed either before or after the meeting shall be sufficient. Any adjournment or adjournments of a Board meeting to another time and place may be held without new notice being given.

5.10 Quorum. A majority of the number of directors present at the beginning of the meeting shall constitute a quorum for the transaction of business. The act of the majority shall be the act of the Board of Directors where a quorum exists. If there shall be less than a quorum present, those present may adjourn the meeting from time to time without notice other than by announcement at the meeting. At any subsequent meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

5.11 Registering Dissent. A director who is present at a meeting of the Board of Directors at which action on a corporate matter is taken shall be presumed to have assented to such action unless the directors dissent or abstention shall be entered in the minutes of the meeting or unless the director shall file a written dissent or abstention to such action with the person acting as the secretary of the meeting before the adjournment thereof, or shall forward such dissent or abstention by registered mail to the secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent or abstain shall not apply to a director who voted in favor of such action.

5.12 Voting. Each member of the Board of Directors shall possess one (1) vote in matters coming before the Board. A director may vote only in person and not by proxy.

5.13 Action Without a Meeting. Any action which must or may be taken at a meeting of

the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors. Such consent shall have the same effect as a unanimous vote.

5.14 Powers and Duties. The business and affairs of the Lloyd Charles Estates Homeowners Association shall be managed by the Board of Directors. The Board of Directors shall have power to:

(a) Exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration;

(b) Employ a manager and independent contractor or such other employees as they deem necessary, and to prescribe their duties.

It shall be the duty of the Board of Directors to:

(a) 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 required in writing by one-fourth (1/4) of the members who are entitled to vote;

(b) Supervise all officers, agents and employees of this corporation; and to see that their duties are properly performed;

(c) As more fully provided in the Declaration, to:

(1) At such time as the Association commences fixing assessments, fix the amount of each applicable annual assessment against each lot not less than sixty (60) days in advance of the beginning of each fiscal year; fix all assessments, utility charges, reasonable reserves and reserve funds and such other assessments and charges as are described in the Declaration;

(2) Send written notice of each assessment to every owner subject thereto in advance of each assessment, together with the due date thereof, and collect said assessments when due; and

(3) Foreclose the lien against any individual Lot or Lots, bring an action against the Owner personally obligated to pay the same, accelerate assessments or otherwise exercise the rights accorded the Board with respect to collection of assessments in the Declaration or otherwise by law, in the event any assessments or charges are not paid within thirty (30) days after due date.

(d) Issue or cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment or other charges have been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment or other charges have been paid, such certificate shall be conclusive evidence of such payment;

(e) Procure and maintain adequate liability and hazard insurance on the existing private roads, drainage ponds and drainage facilities, on such other common improvements as may be created or obtained in the future for the benefit of the members, and such other insurance as it deems appropriate;

(f) Cause all officers or employees having fiscal responsibilities to be covered by

fiduciary coverage or be bonded, as it may deem appropriate;

(g) Cause the portions of the Property as set forth in the Declaration to be maintained, repaired and replaced;

(h) Exercise architectural control as described in the Declaration;

(i) Perform such other duties as authorized or required by the Association, the Declaration, and Washington General law.

5.15 Loans. No loans shall be made by the Association to any director.

## ARTICLE VI

### Officers

6.01 Qualification. All officers may, but need not be members of the corporation.

6.02 Officers. The officers of the corporation shall consist of a president, a secretary and a treasurer. The Board of Directors may, by resolution, combine the officer positions for secretary and treasurer. One person may hold more than one office.

6.03 Election and Term of Office. Officers shall be elected by a majority vote of the Board (provided a quorum is met) at the annual meeting of the Board immediately after the annual meeting of the membership as provided herein. Each officer will serve a one (1) year term.

6.04 Powers and Duties of Officers.

(a) President. The president shall supervise all activities of the Association; execute all instruments in its behalf, except those noted in subparagraph C., unless otherwise limited by resolution of the Board of Directors; preside at all meetings of the Board of Directors and of the membership of the Association; call such meetings of the membership as may be deemed necessary, other than the annual meeting of the membership; and perform such other duties usually inherent with such office.

(b) Vice-President. During the absence or disability of the president, the vice-president shall exercise all functions of the president. The vice-president shall also have such powers and discharge such duties as may be assigned from time to time to such vice-president by the president or by the Board.

