


EXHIBIT 12



By Laws

Of

Reflection Lake Community

Association

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BY-LAWS OF THE
REFLECTION LAKE COMMUNITY ASSOCIATION
(As Amended October 2003)

ARTICLE I - Name of the Organization.

1.1 Name. The name of this non-profit corporation is REFLECTION LAKE COMMUNITY ASSOCIATION, which shall be referred to hereinafter for convenience as the "Association."

1.2 Principal Office. The principal office of the Association shall be P.O. Box 73, Elk, Washington 99009, located in the County of Spokane, State of Washington.

ARTICLE II - Purpose of Organization.

2.1 The primary purpose of the REFLECTION LAKE COMMUNITY ASSOCIATION shall be to further promote the common interests and to enhance the health, safety, and welfare of its members within the subdivided land area situated in Spokane County, Washington, known and to be known generally as Reflection Lake Addition and Reflection Lake First Addition referred to hereinafter for convenience as the "Subdivision." These two additions have merged and hereafter shall be known as "Reflection Lake Community Association."

2.2 The Association shall do whatever is necessary, conducive, incidental or advisable to accomplish and promote its purposes, except carrying on a business or trade for profit.

ARTICLE III - Membership

3.1 Membership. Membership shall be appurtenant to lots in the Subdivision and all persons who become owners thereof shall, by reason of such ownership, become and hereby are made members of the Association.

a) Membership shall be limited to the owners of not less than one lot in the Subdivision. A lot held by any number of co-owners, shall qualify the owners for one membership only, to be issued in the name of the owner first listed on title unless otherwise directed. A lot held by a husband and wife in any form of joint ownership, including community property, shall qualify the owners for one membership only, to be issued in the name of the husband unless otherwise directed.

b) Members shall be entitled to exercise all of the rights and privileges of membership, and shall be subject to all of the obligations and liabilities thereof.

c) The spouse and/or children of a member who also have the same residence as the member will have the same right as the member to the enjoyment of common areas.

d) Ownership of more than one lot shall entitle the owner to all rights and privileges of membership and shall subject such owner to the liabilities and duties thereof. The Association may issue passes or other evidence of membership relating to each of such lots, however for the purpose of notice only, the Association shall consider such ownership as a single membership.

e) Members and their guests shall have the use of the streets and parks in the Subdivision and any other property or facilities owned by the Association, subject to the provisions of the restrictive covenants of the various units of the Subdivision. Further, members and their guests' use of the streets, parks or other property or facilities owned by the Association shall be subject to other rules that from time may be adopted by the Board of Directors and thereafter duly recorded.

f) No overnight camping on access lots or Association common areas is allowed.

g) It is the duty of members/owners to provide the Association's Secretary with a current address. Failure to do so shall result in mailings, communications and notices to be sent to the last known address.

h) Members shall have the right to redress any hearing, of any grievance brought to the Board of Directors or to a grievance committee duly established by the Board of Directors. If a member pursues arbitration or legal redress, all costs to both the Association and the member, regardless of the outcome, shall be the sole responsibility of the complaining member.

3.2 Membership Passes. The Association may issue passes to members from time to time as the Board of Directors may deem necessary to assure proper control and identification. Each member shall be entitled to one guest pass per lot, which shall afford the holder of said pass, as well as the members of his immediate family access to recreational areas maintained by the Association.

3.3 Membership Transfers. The Association shall not be required to transfer memberships on its books unless the Subdivision lot(s) have been legally transferred, or to allow the exercise of any rights or privileges of membership on account thereof, by any member or any persons claiming under him, unless and until all dues and charges to which such membership is the subject of, have been paid.

ARTICLE IV – Dues.

4.1 General. The Association shall have the authority to levy uniform annual and special dues as herein set forth. All dues shall be paid to the Association as herein set forth below or shall be paid in installments, as may be determined by the Board of Directors.

4.2 Annual Dues. Each year the Board of Directors shall consider the current and future needs of the Association, and prepare a budget and in light of such needs; fix by resolution the amounts of annual dues for purposes other than capital improvements or acquisition, to be levied against each membership lot. Each such annual assessment of dues shall be the debt of the members at the time such levy is made. All dues are to be paid by

June 1st unless other arrangements have been made. Delinquent accounts may be sent for collection and/or liens filed.

4.3 Special Dues. Special dues may be assessed by the Board of Directors upon a determination by the majority of the Board of Directors that such dues are necessary for capital improvements of the Association property, or for purposes related to the health, safety and welfare of the members. No special dues shall be levied without a hearing, for which at least twenty (20) days written notice of the hearing is given to all members. Such special assessment of dues shall be the debt of the members at the time such levy is made.

4.4 Notice. The Secretary shall mail to each member, at such member's address of record, a written notice of the annual dues, including the date due; and amount of payment thereof, at least 14 days (two weeks) prior to the date such annual dues become due and payable. Further, the Secretary shall mail to each member, at such member's address of record, a written notice of any special dues, including the date due; and amount of payment thereof, at least 14 days (two weeks) prior to the date such special dues become due and payable.

4.5 Liens. The amount of any assessed dues, including interest of 12% per annum from the date of delinquency, and costs of collection, including reasonable attorneys fees, if any, shall constitute and become a lien on the members' lot(s) when the Board of Directors cause to be recorded with the office of the Spokane County Auditor's Office, State of Washington, a Notice of Lien. The Notice of Lien shall state the amount of such assessed dues, costs of collection, including reasonable attorneys' fees, if any, and a description of the calculated interest. Upon satisfaction of the lien, the Board of Directors shall cause to be recorded with the office of the Spokane County Auditor's Office, a Satisfaction and Release of Lien.

4.6 Priority of Reflection Lake Community Association ("RLCA") Liens. Liens filed and/or duly recorded by the Association shall have priority over all other liens recorded subsequent to said Notice of Lien, except those liens of first mortgages and/or of first deeds of trust incurred for the purpose of constructing a residence or other improvement thereon and which have been duly recorded in accordance with applicable law.

4.7 Lien Enforcement. The lien provided for herein may be enforced by sale of the members' lot(s) by the Association and its attorney or other persons authorized to make the sale, after failure of the responsible party to pay and/or satisfy said lien. Such sale shall be conducted in accordance with the provisions of the State of Washington relating to the foreclosure of liens or in any other manner permitted by Law.

4.8 Penalties. Any member, guest of a member or assignee of a member who violates the By Laws, covenants, or rules and regulations as established by the Board of Directors shall be subject to a monetary penalty (fine) as established by the Board of Directors. Failure to pay the penalty/fine within sixty (60) days may give rise to a Notice of Lien being duly recorded in accordance with applicable law on the members' lot(s) and at the members' expense.

ARTICLE V – Board of Directors

5.1 Management Responsibility. The Association shall have a Board of Directors, which shall be responsible for the exercise of all the Association's powers. The Board of Directors shall manage the business affairs, and property of the Association.

5.2 Number and Qualifications of Directors. The Board of Directors shall consist of nine directors plus three alternates, all of whom shall be members of the Association for at least one year prior to being elected and current on dues. No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of his/her term of office.

5.3 Initial Directors; Annual Elections. At the 1980 annual meeting of the members, three directors were elected for a term of three-years, three directors for a term of two-years, and three directors for a term of one-year. Thereafter directors shall be elected for a term of three years to succeed the directors whose terms expire at such annual meeting of the members. If for any reason any such annual meeting is not held, or the authorized number of directors are not elected thereat, the additional number of directors may be elected at any special meeting of the members held for that purpose.

5.4 Term of Office. All directors shall hold office for a term of three years, until their respective successors are elected.

5.5 Vacancies. Vacancies on the Board of Directors may be filled by a majority of the remaining directors, even though less than a quorum, or by a sole remaining director. Each director so appointed shall hold office until his/her respective successor is elected at the annual or a special meeting of the members.

A vacancy or vacancies on the Board of Directors shall be deemed to exist in case of the death, resignation or removal of any director, or if the authorized number of directors be increased, or if the members fail at any annual or special meeting of members at which any director or directors are elected to elect the full authorized number of directors to be voted for at that meeting, or if a vacancy is declared by the Board of Directors for any reason permitted by law.

5.6 Removal. The members may remove one or more directors, with or without consent, only at a special meeting of the members called expressly for that purpose. The notice of the special meeting must state that the purpose of the meeting is to remove one or more directors.

5.7 Resignation. A director may resign at any time by delivering written notice to the President, the Secretary, or each member of the Board of Directors. The resignation shall take effect when the notice is delivered, unless the notice specifies a later effective date. The Association need not accept a resignation for the resignation to be effective.

If the Board of Directors accepts the resignation of a director tendered to take effect at a later date, the Board of Directors shall appoint a successor, pursuant to the provisions hereof, to take office when the resignation is to become effective.

5.8 Board of Directors' Regular Meetings. The Board of Directors shall hold their regular meeting the month immediately following each annual meeting of the members of the Association. The purpose of the Board of Directors' regular meeting is for the purpose of organization, election of officers, and the transaction of other business. Call and notice of such Board of Directors' regular meetings are hereby dispensed with. These meetings are open to all members desirous of attending. Members may express concerns, but will have no vote in the proceedings.

5.9 Board of Directors' Special Meetings. Special meetings of the Board of Directors for any purpose or purposes may be held at any time upon call by the President, or, if he/she is absent or unable or refuses to act, by any Vice President or by any two directors. Such meetings may be held at any place designated from time to time by resolution of the Board of Directors or by written consent of a quorum of the Board of Directors.

A written notice of the time and place of special meetings shall be delivered personally to each director or sent to each director by mail or other form of written communication, charges prepaid, addressed to them at their address as shown upon the records of the Association. In case such notice is mailed, it shall be deposited in the United States mail in the place in which the principal office of the Association is located at least forty-eight hours prior to the time of the holding of the special meeting. Such mailing or delivery as above provided shall constitute due, legal and personal notice to such directors.

5.10 Waiver of Notice. The transactions of any meeting of the Board of Directors, however, called and noticed or wherever held, shall be as valid as at a meeting duly held after regular call and notice, if a quorum be present, and if, either before or after the meeting, each of the directors not present signs a written notice or a consent to holding such meeting or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the Association's records or made a part of the minutes of the meeting.

