

**BY-LAWS
OF
CLEAR LAKE HOMEOWNERS' ASSOCIATION**

ARTICLE I

MEMBERSHIP

Section 1. The membership of the Clear Lake Homeowners' Association (herein after referred to as the "corporation") shall consist of the following: each individual or marital community (herein after referred to as "household") which becomes the owner of one or more lots in Manor Haven or Lake Shore Terrace or Plats 78-112, 79-135, or 79-136 of Spokane County, State of Washington (herein after referred to as "designated property"), shall be entitled to membership in this corporation. However, only one voting membership shall be granted to any one household regardless of the number of lots owned by such household. Unless directed otherwise, the membership of each household shall be recorded on the books of the corporation in the name of the husband. The interest of each household shall be equal to that of any other household.

Section 2. The annual meeting of the membership of the corporation shall be held on the first Monday of June of each year at the Homeowners' Association Gazebo unless otherwise specified. The purpose of the annual meeting will be to conduct general corporation business and hold elections for officers if any vacancies exist. Special meetings of the membership may be called periodically at the discretion of the elected officers. Notice of any meeting of the membership shall be given by United States Mail, postage prepaid, addressed to each member at his/her last address recorded with the corporation and postmarked at least seven (7) days prior to the meeting. Special meetings of the membership may be called by the President, a majority of the elected officers, or by any three members.

Section 3. At any meeting of the membership of the corporation, eleven (11) households represented in person shall constitute a quorum. Each household shall be entitled to only one vote, whether represented in person or by proxy.

Section 4. No membership may be assigned or transferred to any person or persons unless such transferee shall own one or more lots of designated property. Membership in the corporation shall be automatically terminated whenever any such member ceases to be the owner of one or more lots of designated property.

Section 5. The term "owner", as used herein to designate eligibility for membership in the corporation, shall include not only any household having legal ownership of any lot or lots of designated property, but as well as any household which has entered into a contract to purchase one or more of said lots and which, by the terms of such contract, is entitled to possession of the lot or lots contracted to purchase.

Section 6. In the event that the owner is not the occupant of the designated property (as in the case of renters), the owner is still financially responsible for the annual assessment; however, the occupant of the property will be authorized full use of the corporation facilities and will be invited to attend meetings of the membership; however, they will not be allowed to vote.

Section 7. Voting at any meeting of the corporation membership may be either in person or by proxy registered with the secretary at or before the meeting is called to order.

ARTICLE II

MANAGEMENT

Section 1. The business and property of the corporation shall be managed by seven (7) elected officers. The officers shall consist of the President, Vice President, Secretary, Treasurer, and three (3) Members-at-Large. One of the Member-at-Large positions will be filled by the immediate past president of the corporation.

Section 2. The officers of the corporation shall be elected by a majority vote of the membership of the corporation at the annual meeting, which shall be the beginning of the corporation year.

Section 3. The term of office for each elected officer of the corporation shall be two (2) years.

Section 4. The officers of the corporation shall conduct meetings as they deem necessary for the competent management of the affairs of the corporation. Notice of executive meetings may be given by telephone or any other timely means of communication.

Section 5. Each officer will be entitled to one (1) vote. All voting at executive meetings must be by each member in person; voting by proxy will not be allowed. A majority of the elected officers shall constitute a quorum.

Section 6. Unexcused absence from three (3) consecutive scheduled executive meetings shall be cause for removal of an elected officer.

Section 7. Any position vacated by death, resignation, or removal of an elected officer shall be filled by a remaining officer, and such appointee shall only serve in this double capacity until the next scheduled annual meeting of the Association.

ARTICLE III

DUTIES OF OFFICERS

Section 1. *President.* The President shall supervise the activities of the corporation and execute all instruments in its behalf, preside at all executive meetings and meetings of the membership of the corporation, and perform such other duties usually inherent in such office.

Section 2. *Vice President.* The Vice President shall act for the President in his/her absence and perform such other acts as the President may direct.

Section 3. *Secretary.* It shall be the duty of the Secretary to keep accurate records of all corporation meetings and to perform such other acts as the President may direct.

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 elected officers, maintain bank accounts in depositories designated by the elected officers, and render periodic financial reports.

Section 5. *Members-at-Large.* Members-at-Large shall perform such acts as the President may direct.