(c) Secretary. The secretary shall keep accurate minutes of all meetings; shall attend to the giving and serving of all notices of the corporation; shall have custody of all the original records, papers, files and books of the corporation (except books of account and valuable papers properly in the custody of the treasurer); shall attest all instruments in writing executed in the name of the corporation and requiring the secretary's signature; shall obtain and have available at all times the names and addresses of the members of the Architectural Committee, and shall provide said information to any member upon their written or oral request; and, in general, shall perform all the duties incident to the office of secretary and such other duties as the president and/or Board of Directors shall designate.

(d) Treasurer. The treasurer shall receive and be accountable for all funds belonging to the Association; pay all obligations incurred by the Association when payment

is authorized by the Board of Directors; maintain bank accounts and depositories designated by the Association; and render periodic financial reports; cause, if requested by Owners holding two-thirds (2/3) of the voting power of the Association, an audit of the Association books to be made by a certified public accountant at the completion of a fiscal year, the cost of which will be assessed equally among all members. All checks, drafts, notes or other obligations for the payment of money shall be signed by the treasurer and/or such other officer as designated by the Board of Directors.

6.05 Removal. Any officer may be removed at any time by action of a majority of the Board of Directors present at a special meeting called for such a purpose, provided a quorum is met.

6.06 Vacancies. Any vacancy among the officers of the corporation because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

6.07 Resignation. Any officer may resign at any time by giving written notice to the Board of Directors, the president or the secretary of the corporation. Any such resignation shall take effect at the time specified therein or, if the time is not specified, upon its acceptance by the Board of Directors.

6.08 Delegation. If any officer of the Association is absent or unable to act and no other person is authorized to act in such officer's place, by the provisions of these Bylaws, the Board of Directors may from time to time delegate the powers or duties of such officer to any other officer or any director or any other person it may select.

6.09 Bonds. The Board of Directors may, by resolution, require any and all of the officers to provide bonds to the corporation, with a surety or sureties acceptable to the Board, conditioned for the faithful performance of the duties of their respective offices, and to comply with such other conditions as may from time to time be required by the Board of Directors.

## ARTICLE VII

### Committees

7.01 Creation. The Board of Directors, by majority vote, may designate and appoint one (1) or more committees as it shall see fit.

7.02 Nominating Committee. The nominating committee shall be composed of members of the corporation appointed by the president. They shall be appointed in April of each year. They shall be responsible for recruiting prospective Board of Director members, assessing the background and capabilities of any prospective nominees in terms of the organization's needs, and filling vacancies on the Board of Directors as deemed appropriate. The nominating committee shall prepare a slate of directors for presentation to the general membership at the annual meeting. The recommendations of the nominating committee shall be submitted to the Board of Directors in sufficient time to be announced to the membership at the annual meeting each year.

7.03 Powers and Duties. Such committees shall have and exercise the authority of the Board of Directors, under the direct supervision of the president and the Board of Directors, in the management of the Association. No such committee shall have the authority with reference to amending, altering or repealing the Bylaws; electing, appointing or removing any member, director or officer; amending the Articles of Incorporation; or other action required to be approved by the members or the Board of Directors or Officers.

## ARTICLE VIII

### Compensation, Reimbursement and Indemnification

8.01 Compensation. No compensation shall be paid to directors or officers of the Association. However, the Board of Directors may reimburse directors, officers and members for reasonable expenses actually incurred in carrying out assigned duties. Any payments made to a director, officer or other member of the Association for expense incurred by a director, officer or other member of the Association which shall be determined to be unreasonable, in whole or in part, by the Internal Revenue Service shall be reimbursed by such director, officer or member to the corporation to the full extent of such determination of unreasonableness. It shall be the duty of the Board of Directors to enforce repayment of such amount.

8.02 Indemnification. Any person made or threatened to be made a party to any judicial or administrative action, suit, or proceeding on the basis of actions taken while such person is or was a director, officer, employee, or agent of the corporation shall be indemnified by the corporation against all expenses (other than taxes penalties, or expenses of collection), including attorneys' fees reasonably incurred in the defense of any such action, suit, or proceeding. However, indemnification shall be provided only if the person is successful in such defense or if such action, suit, or proceeding is terminated by settlement and the person has not acted willfully and without reasonable cause with respect to the act or failure to act.

The corporation may maintain or arrange for liability insurance providing or reimbursing the corporation for the indemnity granted in the preceding paragraph.