5.11 Quorum. A majority of the authorized number of director, five (5), shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by the Board of Directors at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors unless a greater number is required by law or by the Articles of Incorporation.

5.12 Adjournment and Notice. A quorum of the directors may adjourn any Board of Directors' meeting to meet again at a stated day and hour. However, in the absence of a quorum, a majority of the directors present at any Board of Directors' meeting, either regular or special may adjourn said meeting until the time fixed for the next meeting of the Board of Directors. Notice of the time and place of holding an adjourned meeting needs to be given to absent directors if the time and place is fixed at said adjourned meeting.

ARTICLE VI – Board of Directors' Powers

General. Subject to any limitations of the Articles of Incorporation, or these By Laws, and of the General Non-profit Corporation Law of Washington, and subject to the duties of directors as prescribed by these By Laws, all corporate powers of the Association shall be exercised by or under the authority of, and be controlled by, the Board of Directors. Without

prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Board of Directors shall have the following powers:

- a) To elect and/or remove any officers, agents and employees of the Association and prescribe such powers and duties for them as may not be inconsistent with Washington law, the Articles of Incorporation or these By Laws;
- b) To conduct and control the affairs and business of the Association and to make such rules and regulations, therefore, not inconsistent with Washington law, the Articles of Incorporation or these By Laws, as they may deem best;
- c) To change the principal office for the transaction of the business of the Association from one location to another within the same county as provided in ARTICLE I, paragraph 1.2, hereof;
- d) To designate the place for the holding of any members' meeting or meetings;
- e) To adopt, make and use a corporate seal, and to prescribe the forms of membership passes and/or membership identification cards, from time to time, as in their judgement they may deem best;
- f) To appoint an Executive Committee and other committees, and to delegate to such Executive Committee any of the powers and authority of the Board of Directors in the management of the business and affairs of the Association except the power to adopt, amend or repeal these By Laws. Any such Executive Committee shall be composed of two or more directors.

ARTICLE VII - Officers

7.1 **Officers and Their Duties.** The Officers of this Association shall be a President, one or more Vice President, a Secretary and a Treasurer. The Board of Directors shall appoint the officers. The Board of Directors can and shall appoint other officers and assistant officers as the Board of Directors determines is necessary or advisable, or the Board of Directors may delegate that power to the President. One person may hold two or more offices, except those of President and Secretary. The following officers shall be appointed annually by the Board of Directors and shall have the duties indicated below:

- a) **President.** The President shall preside at all meetings of Board of Directors. The President shall have general supervision of the affairs of the Association, and shall perform such other duties incident to the office of President or are properly required of the President by the Board of Directors.
- b) **Vice President(s).** The Vice President(s) shall have the powers and perform the duties accorded to them by the Board of Directors, the Articles of Incorporation, these By Laws, or delegated to them by the President. In the absence or disability of the President, the Vice President(s) in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice President designated by the Board of Directors shall perform the duties of the President. When so acting, the designated

Vice President shall have all the powers of, and be subject to the same restrictions as is the President. The Vice President shall order and shall keep a book of minutes from all meetings of the Board of Directors and all meetings of the members, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at the Board of Directors' meetings, the number of members present or represented at members' meetings, and the proceedings thereof.

c) **Secretary.** The Secretary shall keep or cause to be kept, in any form permitted by law, at the principal office or such other place as the Board of Directors designate, a membership register, showing the names of the members and their addresses, the description and number of lots, if more than one, upon which such membership is based, the number and date of membership passes issued, if any and the number and date of cancellations of membership passes, if any, surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all meetings of the members and of the Board of Directors required by these By Laws or by law to be given, and shall keep the seal of the Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors, the President or these By Laws.

d) **Treasurer.** The Treasurer shall, under the direction of the Board of Directors, deposit all moneys of the Association with such depositaries as are designated by the Board of Directors. The Board of Directors expressly delegate he/she the authority to sign all checks, along with one other member of the Board of Directors, and disburse the funds of the Association as may be directed by the Board of Directors, and shall render to the Board of Directors, upon request, statements of the financial condition of the Association. The Treasurer shall supervise any and/or all bookkeeper(s) engaged by Association for bookkeeping services.

The Treasurer shall keep and maintain adequate and correct books of account showing the receipts and disbursements of the Association, and an account of its cash and other assets, if any. Such books of account shall at reasonable times be open to inspection by any member or director.

7.2 **Term of Office.** Each officer shall hold their office until they resign or are removed or otherwise disqualified to serve. Officers may be appointed at any time by the Board of Directors for the purpose of initially filling an office or filling a newly created or vacant office. Officers shall be members of the Association for at least one year and current on dues prior to being appointed into office.

7.3 **Removal and Resignation.** Any officer may be removed by a majority of the directors in office at the time, at any regular or special meeting of the Board of Directors, whenever, in the judgment of the majority of the directors, the best interests of the Association will be served thereby.

Any officer may resign at any time by giving written notice to the Board of Directors or to the President, or to the Secretary of the Association. Any such resignation shall take effect at the date of the 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.

ARTICLE VIII – Policy and Procedures.

- 1) To acquire real or personal property by gift, purchase or other means.
- 2) To own, hold, enjoy, lease, operate, maintain, convey, sell, assign, transfer, mortgage or otherwise encumber or dedicate for public use, any real or personal property owned by it.
- 3) To exercise the powers and functions granted to it in the recorded restrictions of each unit in the Subdivision.
- 4) To construct, maintain and operate recreational facilities within the Subdivision.
- 5) To care for Association properties vacant, unimproved as well as unkempt lots.
- 6) To maintain, rebuild, repair, beautify and otherwise care for all streets within the Subdivision not subject to maintenance by governmental authority or to contract for these services with others.
- 7) To pay for taxes and assessments, if any, levied by any governmental authority on property owned by it.
- 8) To enforce charges, easements, restrictions and covenants, conditions and agreements existing upon or created for the benefit of the real property in the Subdivision.
- 9) To prescribe and enforce where and when possible, Motor Vehicle speed limits within the Subdivision.
- 10) To expend its moneys for the payment and discharge of all proper costs, expenses and obligations incurred in carrying out all or any of these powers in furtherance of its purposes and objectives.
- 11) To contract and pay premiums for fire, casualty, liability and other insurance, including indemnity and other bonds.
- 12) To contract and pay for maintenance, gardening, utilities, materials, supplies and services relating to property or facilities owned or operated by it and to employ personnel reasonably necessary for the administration of its affairs including legal counsel and accountants.
- 13) To have and exercise all powers necessary or convenient to effect any or all of the purposes for which the Association is organized.

- 14) To have perpetual succession by its corporate name unless a limited period of duration is stated in its Articles of Incorporation.
- 15) To sue and be sued, complain and defend, in its corporate name.
- 16) To have a corporate seal which may be altered at pleasure, and to use the same by causing it, or a facsimile thereof, to be impressed or affixed or in any other manner reproduced.
- 17) To lend money for its corporate purposes, invest and reinvest its funds, and take and hold real and personal property as security for the payment of funds so loaned or invested.
- 18) To make and alter its By Laws, not inconsistent with its Articles of Incorporation or with the laws of this state, for the administration and regulation of the affairs of the Association.
- 19) To indemnify any director, officer, former director or officer of the corporation, or any person who may have served at its request as a director or officer of another corporation, whether for profit or not for profit, against expenses actually and necessarily incurred by him in connection with the defense of any action, suit or proceeding in which he is made a party by reason of being or having been such a director or officer, except in relation to matters as to which he shall be adjudged in such action, suit or proceedings to be liable for negligence or misconduct in the performance of duty; but such indemnification shall not be deemed exclusive of any other rights to which such director or officer may be entitled, under any By Law, Agreement, vote of the Board of Directors, members or otherwise.
- 20) To cease its corporate activities and surrender its corporate franchise.
- 21) To make, publish and enforce rules and regulations concerning the use, upkeep and maintenance of the common areas and streets pursuant to the powers and functions granted to the Association in its recorded restrictions and covenants.

ARTICLE IX – Members’ Meetings.

9.1 Annual Meetings. The annual meeting of the members of the Association for the election of the directors whose terms have expired and for the transaction of such other business as may properly come before the meeting, shall be held at such time in the month of July as shall be determined by the Board of Directors.

Written notice of each annual meeting shall be given to each member entitled to vote in good standing, either personally or by mail, charges prepaid, addressed to such member at his recorded address appearing on the books of the Association. All such notices shall be sent to each member entitled thereto not less than ten nor more than fifty days before each annual meeting, and shall specify the place, the date and the hour of such meeting, and shall also state the general nature of the business or proposal to be considered or acted upon at such meeting.

9.2 Special Meetings. Special meetings of the members for any purpose or purposes whatsoever may be called at any time by the President, or by a majority of the Board of Directors, or by one or more members holding not less than forty percent (40%) of the voting power of the Association, except in special cases where other express provision is made by statute. Notice of such special meetings shall be given in the same manner as for annual meetings of the members.

Written notices of any special meeting shall specify, in addition to the place, date and hour of such meeting, the general nature of the business to be transacted.

9.3 Place of Meetings. Any meeting of the members of the Association shall be held in Spokane County, Washington, at such particular place as stated in the notice for such meeting.

9.4 Action Without Meeting. Any lawful action under the applicable provisions of law, may be taken without a meeting if authorized in writing by a majority of the members who would be entitled to vote upon such action at a meeting. The action approved by a majority of the members shall have the same effect as an action approved by a unanimous vote at a meeting duly held upon proper notice, and may be described as such in any document. The written authorizations shall be inserted into the minute books of the Association as if they were the minutes of a special or annual meeting of the members.

9.5 Quorum. The presence in person or by proxy of the holders of ten percent (10%) of the members entitled to vote at annual or special meetings shall constitute a quorum for the transaction of business. The members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

9.6 Adjourned Meetings and Notice Thereof. Any members' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the voting power of which is either present in person or represented by proxy thereat. However, in the absence of a quorum no other business may be transacted at any such meeting.