ARTICLE IV

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. *Creation of the Lien and Personal Obligation of Assessments.* The members of the corporation, hereby agree that each owner of any developed lot, by acceptance of a deed therefore, is required to obtain membership in the corporation and agrees to pay to the corporation an annual assessment. The annual assessment shall be a charge on the land and shall be a continuing lien upon the property against which each assessment is made. Each assessment shall be the obligation of the person who was the owner of such property at the time when the assessment fell due and delinquent assessments shall not pass to his/her successors in title unless expressly assumed by them. Any owner of an undeveloped lot may become a member of the corporation.

Section 2. *Purpose of Assessments.* The assessments levied by the corporation shall be used exclusively to promote the recreation, health, safety, and welfare of the members of the corporation and for the improvement and maintenance of any future acquired common area. Such assessments shall be for future needs and no new association member shall be assessed retroactively.

Section 3. *Annual Assessment.* The maximum annual assessment shall be One Hundred Fifty Dollars (\$150.00) per household.

(a) The maximum annual assessment may be increased each year over the previous year, but only upon a two-thirds (2/3) majority vote of the membership.

(b) The membership attending the annual meeting may fix the annual assessment at an amount not in excess of the maximum.

(c) The initiation fee to join the corporation will be Fifty Dollars (\$50.00) per new member. The initial fee may be increased only by a two-thirds (2/3) majority vote of the membership.

Section 4. ***Section 3 Action Notice.*** Written notice of any meeting called for the purpose of taking any action authorized under Section 3, Parts (a) and (c), shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting.

Section 5. ***Uniform Rate of Assessment.*** Annual assessments must be fixed at a uniform rate for all households.

Section 6. ***Date of Commencement of Annual Assessments: Due Date.*** The annual assessments provided for herein shall commence as to all memberships on the first day of the month following the annual meeting of the membership. The first assessment payment shall be adjusted according to the number of months remaining in the calendar year. The elected officers shall fix the amount of the annual assessment against each member at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every member subject thereto. The annual assessment shall be due on July 1 and, if not paid, shall be delinquent on October 1 of each year.

Section 7. ***Effect of Nonpayment of Assessments: Remedies of Association.*** Any assessment not paid after the delinquent date shall bear interest from the delinquent date at the rate of twelve (12) percent per annum. The corporation may bring an action at law against the owner personally obligated to pay the same, or foreclose the lien against the property. No owner may waive or otherwise escape liability for the assessment provided for herein by non-use of the Common Areas.

Section 8. ***Subordination of the Lien to Mortgages.*** The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage, and shall be subordinate and junior to any lien of those prime mortgages which may be given by the lot owners to secure a loan for improvements on their lots. No sale or transfer shall relieve such lot from liability for any assessments thereafter becoming due or from the lien therefore, unless expressly assumed by the new purchaser.

Section 9. ***Special Assessment.*** A special assessment may be levied by a two-thirds (2/3) majority vote of the membership of the corporation.

ARTICLE V

OPERATION OF WATERFRONT FACILITIES

Section 1. The corporation shall maintain sufficient docks and swimming areas for all members of the corporation and provide other areas and necessities as determined by the membership.

Section 2. Said docks, designated swimming areas, and future boat slips shall be for the personal use of the members and shall not be sublet to or be utilized by any other person.

Section 3. The use of the beach facility shall be limited to the membership and their immediate families; invited guests may be allowed casual use of the beach facility when accompanied by a member or by one of his/her immediate family, or when in possession of a guest pass. One guest pass will be issued to each household with the understanding that the member will be held responsible for their guests at all times.

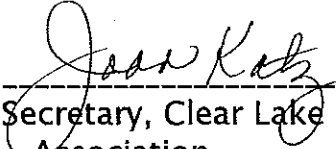
Section 4. The elected officers of the corporation may adopt reasonable rules and regulations governing the use of the waterfront facilities for the protection of the membership.

ARTICLE VI

These By-Laws may be amended by a two-thirds (2/3) majority vote of the membership. At such time as each amendment in the By-Laws is proposed, a review committee shall review the proposed By-Law amendment and make recommendations to the membership as to whether it should be adopted or not. The review committee shall be appointed by the elected officers and shall consist of no more than fifty (50) percent of the elected officers. The membership shall not be required to follow the recommendation of the review committee.

KNOW ALL MEN BY THESE PRESENTS: That the undersigned Secretary of Clear Lake Homeowners' Association does hereby certify that the above and foregoing By-Laws of said corporation were duly adopted by the Membership of the Clear Lake Homeowners' Association on June 12, 2000, and that the same do now constitute the By-Laws of this corporation.

Attest:



Secretary, Clear Lake Homeowners'
Association