In addition, the corporation may maintain or arrange for liability insurance providing indemnification of any person for liabilities other than the foregoing arising from actions taken while such person is or was a director, officer, employee, or agent of the corporation. Indemnification shall be provided only if such person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation; and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful. The corporation will not indemnify for acts or omissions that involve intentional misconduct, knowing violation of law, or for any transaction from which the particular party will personally receive a benefit in money, property or services to which that person is not legally entitled. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the corporation; and, with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct was unlawful.

If the corporation arranges for a liability insurance policy and the person covered pays the premium of such insurance policy, then the corporation shall reimburse such person for such payments.

All liability insurance premiums paid or reimbursed by the corporation on behalf of a person indemnified shall be treated as part of the compensation of such person.

Unless ordered by a court, indemnification shall be made by the corporation only as authorized in the specific case upon the determination that indemnification of the director, officer, employee, or agent shall be proper in the circumstances because such person will have met the applicable standards set forth above. Such determination shall be made (i) by the board of directors by a majority vote of a quorum consisting of directors who shall not have been parties to such action, suit, or proceeding; or (ii) if such a quorum shall not be obtainable or, even if obtainable, if a quorum of disinterested directors so directs by independent legal counsel in a written opinion.

The foregoing rights of indemnification shall not be exclusive of any other rights which any director, officer, employee, or agent may have as a matter of law or under any agreement. Furthermore, all rights of indemnification shall continue as to a person who has ceased to be a director, officer, employee, or agent; and, in the event of death, shall inure to the benefit of the person's legal representatives, heirs, successors, and assigns.

## ARTICLE IX

### Books and Records

The Association shall keep accurate and complete books and records of account and shall keep minutes of the proceedings of its members, if any, the Board of Directors, and committees, if any. All books and records of the Association may, upon request and during reasonable business hours, be inspected by any member or director or any proper purpose. The Declaration, Articles of Incorporation, Bylaws and any rules or regulations promulgated, together with such other items as are required by law, shall be available for inspection by any member at the principal office of the Association. The Board by rule from time to time may set reasonable charges for copies of instruments, preparation and recording of amendments, statements as to unpaid assessments and similar services permitted or required by the Declaration, Articles, Bylaws, or general Washington law. The books and records of the Association shall be on a calendar year.

## ARTICLE X

### Corporate Seal

There shall be no seal of the Association, and all contracts and other papers of the Association shall be authenticated without any Association seal.

## ARTICLE XI

### Assessments

As more fully provided in the Declaration, each member is obligated to pay the Association assessments and charges. These assessments and charges are secured by a continuing lien upon the property against which the assessments and charges are made. Any assessments or charges 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 late charges, and the Association may bring an action at law against the owner personally obligated to pay the same or foreclose the lien against the property, or exercise such other rights as are provided in the Declaration or by law generally, and interest costs and reasonable attorney's fees of any such collection or action shall be added to the amount of such assessment and/or charge. No owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Properties or abandonment of his or her Lot.

## ARTICLE XII

### Waiver of Notice

Whenever any notice whatsoever is required to be given by these Bylaws or the Articles of Incorporation or any of the nonprofit corporation laws of the state of Washington, a waiver thereof, in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice for all purposes.

### ARTICLE XIII

#### Amendment

These Bylaws may be altered, amended or repealed by a majority vote of the Board of Directors (provided a quorum is met) in a special meeting called for the purpose; provided, that the Board shall not approve any such alteration, amendment or repeal that would be inconsistent with or contrary to the rights of members or first mortgagees under the Declaration. The amendment, alteration or repeal of any bylaw shall be ratified by (1) a majority of the membership at any meeting of the membership next occurring after the amendment, alteration or repeal, and (2) if required, by appropriate prior written approval of first mortgagees, in accordance with the Declaration or the terms of the first mortgage. Notice of the substance of the proposed amendment shall be submitted to each member in writing, announcing the date and place of the meeting no later than ten (10) days or earlier than fifty (50) days before the meeting.

### ARTICLE XIV

#### Negation of Pecuniary Gain

No part of the net earnings of this corporation shall ever inure to or for the benefit of, or be distributable to, its directors, officers members or other private persons, except that the corporation shall be empowered to pay a reasonable compensation for services rendered and to make payments and distributions in furtherance of the exempt purposes for which it was formed.

#### CERTIFICATION

I, Joan Flamoe, certify that I am the secretary of the Lloyd Charles Homeowners Association, and that this instrument is a full, true and correct copy of the Bylaws of the corporation adopted at a meeting of the corporation on the 22nd day of February, 2005.

I have signed this certification on the 22nd day of February, 2005.

Joan Flamoe, Secretary  
JOAN FLAMOE, Secretary