ARTICLE X - Voting

10.1 Voting. Except as otherwise provided by law, only members in whose names memberships entitled to vote stand on the records of the Association on the record date for voting purposes fixed as provided in ARTICLE XI, paragraph 11.1 of these By Laws, shall be entitled to vote at such annual or special meeting. Such vote may be by voice or by ballot. However, all elections for directors must be by ballot, if before the voting begins, demand for "by ballot vote" is made by a member of the Association. Except as otherwise provided herein, each member is entitled to one vote for each lot owned by him/her.

10.2 Proxies. Every member entitled to vote or execute consents should have the right to do so either in person, or by an agent, or agents authorized by a written proxy executed by such member or his duly authorized agent, and filed with the Secretary of the Association. However, no such proxy shall be valid after the expiration of eleven months from the date of

its execution unless the person executing it specifies therein the length of time for which such proxy is to continue in force, which in no event shall exceed seven years from the date of its execution.

ARTICLE XI - Miscellaneous

11.1 Record Date. The Board of Directors may fix a time in the future as a record date for the determination of the members entitled to notice of and to vote at any meeting of members. The record date so fixed shall not be more than thirty days prior to the date of the meeting. When a record date is so fixed, only members of record on that date shall be entitled to notice of and to vote at the meeting, notwithstanding any transfer of or issuance of membership evidence on the books of the Association after the record date.

11.2 Inspection of Records. The membership register or duplicate membership register, the books of account and minutes of proceedings of the members, and the Board of Directors and the Executive Committee, if any, shall be open to inspection upon the written demand of any member at any reasonable time and for a purpose reasonably related to his interests as a member.

11.3 Checks and Drafts. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of or payable to the Association shall be signed or endorsed with two directors' signatures. One of those signatures being that of the Treasurer or if the Treasurer is unavailable or unable, then by another director that from time to time, is determined and granted authority to do so by resolution of the Board of Directors.

11.4 Annual Accounting. An annual report and account, including a statement of income and disbursements, shall be made available to members within 60 days of the close of the Association's fiscal year.

11.5 Execution of Contracts. The Board of Directors, except as may be otherwise provided in these by-laws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument or document in the name of and on behalf of the Association and such authority may be general or confined to specific instances limited to one year. Unless otherwise specifically determined by the Board of Directors or otherwise required by law, formal contracts, promissory notes and other evidences of indebtedness, deeds of trust, mortgages and other corporate instruments or documents requiring the corporate seal, shall be executed, signed or endorsed by the President or the Vice President(s), and by the Secretary (or Assistant Secretary) or the Treasurer.

11.6 Inspection of By Laws. The Association shall keep in its principal office for the transaction of business the original or a copy of the By Laws as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the members at all reasonable times.

ARTICLE XII – Amendments.

12.1 New By Laws may be adopted or these By Laws may be amended or repealed by the vote or written assent of the majority of the members entitled to exercise the voting power of the Association.

12.2 Personal liability of an officer, director, or member in monetary damages, for their conduct as an officer, director, or member is specifically eliminated. This section is enacted pursuant to R.C.W. 24.03.025 (4) (c).

Amended Date: Feb. 3, 2004

President *D. M. Lewis*

Secretary *Sandra H. Hekker*

STATE OF WASHINGTON
County of Spokane

Signed before me on June 3, 2004

Fred J. Gray
My appointment

expires February 16, 2007

Covenants

Revised 2003

A. All lots shall be known, described, and used as residential lots for the erection of a single family dwelling, a private garage and other outbuildings which may be incidental to the residential use of said land. There shall be no further subdividing of a lot for the purposes of creating additional lots or building sites without filing a replat.

B. No noxious or offensive trade or activity shall be permitted on any lot, nor shall anything be done thereon which may become an annoyance or nuisance to the neighborhood.

C. Only single family dwellings shall be permitted in this addition.

D. No single family dwelling with an area of less than 600 square feet, exclusive of garage, shall be permitted in this addition.

E. No single family dwelling shall be nearer than 30.0 feet from the front property line, nor nearer than 10 feet to any side lot line.

F. Any single family dwelling or structure erected or placed on any lot in this addition shall be completed as to the external appearance, including finished painting and connected to a septic tank or public sewer within one year from the date of commencement of structure.

G. No fowl or farm related livestock shall be permitted or kept in this addition.

H. (Relating to West Side Only.) The Subdivider assumes no responsibility for the furnishing of domestic water to the purchaser within the plat of Reflection Lake Addition, Spokane County Washington.

I. With the exception of the West Side, the Subdivider has furnished a domestic water line to each lot. The purchaser shall pay a minimum water hook-up charge, and a minimum monthly charge to all lots within the plat of Reflection Lake First Addition (East Side), Spokane County Washington.

J. These covenants are to run with the land and shall be binding on all parties and persons claiming under them until July 2010 and automatically extended for successive ten-year periods thereafter. However, by vote of a majority of the then owners of the lots it is agreed that the covenants may be changed in whole or in part at any time.

K. If the parties hereto or any of them or their heirs, or assigns, violate or attempt to violate any of the covenants herein, any other person or persons owning real property situated in this Addition may prosecute any proceedings at law or in equity, against the persons violating or attempting to violate any such covenant to restrain or prevent him or them from doing so, to recover damages or other dues for such violation or both.

L. Should any one or more of these covenants be invalidated by judgment or court order the other provisions not affected shall nevertheless remain in full force and effect.

M. No trailers except manufactured homes at least 20' wide and 35' long shall be used as a residence on any lot unless the same shall be approved as a residence for use on said lot by the Spokane County Planning Commission.

N. Recreational vehicles when used as a temporary residence shall be permitted on lake area only during the summer months, April to October.

O. No outdoor toilets shall be permitted except chemical toilets for a temporary use, with a permit, while house is under construction or unless concrete vault is used as per county code.

P. Rules governing fishing, vehicle speed, use of access lots and/or other Association property shall be promulgated from time to time by the Board of Directors of the Reflection Lake Homeowners Association.

Q. Electric outboard motors will be permitted on the lake, ONLY and exclusively for the purpose of lake maintenance.

R. Dogs are to be kept within owners' control and not allowed to roam and are subject to applicable laws and ordinances. County Dog Control laws are in force.

S. Reflection Lake Addition Lots 1, 15, 43, and east side access shall not be sold but shall be used for ingress and egress to lake by lot owners not having frontage on the lake.

T. Changes are not permitted to the Watershed/Greenbelt/Spring Areas unless approved by the current Board of Directors and duly recorded in the Association minutes. Prohibited Watershed/Greenbelt/Spring Area activities: tree and/or brush cutting, pruning, planting, change in flora or fauna, trail or path placements, temporary placements, disruption of animal habitat, stairways or steps, excavation, construction, signage, road improvements, trash dumping, and vehicle usage

U. It is the property owner(s) responsibility to care for their vacant and unapproved lot(s). The lot(s) are to be kept free of trash, abandoned vehicle(s), and free of hazardous conditions.

V. Any member, guest of a member or assignee of a member who violates the By Laws, covenants, or rules and regulations as established by the Board of Directors shall be subject to a monetary penalty (fine) as established by the Board of Directors. Failure to pay the penalty/fine within sixty (60) days may give rise to a Notice of Lien being duly recorded in accordance with applicable law on the members' lot(s) and at the members' expense.

STATEMENT OF POLICY – INTENT OF PENALTY ASSESSMENT

A) To provide for enforcement of Association Covenants and formally approved written By Laws;

B) Seek and collect restitution for damage to Association common areas and real property assets; and

C) Promote uniform enforcement of By Laws that directly effect the safety and well being of the Association members.

Class A Violation: A direct violation of Covenants: Act or Action that will adversely effect watershed or lake water quality; Act or Action that causes major damage to roads, buildings, or other assets of the Association; an Action that is an immediate danger to others; and an Act or Action that has a monetary value in excess of \$250.00.

Procedures: 1) At the direction of the Board of Directors, formal notification of the violation will be sent via registered mail; 2) One week later conduct investigation for any action taken by homeowner(s); 3) If violation corrected, no action need be taken; 4) If corrective action not made, a second letter shall be sent containing corrective action contemplated, plus a request for a formal reply; 5) One week later the Board of Directors will select a five-member hearing board, who will conduct a formal investigation of the violation and the cost of corrective action; and 6) The five-member board shall set a hearing date and cause formal notification to the homeowner(s).

Penalties - Any or all of the following if found guilty:

- Letter of reprimand;
- Restricted from sitting on the Board of Directors or Association Committees for a period of 3 years;
- Lien or reimbursement in an amount up to full cost of corrective action plus an additional penalty of 25% for the first offense, 50% for the second conviction of the same offense, and 100% for a third violation of the same offense;
- Six months restriction from access of Association common area violated;
- Letter of Agreement for restitution in lieu of conviction; and
- Dismissal of Case.

Class B Violation: A minor violation of Covenants: An unapproved change to the Watershed Area or Lake quality; Minor damage to roads, buildings, or other assets belonging to the Association; and has a monetary value of less than \$250.00.

Procedures: 1) At the direction of the Board of Directors, formal notification of violation will be sent via letter and/or telephone calls (three attempts) to the homeowner(s); 2) One week later conduct an investigation for any action taken by homeowner(s); 3) If violation corrected, no action need be taken; 4) If corrective action not made, a second letter shall be sent containing costs of the corrective action contemplated, plus a request for a formal reply; 4) One week later the Board of Directors will select a three-member hearing board who will conduct a formal investigation and the cost of corrective action; and 5) The three-member board shall set a hearing date and cause formal notification to the homeowner(s).

Penalties - Any or all of the following if found guilty:

- Letter of reprimand;
- Restricted from sitting on the Board of Directors or Association Committees for a period of 1 year;
- Lien or reimbursement in an amount up to full cost of corrective action plus an additional penalty of 25% for the first offense, 50% for the

second conviction of the same offense, and 100% for a third violation of the same offense;

- Receive a notarized Agreement for full restitution within a 90-day period;
- Letter of Agreement for full restitution in lieu of conviction;
- Dismissal of Case.

Class C Violation: Violation of current written By Laws:

Procedures: 1) A member must give written notification of a violation witnessed; 2) A Board member charging a By Law violation must ascertain the names of all members known to be in violation of the By Law cited; 3) Notify member by mail or telephone and request corrective action within 14 days; and 4) At next meeting if violation has been corrected, no further action need be taken. If violation ignored, member shall be invited to next Board meeting to explain actions or lack thereof. Finally, an Executive session shall be set and held to determine penalty or dismissal of charge.

Penalties – Any or all of the following if found guilty:

- Letter sent with 1st warning;
- Letter sent with 2nd warning and formal notice of action to be taken;
- Reimbursement cost, lien or collection notice filed;
- No action, modify current By Laws; and
- Dismiss charge.

Reflection Lake Community Association will be an association made of each lot owner. The purpose will be to make the rules governing the lake.

DATED this 15 day of November 2003.

AMENDED this 15 day of November, 2003.

**REFLECTION LAKE COMMUNITY
ASSOCIATION**

By: [Signature]
Its President

By: [Signature]
Its Secretary

STATE OF WASHINGTON
County of Spokane
Signed before me on June 3, 2004

[Signature]
My Appointment
expires February 16, 2007

EXHIBIT 13

View Document

Amendment - 5392216

General Data

Document Number Book Page Recording Date
5392216 06/13/2006 03:57:00 PM

Number Pages Recording Fee
1 \$32.00

Mailback Destination Mailback Date

Historical Data

Marr Married Marr Filed Reference Nbr

Old Doc Code Marr Cancel Old Trans Nbr
0

Related

Recording Number Book Page

866972B 730 1548

8412310195 1468 244

9308060127

Grantors

Borrower signor

REFLECTION, LAKE COMMUNITY ASSOCIATION

Grantees

Beneficiary

THE, PUBLIC

Calculated Legal

REFLECTION LAKE FIRST ADDITION

REFLECTION LAKE

Legal Data 1

Parcel

Legal Description

REFLECTION LAKE FIRST ADDITION

Remarks



STEWART TITLE OF SPOKANE

AMEND \$128.00

5392214

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06/13/2006 03:57P

Spokane Co, WA

After recording return to:

BRIAN C. BALCH

ATTORNEY AT LAW

601 S. DIVISION

SPOKANE, WA 99202-1335

Reference # (if applicable): _____

Grantor(s): (1) _____ (2) _____

Grantee(s): (1) _____ (2) _____

Additional Grantor(s) on pg. _____ Additional Grantee(s) on pg. _____

Legal Description (abbreviated): _____

Additional legal(s) on page _____

Assessor's Tax Parcel ID# _____

AMENDMENT TO COVENANTS OF REFLECTION LAKE ADDITION AND
REFLECTION LAKE FIRST ADDITION

This Amendment (this "Amendment") amends the Covenants shown on the face of the plat of Reflection Lake as per plat recorded in Volume 5 of Plats at Page 31 in Spokane County, Washington; Covenants for Reflection Lake recorded June 15, 1962 as Spokane County Auditor's Recording No. 866972B and Covenants for Reflection Lake First Addition as per plat recorded in Volume 8 of Plats at Page 76 in Spokane County, Washington.

This Amendment supersedes in its entirety the original Covenants referred to above that are being amended hereby as well as other covenants which may have affected the property recorded prior to this date including covenants recorded December 31, 1984 under Recording No. 8412310195, and covenants recorded August 6, 1993 under Recording No. 9308060127.

RECITALS

These Covenants are made with reference to the following background facts:

1. The entire property covered by this Amendment is included within two plats created of record in Spokane County, Washington.

2. Even though the property was developed through two plats, the property covered by both plats is geographically connected, and both plats were planned and completed with an intent to provide a single community comprised of all lots in both plats.

3. A focal point of the community is the use, enjoyment and preservation of Reflection Lake, including preservation of fishing as a resource to be enjoyed and available for use by residents.

4. All Lots within the community derive benefit from the roads providing for vehicular travel and circulation, including the portion of the road system made up of private roads.

5. In order to provide economy, efficiency, and a unified basis for operation, the Owners of Lots within both plats desire to consolidate operations and operate as a single community, governed by a single association to provide for architectural control and governance of the entire Property, management, preservation and care of common areas, amenities and interests; and collection of reasonable assessments and administration of the same in order to accomplish the foregoing.

THEREFORE, the following Amended and Restated Covenants for the entire Property are adopted as follows:

ARTICLE I.
BUILDING AND USE RESTRICTIONS

1.1 All Lots shall be known and described and used as residential lots for the erection of single family dwellings. No single family dwelling or other structure shall be erected, altered, placed or permitted to remain on any portion of these additions other than one detached single family dwelling, a private garage and other

outbuildings which may be incidental to the residential use of said land. No Lot may be further subdivided for the purposes of creating additional Lots or building sites without filing a replat.

1.2 No noxious or offensive trade or activity shall be permitted to be carried on, on any Lot, nor shall anything be done thereon which may become an annoyance or nuisance to the neighborhood.

1.3 None but new single family dwellings shall be permitted to be built or placed on any Lot in the Property.

1.4 No single family dwelling with an area of less than 600 square feet, exclusive of garage, shall be permitted in the Property.

1.5 No single family dwellings or other structures shall be placed nearer than 30.0 feet from the front property line on Lots adjacent to Reflection Lake, nor 50 feet from the front property line on Lots not adjacent to Reflection Lake; nor nearer than 10 feet to any side lot line. For purposes of this provision, the side of a Lot fronting the road or street providing primary access shall be considered the front.

1.6 Any single family dwelling or structure erected or placed on any Lot in the Property shall be completed as to the external appearance, including finished painting and connected to a septic tank or public sewer, within one year from the date of commencement of construction.

1.7 No fowl or livestock shall be permitted or kept in this addition. Provided, any Lot Owner presently maintaining horses on their Lot may continue to do so so long as such use continues, but should such Owner discontinue maintaining horses on their Lot, this right as to such Lot will cease. Further, any Owner retaining the right to maintain horses shall employ good animal husbandry practices, keep their property in a clean and sanitary condition and use all reasonable efforts to avoid the presence of any offensive odors that can be smelled from outside their Lot. Failure to comply with this restriction shall be considered a nuisance.

1.8 The Association assumes no responsibility for the furnishing of domestic water to any Owner of any Lot in the Reflection Lake Addition.



STEWART TITLE OF SPOKANE

AMEND \$128.00

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Spokane Co, WA

1.9 A domestic water line has been provided to each Lot in Reflection Lake First Addition. Each Owner shall be responsible for payment of water hook-up charges, inspection fees, and monthly charges associated with their Lot.

1.10 These covenants are to run with the land and shall be binding on all parties and persons claiming under them until January 2015, and automatically extended for successive ten year periods thereafter. However, by vote of a majority of the then Owners of the Lots in the Property, these Covenants may be changed in whole or in part at any time.

1.11 If the Owner(s) of any Lot, or any of them or their heirs, or assigns, shall violate or attempt to violate any of the Covenants herein, any other person or persons owning any real property situate in this Addition and/or the Association may prosecute any proceedings at law or in equity against the persons violating or attempting to violate any such covenant to restrain or prevent him or them from doing so, to recover damages or other dues for such violation or both.

1.12 Should any one or more of these covenants be invalidated by judgment or court order, the other provisions not affected thereby shall nevertheless remain in full force and effect.

1.13 No trailers, except manufactured homes at least 20' wide and 35' long, shall be considered the equivalent of a single family dwelling, or be permitted to be placed on a Lot and used as a residence on any Lot, unless the same shall be approved as a residence for use on said Lot by the Spokane County Planning Commission.

1.14 Recreational vehicles when used as a temporary residence shall be permitted on lake area only during the months April through September; and shall be removed at all other times.

1.15 No outdoor toilets shall be permitted except for a temporary use, with a permit, while a single family dwelling or permitted equivalent is under construction or unless a concrete vault is used as per county code.

1.16 Rules governing fishing, vehicle speed, use of access lots and other association property shall be

promulgated from time to time by the Board of Directors of the Reflection Lake Community Association.

1.17 No gas motors will be permitted on the lake, with the exception of lake maintenance.

1.18 Dogs are to be kept within the Owner's control and shall not be allowed to roam; and are subject to applicable laws and ordinances. County dog control laws shall be observed.

1.19 Reflection Lake Addition Lots 1, 15, 43 and Reflection Lake First Addition NE and SE recreation lots shall not be sold but shall be held by the Association as part of the Common Area, and used for ingress and egress to Reflection Lake by Lot Owners not having frontage on the Lake.

1.20 Each and every Lot Owner automatically becomes a Member of the Association, Reflection Lake Community Association. Each Lot Owner that is current in payment of assessments shall also have access to and the privilege of using Reflection Lake for all lake activities.

Bylaws

ARTICLE II.
REFLECTION LAKE COMMUNITY ASSOCIATION

2.1 Organization of Reflection Lake Community Association. Reflection Lake Community Association, the "Association," has been organized as a Washington non-profit corporation under the provisions of the Washington Code relating to general non-profit corporations. It is charged with the duties and invested with the powers prescribed by law and set forth in its Articles and Bylaws and these Covenants.

2.2 Membership. Each Owner, by virtue of being an Owner and for so long as such ownership is maintained, shall be a Member of the Association. Memberships in the Association shall be appurtenant to the Lot owned by such Owner. Membership in the Association shall not be transferred, pledged, assigned or alienated in any way except upon the transfer of Owner's Lot and then only to the transferee of such Lot. Any attempt to make a prohibited membership transfer shall be void and will not be reflected on the books of the Association.

2.3 Voting. Voting in the Association shall be carried out by Members who shall cast the votes attributable to the Lot(s) they own. The number of votes any such Member may cast on any issue is determined by the number of Lots that Member owns. Each Owner shall have one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall share the vote attributable to the Lot, but fractional voting will not be allowed. The right to vote may not be severed or separated from the ownership of the Lot, to which it is appurtenant, except that any Owner may give a revocable proxy to any person. Any sale, transfer of conveyance of such Building Lot to a new Owner shall operate automatically to transfer the appurtenant voting right to the new Owner.

2.4 Power and Duties of the Association. The Association shall have the powers of a corporation organized under the corporation laws of the State of Washington applicable to non-profit corporations, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Articles, the Bylaws, and this Declaration. The Association shall have the power to do any and all lawful things which may be authorized, required or permitted to be done by the Association under Washington law and under this Declaration, and the Articles and Bylaws, and to do and perform any and all acts which may be necessary to, proper for, or incidental to the proper management and operation of the Common Area and the Association's other assets, and the affairs and the performance of the other responsibilities herein assigned. For purposes of these Covenants, Common Areas and Association property include all rights and interests associated with Reflection Lake, fishing enhancement, private roads in the Property, and property now or hereafter owned by the Association. Association functions include, without limitation:

2.4.1 Assessments. The power to levy Assessments on any Owner or any portion of the Property and to force payment of such Assessments, all in accordance with the provisions of these Covenants.

2.4.2 Right of Enforcement. The power and authority from time to time in its own name, on its own behalf, or on behalf of any Owner who consents thereto, to commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of the Covenants or the Articles or the Bylaws, including the Association Rules

adopted pursuant to these Covenants, and to enforce by injunction or otherwise, all provisions hereof.

2.4.3 Delegation of Powers. The authority to delegate its power and duties to executive committees provided any such committee shall contain at least two Directors of the Association; and to contract for the maintenance, repair, replacement and operation of the Common Area.

2.4.4 Licenses, Easements and Rights-of-Way. The power to grant and convey to any third party such licenses, easements and rights-of-way in, on or under the Common Area as may be necessary or appropriate for the orderly maintenance, preservation and enjoyment of the Common Area, and for the preservation of the health, safety, convenience and the welfare of the Owners, for the purpose of constructing, erecting, operating or maintaining:

2.4.4.1 Lines, cables, wires, conduits or other devices for the transmission or provision of electricity or electronic signals for lighting, heating, power, telephone, television, communications or other purposes;

2.4.4.2 Sewers, storm drains, underground irrigation pipes, water drains and pipes, water supply systems, sprinkling systems, heating and gas lines or pipes, and any similar public or quasi-public improvements or facilities; and

2.4.4.3 Mailboxes and sidewalk abutments around such mailboxes or any service facility, berm, fencing and landscaping abutting common areas, public and private streets or land conveyed for any public or quasi-public purpose.

The right to grant such licenses, easements and rights-of-way are hereby expressly reserved to the Association and may be granted at any time prior to twenty-one (21) years following execution of this Declaration.

2.4.5 Operation and Maintenance of Common Area. Operate, maintain, and otherwise manage or provide for the operation, maintenance and management of the Common Area, including the repair and replacement of all

improvements or amenities within any portion of the Common Area.

2.4.6 Reserve Account. Establish and fund a reserve account with a reputable banking institution or savings and loan association, which reserve account shall be dedicated to the costs of repair, replacement, maintenance and improvement of the Common Area.

2.4.7 Taxes and Assessments. Pay all real and personal property taxes and Assessments separately levied against the Common Area or against the Association and/or any other property owned by the Association. Such taxes and Assessments may be contested or compromised by the Association, in its discretion.

2.4.8 Water and Other Utilities. Acquire, provide and/or pay for water, garbage disposal, refuse and rubbish collection, electrical, telephone and gas and other necessary services for the Common Area, and to manage all domestic, irrigation and amenity water rights and rights to receive water held by the Association, whether such rights are evidenced by license, permit, claim, stock ownership or otherwise.

2.4.9 Insurance. Obtain insurance from reputable insurance companies authorized to do business in the State of Washington, and maintain in effect any insurance policy the Board, in its discretion, deems necessary or advisable, including, without limitation fire and casualty insurance, public liability insurance, directors' and officers' liability insurance, and such other insurance, including motor vehicle insurance and Worker's Compensation insurance, to the extent necessary to comply with all applicable laws and indemnity, faithful performance, fidelity and other bonds as the Board shall deem necessary or required to carry out the Association functions or to insure the Association against any loss from malfeasance or dishonest of any employee or other person charged with the management or possession of any Association funds or other property.

2.4.10 Enforcement of Restrictions and Rules. Perform such other acts, whether or not expressly authorized by this Declaration, as may be reasonably advisable or necessary to enforce any of the provisions of the Declaration, or of the Articles or Bylaws, including, without limitation, the recordation of any claim of lien

with the Spokane County Auditor, as more fully provided herein.

2.5 Personal Liability. To the fullest extent permitted by law, no Member of the Board, member of any committee of the Association, officer of the Association, nor the manager, if any, shall be personally liable to any Owner, or to any other party, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence of the released persons, provided that such person, upon the basis of such information as may be possessed by such person, has acted in good faith without willful or intentional misconduct. If a released person has so acted, the Association shall indemnify and hold harmless said person from any damage, loss or prejudice aforesaid, including actual defense costs and attorney's fees.

ARTICLE III
RIGHTS TO COMMON AREAS

3.1 Use of Common Area. Every Owner current in payment of assessments shall have a right to use the Common Area, which right shall be appurtenant to and shall pass with the title to every Lot. The Common Area cannot be mortgaged or conveyed without the consent of the Owners of at least two-thirds (2/3) of the Lots. If ingress or egress to any residence is through any part of the Common Area, any conveyance or encumbrance of such portion of the Common Area will be subject to such Lot Owner's easement. In furtherance of the development plan for the Property, the Association shall have the right to create easements and construct improvements on the Common Area, including but not limited to providing utility and private drainfield or drainfield access, private streets, crossings, walkways, trails, open space, and other improvements deemed desirable by the Association.

3.2 Private Roads. The Common Area includes private roads and drainage facilities within common area tracts, as shown on the face of either or both of the plats. The Association shall be responsible for maintaining the private roads including paying the cost thereof, through assessments imposed on all Lots presently within the Property. Notwithstanding other provisions in these Covenants regarding allocation and responsibility for payment of Assessments, however, only Lots directly using a private road as a means of primary access shall be obligated to

share in costs arising after the date of this Amendment for maintaining the private roads (the "Private Road Lots"). The rate of Assessment for maintaining the private roads shall be equally allocated among the Private Road Lots. The Board shall have the right to determine which Lots are Private Road Lots and its decision, so long as exercised in good faith, shall be determinative. Maintenance of the private roads constitutes an obligation running with each of the Private Road Lots.

ARTICLE IV
ASSESSMENTS

4.1 Covenant to Pay Assessments. By acceptance of a deed or real estate contract for any Lot in Reflection Lake, each Owner of such Lot hereby covenants and agrees to pay when due all Assessments or charges made by the Association, including all Regular, Special and Limited Assessments and charges made against such Owner pursuant to the provisions of this Declaration or other applicable instrument.

4.1.1 Assessment Constitutes Lien. Such Assessments and charges together with interest, costs and reasonable attorneys' fees which may be incurred in collecting the same, shall be a charge on the land and shall be a continuing lien upon the property against which each such Assessment or charge is made.

4.1.2 Assessment is Personal Obligation. Each such Assessment, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Owner of such Lot beginning with the time when the Assessment falls due. The personal obligation for delinquent Assessments shall not pass to such Owner's successors in title unless expressly assumed by them but shall remain such Owner's personal obligation regardless of whether he or she remains an Owner.

4.2 Regular Assessments. All Owners are obligated to pay Regular Assessments to the treasurer of the Association on a schedule of payments established by the Board.

4.2.1 Purpose of Regular Assessments. The proceeds from Regular Assessments are to be used to pay for all costs and expenses incurred by the Association, including legal and attorneys' fees and other professional fees, for the conduct of its affairs, including without



limitation the costs and expenses of construction, improvement, protection, maintenance, repair, management and operation of the Common Areas, including all improvements located on such areas owned and/or managed and maintained by the Association, and an amount allocated to an adequate reserve fund to be used for repairs, replacement, maintenance and improvement of those elements for the Common Area, or other property of the Association that must be replaced and maintained on a regular basis (collectively "Expense").

4.2.2 Computation of Regular Assessments.

The regular assessment for fiscal year June 1, 2005 through May 31, 2006 has been \$150.00 for the year. Thereafter, the Association shall compute the amount of its expenses on an annual basis. The computation of Regular Assessments for fiscal year 2006 and thereafter shall be made by the Board not less than thirty (30) or more than sixty (60) days before the beginning of such fiscal year of the Association. Should the Association fail to do so, the Regular Assessment amount for each Lot for the prior year shall carry forward unchanged.

4.2.3 Amounts Paid by Owners.

The Board can require, in its discretion or as provided in the Articles or Bylaws, payment of Regular Assessments in semi-annual or annual installments. The Regular Assessment to be paid by any particular Owner for Assessments, other than costs for maintaining the private roads, shall be computed by multiplying the Association's total advance estimate of expenses by the fraction produced by dividing the Lots attributable to the Owner by the total number of Lots in the Property. Assessment amounts for maintaining the private roads (to be equally allocated among the Private Road Lots) shall be computed by multiplying the Association's total advanced estimate of expenses for maintaining the private roads by the fraction produced by dividing the Private Road Lots attributable to the Owner by the total number of Private Road Lots in the Property.

4.3 Special Assessments.

4.3.1 Purpose and Procedure.

In the event that the Board shall determine that its respective Regular Assessment for a given calendar year is or will be inadequate to meet the expenses of the Association for any reason, including but not limited to costs of construction, reconstruction, unexpected repairs or replacement of

improvements upon the Common Area, attorneys' fees and/or litigation costs, other professional fees, or for any other reason, the Board shall determine the approximate amount necessary to defray such expenses and levy a Special Assessment against the Property which shall be computed in the same manner as Regular Assessments. No Special Assessment shall be levied which exceeds twenty percent (20%) of the budgeted gross expenses of the association for the calendar year, without the vote or written assent of the Owners representing a majority of the votes of the Members of the Association. The Board shall, in its discretion, determine the schedule under which such Special Assessment will be paid.

4.3.2 Consistent Basis of Assessment. Every Special Assessment levied by and for the Association shall be levied and paid upon the same basis as that prescribed for the levying and payment of Regular Assessments for the Association.

4.4 Limited Assessments. Notwithstanding the above provisions with respect to Regular and Special Assessments, the Board may levy a Limited Assessment against a Member as a remedy to reimburse the Association for costs incurred in bringing the Member and/or such Member's Lot into compliance with the provisions of the governing instruments for Reflection Lake, including any actual costs, consultant charges and attorneys' fees. This shall expressly include the authority to levy assessments against any Lot Owner in violation of any of the requirements imposed on such Lot Owner under this Declaration. Such assessment may be made in an amount up to fifty dollars (\$50.00) per day (or its equivalent value as compared with January 1, 2006 dollars, as adjusted periodically by the Board in its reasonable discretion), for each violation which remains uncorrected after thirty (30) days' written notice given to such Owner from the Association. Notwithstanding anything above to the contrary, a limited assessment may be assessed against an Owner for damage to any Lot or portion of the Common Area within the Property caused by reason of the negligence or willful misconduct of such Owner, such Owner's resident tenant, or such Owner's family and guests, both minor and adult; provided such liability shall not be absolute but shall be an obligation recoverable from such Owner's available insurance and shall constitute a lien against such Owner's Lot only.

4.5 Uniform Rate of Assessment. Unless otherwise specifically provided herein, Regular and Special Assessments shall be fixed at a uniform rate per Lot for all members of the Association.

4.6 Assessment Period. Unless otherwise provided in the Articles or Bylaws, the Assessment period, the fiscal year shall commence on June 1 of each year and terminate May 31 of the following year.

4.7 Notice and Assessment Due Date. Ten (10) days prior written notice of Regular and Special Assessments shall be sent to the Owner of every Lot, and to any person in possession of such Lot. The due dates for installment payment of Regular Assessments and Special Assessments shall be the first day of each month unless the Board establishes some other due date. Each monthly installment of the Regular Assessment or Special Assessment shall become delinquent if not paid within ten (10) days after the levy thereof. There shall accrue with each delinquent installment payment a late charge equal to ten percent (10%) of the delinquent installment. In addition, each installment payment which is delinquent for more than twenty (20) days shall accrue interest at twelve percent (12%) per annum calculated the date of delinquency to and including the date full payment is received by the Association. The Association may bring an action against the delinquent Owner and may foreclose the lien against such Owner's Building Lot as more fully provided herein. Each Owner is personally liable for Assessments, together with all interest, costs and attorneys' fees, and no Owner may exempt such Owner from such liability by a waiver of the use and enjoyment of the Common Areas, or by lease or abandonment of such Owner's Lot.

4.8 Estoppel Certificate. The Association, upon at least five (5) days prior written request, shall execute, acknowledge and deliver to the party making such request, a statement in writing stating whether or not, to the knowledge of the Association, a particular Lot is in default under the provisions of this Declaration, and further stating the dates to which any Assessments have been paid by the Owner. Any prospective purchaser or mortgagee of the Owner's Lot may rely upon any such certificate delivered pursuant to this paragraph.



ARTICLE V
ENFORCEMENT OF ASSESSMENTS; LIENS; PROCEEDINGS

5.1 Right to Enforce. The Association has the right to collect and enforce its Assessments pursuant to the provisions hereof. Each Owner of a Lot, upon becoming an Owner of such Lot, shall be deemed to covenant and agree to pay each and every Assessment provided for in these Covenants and agrees to the enforcement of all Assessments in the manner herein specified. In the event an attorney or attorneys are employed for the collection of any Assessment, whether by suit or otherwise, or to enforce compliance with or specific performance of the terms and conditions of these Covenants, each Owner agrees to pay reasonable attorney's fees in addition to any other relief or remedy obtained against such Owner. The Board or its authorized representative may enforce the obligations of the Owners to pay such assessments by commencement and maintenance of a suit pursuant to paragraph 5.3 to enforce the liens created hereby. A suit to recover a money judgment for an unpaid Assessment shall be maintainable without foreclosing or waiving the lien hereinafter provided.

5.2 Assessment Liens.

5.2.1 Creation. There is hereby created a claim of lien with power of sale on each and every Lot to secure payment of any and all Assessments levied against such Lot pursuant to this Declaration together with interest thereon at the maximum rate permitted by law and all costs of collection which may be paid or incurred by the Association making the Assessment in connection therewith, including costs and reasonable attorney's fees incurred. All sums assessed in accordance with the provisions of this Declaration shall constitute a lien on such respective Lots upon recordation of a claim of lien with the Spokane County Auditor. Such lien shall be prior and superior to all other liens or claims created subsequent to the recordation of the notice of delinquency and claim of lien except for tax liens for real property taxes on any Lot and Assessments on any Lot in favor of any municipal or other governmental assessing body which, by law, would be superior thereto.

5.2.2 Claim of Lien. Upon default of any Owner in the payment of any Regular, Special or Limited Assessment issued hereunder, the Association may cause to be recorded in the office of the Spokane County Auditor a claim of lien. The claim of lien shall state the amount of such



delinquent sums and other authorized charges (including the cost of recording such notice), a sufficient description of the Lot(s) against which the same have been assessed, and the name of the record Owner thereof. Each delinquency shall constitute a separate basis for a notice and claim of lien. Upon payment to the Association of such delinquent sums and charges, in connection therewith or other satisfaction thereof, the Association shall cause to be recorded a further notice stating the satisfaction or relief of such delinquent sums and charges. The Association may demand and receive the cost of preparing and recording such release before recording the same.

5.3 Method of Foreclosure. Such lien may be foreclosed by appropriate action in court or by sale by the Association establishing the Assessment, its attorney or other person authorized to make the sale. Such sale shall be conducted in accordance with the provisions of the Revised Code of Washington applicable to the exercise of powers of sale and/or foreclosure as permitted by law, as though the Association were a beneficiary designated under a deed of trust executed on Deed of Trust form LFB #22, as in effect as of the date of recording these Covenants. The Board is hereby authorized to appoint an attorney, title company or any other person or entity qualified to act as a Trustee in the State of Washington as trustee for the purpose of conducting such sale or foreclosure.

5.4 Required Notice. Notwithstanding anything contained in this Declaration to the contrary, no action may be brought to foreclose the lien created by recordation of the notice of delinquency and claim of lien, whether judicially, by power of sale or otherwise, until the expiration of thirty (30) days after the following have been completed: a copy of such claim of lien has been deposited in the United States mail, certified or registered, postage prepaid to the Owner of the Lot(s) described in such notice of delinquency and claim of lien; and to the person in possession of such Lot(s), and a copy thereof is recorded by the Association in the Office of the Spokane County Auditor.

5.5 Subordination to Certain Trust Deeds and Mortgages. The lien for the Assessments provided for herein in connection with a given Lot shall be subordinate to the lien of a deed of trust or mortgage that is of record as an encumbrance against an Owner's Lot prior to the recordation of a claim of lien for any Assessments. Except as provided in this paragraph with respect to a trustee or mortgagee who

acquires title to or a security interest in a Lot, the sale or transfer of any Lot shall not affect the Assessment lien provided for herein, nor the creation thereof by the recordation of a claim of lien, on account of the Assessments becoming due whether before, on, or after the date of such sale or transfer, nor shall such sale or transfer diminish or defeat the personal obligation of any Owner for delinquent Assessments as provided for in these Covenants. No mortgagee or beneficiary under a deed of trust will be required to collect assessments. Nothing in these Covenants makes failure to pay any assessment a default under any mortgage.

EXHIBIT 14

August 22, 2019

Dear Reflection Lake Neighbors,

I would like to share the July Informational Lease Lot Meeting that you will find enclosed. This information was given to me as it was not shared with the general public as far as I can tell. Please read the entire contents carefully. It appears that the RLCA is wanting to take ownership of the reflection lake water association. My concerns are how much is it going to cost each property owner, another concern is, who exactly is this going to benefit and how? Another concern is why would the RLCA want to take on any more infrastructure when we can't even manage the ones we already have. Use all of our private roads as an example. It appears there are a lot of little meetings that go on without the public knowledge. In my opinion we as a community need to pay better attention to what is truly going on. Transparency and communication is always a key factor in anything you do in a community setting.

Sincerely

Rob Lee

July Informational Lease Lot Meeting
July 24, 2019

Present: Dave Tysz State Water Operations

Glen Mumm
Jim Boothby
Charlie Bennett
Dan Loos
Jeff Toffer
Gary Long
Sandi Bennett taking minutes

Glen introduces everyone to Dave Tysz

Dave describes his job: He is a contract operator for small water systems. All water systems must be state certified and he is a contract certified operator for 5 water systems in the state. Every state has a water association to help train and give classes to become certified. Dave goes to all systems in the state under 10,000 to make sure the water source is protected. This is his retirement job. Dave was paid by the USDA to basically go around and solve problems. Someone has already replaced Dave in that position. Dave is hoping that Susan Weeks will finish her certification and then Dave will step out of his role. Dave charges \$300 monthly for his contract—making sure all reporting is done, goes around with a regional engineer to look for issues. If there are any issues, water associations have 30 days to fix and comply before being forced to do it. If compliance issues are not fixed in a timely manner then no more building permits will be issued. RLWA does the inspections on new water hook ups to keep costs down. He also mentioned that with the system we have, any more connections and there will not be enough water to go around. He has been working with RLWA for two years.

Subject: Where is RLWA in moving forward with RLCA?

- There is concern that there has been no communication from RLWA about coming to an agreement with RLCA.
- Water rights—must come to agreement with water rights. Dave says RLWA feels that it is their system—is RLCA willing to work with them to split the plat? Glenn states that according to the CC&Rs, the plat cannot be split and any change in the CC&Rs would have to have 100% agreement by all members and that would never happen. There is never 100% agreement.
- Charlie states there should have been a communication chain started from the April meeting, concerning the future needs of RLWA that had been decided by the RLWA in their board meeting to be initiated on April 29, 2019 to RLCA.
- Jim Boothby brought up several concerns about the water system—being underbuilt (adequate piping, pumps, holding facilities), are there emergency operation manuals, operating manuals, protocol for notifying people of a systems failure? He sees people at night, in the event of a power outage, and worries, are they authorized and trained?
- Jim also says, there has been a history of internal issues with the RLWA—there has been good people as well as some poor management practices. An external tank has been a thought for years, but no future plan has been researched.

- Glen stated that management of the RLWA has been an issue at times—embezzlement, going into debt (RLCA bailed them out and loaned them \$16 thousand.), conflict of interest at times since members of RLWA board were also board members of RLCA, and issues with the lease lots. There should have been representatives from each board going to each others board meetings since March. RLCA has gone to the RLWA meetings but they haven't had their normal meetings since April and there has been no communication on alternative times or dates. Why haven't they been having their regular meetings? They have yet to come to one of RLCA board meetings.
- Email communication with RLWA has never commenced that the April RLWA meeting board members had agreed upon in their RLWA meeting.
- According to paperwork provided by Glen and Jim, RLWA should be under RLCA, but RLCA has no copies of the RLWA bylaws or any other legal paperwork. Should they be operating as a committee under the RLCA?
- According to a 1984 Quit Claim Deed the RLCA owns the whole thing.
- RLCA would like some sort of guarantee that RLWA is making things happen the right way, accountable to our homeowners with the future in mind. Jim says that twice RLCA has had to stop them from issuing water to a trailer park outside of our plat. No water shall be provided outside the plat.

Subject: What does the RLWA have to do to be in compliance with state regulations?

- Dave states that no water system would take us on in our current state. A third party can only take over once upgrades are in place.
- Need a certified contract operator—here is a listing of the possible scenarios—1) certified contract operator like Dave—generally cheaper than an individual. 2) Certified manager that lives at the lake, (a retired person, housewife etc.) under RLCA. 3) Continue with two entities RLCA and RLWA or 4) Water district such as Whitworth or Stevens Co, to take over and come out every day and take samples and certify the safety of water source and systems.
- Water systems, by law must be in control of the water district. Dave says it is very difficult to get a loan if not legal owners.
- Dave states that the water system generally must own all the land that contains the well and source. This is necessary in order to get loans and ensure the safety and integrity of the well and source.
- Dave says when everything is said and done there will be detailed systems in place for emergencies and daily operations. He states there is still a lot of work to be done.
- Engineers must come in to say whether we have more connections than water, determine pipe size, tank, capacity and any other questions and solutions to continue as a viable water district.
 - Did the engineer come on Saturday as scheduled?
- The water system needs to have a tank at the highest point to store water for maximum capacity times, so rationing is not the end game. Currently we are pulling out of a cistern and pumping into bladder tanks for storage.
 - Weather changes capacity as well.
- Dave says the state needs a 6 year plan and a 50 year plan to be provided by the water district.

- Dave states engineers can do the work that needs to be done
- Dave says that water must be maintained at 20 PSI but unfortunately that is not adequate to put a house fire out. A dry hydrant that RLCA is trying to get installed on lot 1 is a great feature to have in place. Even though we are certified for 84/85 lots, Dave says that minimum PSI levels can not be maintained with that number of hookups. He questions whether the last house should have been hooked up.
- Dave estimates the ballpark figure is 1 Million dollars to get up to maximum standards with a reservoir tank and all upgrades to provide for the 50-year plan. There is a state provided grant and it would be a possible 60/40 payback ratio. Being a Firewise community could even help put the ratio more in our favor. The payback time is 40 years at a very low interest rate that is guaranteed by the state.
- Dave says the water association is still granting hookups because they are trying to be nice, but that will burn them in the end.

Immediate problems and questions:

- Lack of communication from RLWA to RLCA
- Jim feels that water restrictions are in the future—communication needs to be in place to get information to water owners and phone numbers of water operators need to be available to water users.
- Water hookups are maxed out even though there is a Certificate of Water Rights paper provided by Jim that says 90 units is allowed, and the Dept of Health says 84 units, yet we are at 55 right now and hitting the max. Who is liable after no more hookups? There is concern that RLCA has the deeper pockets that may be sued if someone buys land but cannot get water to their lot. Dave states that it needs to be in the sale agreement that no more water is available at this time. Glen state that a letter should go out to all lot owners in the near future.
- All ducks have to be in a row for funding for a loan or grant to be provided. Currently we are lacking that program, Dave says.
- Are wells on the west side tied to the water rights in any way?
- Glen states that the water system should be properly managed for all time.
- Lawsuits can happen if contamination occurs at water source. Are the owners of the lease lots now liable for protecting the water quality? Susan Weeks is the only one that chose not to give her lot back.
- Charlie asks who is liable when there are no more hookups available. We are currently certified for 84 hookups, can RLCA be sued? Dave will provide us with an answer in the next few days.
- Glen asks how the lease lots fold into this? Are the current owners liable if the water source is contaminated? Susan Weeks is the only hold out for not giving her lease back. Dave states that a 100-foot radius on the well is necessary to protect water quality. Glen asks if that means that part of the lease lots are usable?
- The water association is strictly for homes on the east side, but if properly engineered could also provide water to all homeowners. Dave feels the state is going to be confused with wells being allowed on the west side.
- RLCA is worried that RLWA is going toward an emergency situation. The water system needs to be proactive and prevent this.

- Glen asked if the taxes can get dropped on the lease lots since they are unusable. He wants Dave to send a letter stating that the lots are unusable.

Possible solutions:

- Both RLCA and RLWA and lease lot owners need to get together and talk. Dave can facilitate the meeting. The 10th and 24th of August are the only Saturday dates when everyone on the RLCA board could attend this coming together.
- Tank on highest point? Or Jim suggested the green belt as well.
- Develop spring on Northeast side as an additional water source. Dave says be careful if disturbing the springs, cleaning or developing. The clay layer cannot be disturbed as this will change the flow. You may clean near the lake, but SCD says that is unnecessary as well as the grasses keep the flow clean, cool and protected.
- Engineering assessment is a must.
- Century West is good at grants to update the system. They will do a study of springs, amount of water from springs, get rid of bladder tank system, go to reservoir tank, minimum of 8-inch piping. Currently we are using a 2-inch and 4-inch pipes. State does not like less than 8-inch pipes for water.
- Jim proposes that RLWA board make changes to its' CC&Rs, so it can better serve its user base, with elections and voted members. Dave states that a manager would have to be hired to run the water association with that scenario. Dave does feel that one manager and one board for everything would be a solution.
- Assessment done to properly update water system. Users would pay for assessment according to CCR.
- Glen believes that the water association should be run under RLCA, in order that it is consistently run and held accountable. Dave feels that being run by a contract operator that lives here might be the best solution but everyone has to be on board with this plan. Then start looking at water districts and the state may help you out. A contract water operator would cost approximately \$1500 monthly assessed on the users. They would do the water testing and come to RLCA board meetings to keep RLCA informed.
 - Glen wants to make sure that Dave takes back to the state that RLCA is a viable party that is prepared to work through this.

EXHIBIT 15

REFLECTION WATER ASSOCIATION INC.
A nonprofit water district serving the east side of Reflection Lake, Washington.

We, the board of Reflection Water Association, are bringing to your attention a serious dispute between the water association and the lake association.

This fall the water association was applying for a grant from Spokane County to improve and update our water system. This was a grant, not a loan. The lake association chose to deliberately (and successfully) sabotage this application.

Below is a copy of the e-mail exchange which had that result.

Begin forwarded message:

From: Steve Nelson <SNelson@CenturyWest.com>
Date: October 15, 2019 at 4:57:51 PM PDT
To: Susan Weeks <sbrock21@hotmail.com>, David Tysz <pigeon1231@gmail.com>
Subject: FW: Reflection lake water grant

FYI. Not wanting to raise red flags but would like to keep everyone in the loop. Please give me a call or shoot me an email at some point just to make sure I proceed properly. Thank you again!

Steve Nelson, PE |™ Project Manager

Spokane Office |™ 11707 E Montgomery Dr. |™ Spokane, WA 99206

509.690.7193 (cell) |™ 509.838.3810 (office) |™ 509.624.0355 (Fax) |™ snelson@centurywest.com

www.centurywest.com

Please consider the environment before printing this e-mail

From: Charles Bennett <chasben411@gmail.com>
Sent: Tuesday, October 15, 2019 11:30 AM
To: glen mumm <gmumm@hotmail.com>; Steve Nelson <SNelson@CenturyWest.com>
Subject: Reflection lake water grant

Hello Steve,

We met at the reflection lake water association meeting last Saturday.

There are some issues I think you should be aware of regarding the water association and the lake association.

It is the assertion of water association that they are basically autonomous from the lake association. This is not at all the case. The lake association has deed to all the land and water rights. They have not communicated at all with us. Our by-laws, agreed upon legally by both sides have RLCA as the purveyor of both.

All they would really need to do is communicate their interests to us, as the liability falls squarely in Lake associations lap.

The water association is under the lake association legally, so this grant needs to include the blessings of the lake association and in fact should be directed to the lake association.

Would you be willing to meet with us on Monday, October 19 at the community center late afternoon or evening to bring us up to speed? Please understand that there is no agreement between the two associations at this time to move forward with this grant.

Sincerely, Charles Bennett

Lake association Vice President

Steve Nelson is the engineer who was preparing the grant application which was due November 11 but never submitted, not wanting to get caught up in a possible litigation.

The assertion that the water association is "under" the lake association is false. The two associations are entirely separate legally. You can read the letter from our attorney with supporting documentation on our web site www.reflectionlakewater.org.

We do note that the water rights are in the name of Reflection Lake Community Association Inc., but that corporation consists of Reflection Lake 1st Addition (east side of the lake) only. The articles of incorporation in the documentation mentioned above are clear. This means that those owners on the west side of the lake have no interests in or control over the water supply or distribution system. They are not part of the corporation.

The current board of the lake association needs to acknowledge and state this explicitly. Further, they need to be held accountable for the legal expenses of both associations, as well as the financial damage and delay to all of us on the east side of the lake.

B

Charles,

Sorry I haven't followed up sooner. Unfortunately I can't make it Saturday the 19th or Monday. Thank you for touching base.



Steve Nelson, PE | Project Manager
 Spokane Office | 11707 E. Montgomery Dr. | Spokane, WA 99206
 509.690.7193 (cell) | 509.838.3810 (office) | 509.624.0355 (Fax) | snelson@centurywest.com
www.centurywest.com

Please consider the environment before printing this e-mail

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Sincerely, Charles Bennett

Lake association Vice President

EXHIBIT 16



**WITHERSPOON
BRAJCICH
MCPHEE**

BRIAN M. WERST †
BWerst@workwith.com
509.252.5680

December 9, 2019

Sent via email: sbrock21a@hotmail.com

Reflection Water Ass'n.
Attn: Susan Weeks
37317 N. Sheets Rd.
Elk, WA 99009

Re: *Relationship with Reflection Lake Community Association*

Dear Susan:

Thank you for the recent opportunity to meet with you and other representatives of the Reflection Water Ass'n to discuss matters involving the Reflection Lake Community Association. I truly hope the Reflection Lake Community Association will work with the Reflection Water Ass'n to address all matters necessary for the betterment of your community.

It is my understanding the Reflection Lake Community Association has alleged it may control the Reflection Water Ass'n. To be clear, as evidenced by the records on file with the Washington Secretary of State, Corporations Division (copies of which I have enclosed), the Reflection Water Ass'n is a separate and distinct Washington nonprofit corporation that is not owned, managed or controlled by the Reflection Lake Community Association. Moreover, as reflected in their respective Articles of Incorporation (copies of which I have enclosed), the two entities exist for different corporate purposes:

Reflection Water Ass'n: The purpose for which the corporation is organized is to maintain through a cooperative effort that water system which furnishes domestic water to the members of the association as hereinafter set forth, and to do and perform such other acts as may be necessary or convenience to carry out the general purposes of the corporation within the confines of the laws of the State of Washington governing non-profit corporations.

Reflection Lake Community Association: The specific and primary purposes are to unite property owners in Reflection Lake First Addition, a subdivision located in Spokane

A Professional Limited Liability Company

601 West Main Avenue, Suite 714
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GARY C. RANDALL†, Of Counsel

LAWRENCE W. GARVIN
JESSICA C. ALLEN†
THADDEUS J. O'SULLIVAN†
LAURA J. BLACK
DEANNA M. WILLMAN
JOSEPH LUNSKY

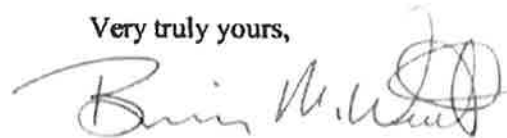
†Also Admitted in Idaho
*Also Admitted in Oregon
*Also Admitted in California
A Certified Specialist
*State Planning, Trusts & Probate Law
*California State Board of Equal Opportunity

Susan Weeks
Reflection Lake Water Association
December 9, 2019
Page 2

County, Washington; to encourage civic improvements in said subdivision and vicinity; to promote community activities and interests in said subdivision; to cooperate with other organizations having similar objectives; and to improve and maintain common areas with community facilities within said subdivision. Reflection Lake Community Association has the general purpose and power to acquire, hold and dispose of property as the purposes of the corporation shall require, as well as to have and exercise all powers conferred upon non-profit corporations formed under the laws of the State of Washington. Reflection Lake Community Association "shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the primary purposes of this organization."

Based on these specific corporate purposes and directives, Reflection Lake Community Association is authorized to "cooperate" with the Reflection Water Ass'n, but has no corporate power to own, manage or control the Reflection Water Ass'n. Moreover, while the Reflection Lake Community Association has certain authority to own property, ownership of water rights or property associated with a community domestic water system is not consistent with the powers it has reserved under its respective Articles of Incorporation. In comparison, the powers reserved to the Reflection Water Ass'n under its Articles of Incorporation are specific to the community domestic water system, and more appropriate for ownership of the water rights associated with such water system.

Very truly yours,



BRIAN M. WERST

BMW/pl
Attachments

EXHIBIT 17

Reflection Lake Community Association Special Meeting Water System –
January 14, 2020

Board members present: President Glen Mumm, VP Charlie Bennett, Secretary Vonnie Hutchison, Treasurer Jim Boothby, Dan Loos, CC&R's and Bylaws Committee Jeff Toffer, Social Committee Richard Miller, Chad Boyd, Gary Long.

Meeting was called to order at 6:10 at the VFW. This meeting will be run strictly per Roberts Rules of Order. We're recording these meetings so the minutes can be accurately transcribed. We will do a formal rollcall tonight that will be part of the record so please answer by "present". Glen Mumm, present; Charlie Bennett, present; Jim Boothby, present, Vonnie Hutchison, present; Dan Loos, present; Chad Boyd, present; Richard Miller, here; Jeff Toffer, present; and Gary Long, present.

The topic tonight is the Reflection Lake Private Water System. This will be the only topic tonight that we discuss. We're going to do this exactly by the book. We'll have to have a motion made, seconded then discussions will be made at that point in the game. There will be no discussion prior to that and then we'll go to a vote on what we discuss.

Water System: Jim Boothby: Mr. President, I would like to make a Motion to abolish the Reflection Lake Water Board and place the responsibilities and duties of managing the water system with the RLCA and supervised by the Board of Directors. Glen: Mr. Boothby has made a motion to abolish the water system board and turn it over to RLCA and supervised by the Board of Directors. Charlie Bennett seconds. Alright, let's open this up for discussion.

Glen: This has been going on for at least 20 years with everything from embezzlement to failures by the water board, which we will discuss. What is bringing this to a head now is Harley Douglas sold all his lots and there are no hookups available for them. If this isn't repaired and all the upgrades made to the system to the satisfaction of the State, we're going to have enormous problems. There are numerous leaks that have never been addressed; no accounting information that we've requested has been provided. At the first of last year we asked the water board to start attending our meetings and functioning and operating under this Board and they have refused. They won't send anyone to our meetings and if we go to their meetings we are shut down, ridiculed. If you look at the CC&Rs and bylaws they are supposed to be operating under this Board and they're refusing to do that. They went out and tried to get a grant to do upgrades and it can't be done without the Board of Directors approving and signing off but again they refused to come to us and give us any information on what they were doing. We own the deeds to that property and the Association bylaws and CC&R's specifically say the water system is under the purview of the RLCA Board. With the sale of Douglas' lots to a developer and the water system in dire need of upgrades, we're here to discuss the ins and outs of this motion.

Jim: The history is we've had good and bad people on the water board and it's the same with the RLCA Board of Directors. Back in 2015 I was approached by a couple of members of the water board and they were distributing a survey for the people on the east side. They were asking permission to borrow \$20,000 and wanted to own the water rights; plus in the second section they wanted to own the water rights to the springs so the water association could get a grant from the government of 1/2 of \$100,000. Currently the springs produce 750,000 gallons/week in the summer and 250,000/week in the winter. I was approached to get on the RLCA Board to stop this. They wanted to sell the lakebed to the State and they trying to work something with the State to sell the springs in order to get \$50,000. Three of the members had never read the bylaws and covenants and never understood exactly what it was to

be on a board because RLCA owns all that property. They could have come and explained what they were trying to do and asked us to co-sign. The water system doesn't own anything. Currently they tried to get a \$300,000 grant and couldn't get it because they don't own anything. We've been to our Association's lawyer and no they can't get anything from anyone because they have no material wealth. They have a bank account and when it runs out, they'd have to go to their patronage, then the dues would go up to cover it. Bottomline is it's a poorly run water association. They don't understand the simplicity of filling out of the grant paperwork and getting the backing of the Association. We own all the deeds. The water board believes they own a separate entity. They don't. Should we deal with this or do we wait until they fall? The way the bylaws and covenants and ownership papers read the whole Association would have to pony up the money to repair the system if the users could not meet the assessment demand. Everything should have to go through the Board so we could step in before there is a failure. It is the entire Association that is responsible for failure. So why not have the water system come underneath the Board then the water committee could come to us and say we've got a good deal for a \$300,000 grant. We could get our roads repaired and the water system done. We co-sign and the Board would be overseeing the venture.

Dan: It would be a committee that reports to the Board every month?

Glen: Yes with two of these RLCA Board members on that committee.

Jim: They would be the chairman and co-chairman of that committee.

Jim: We're not in this for the money but to make sure the system survives and people have good services and a reliable water system. Right now each of the water board members gets free water (6 x \$600 = \$3600/yr) plus some are receiving paychecks.

Glen: If you understand how associations work and how the State looks at associations, plus how we're all protected by the rules and regulations of the State, for all the board members to be protected and not be sued personally, you cannot take a paycheck unless you're an employee of the Association or you're a licensed/bonded contractor. These people are neither but since they're taking a paycheck, we should be doing tax withholdings on them. They are currently taking paychecks which makes them employees, which obligates us to paying federal taxes. Our liability is incredible on this thing.

\$300,000 is what it would take to upgrade that system to the proper specifications with the 50,000-gallon backup plus the pumping capacity, install the generator and re-do the roads because the road would have to be torn up to do this. That grant available. The engineering has been done and it shouldn't cost anyone in the Association a dime. If we blow this opportunity and it all falls apart and you don't have any water coming out of your faucets, then what happens?

Jim: From the treasury side if we let them go bust on their own then that assessment would be for those 53 water users. The water association would not be able to pay that high of an assessment so then it would default to us to pay the bill. What happened in 2002, they almost lost the water association to a contractor. The RLCA Association ended up paying \$16,000 to the contractor then the water association paid us back the following year. They were a good bunch of people that just made a mistake. We need to start providing oversight so we can do the right thing for our membership. It doesn't have to be an adversarial thing. There are people on the water board who want to do the right thing. According to our bylaws the Board has the authority to write grants, take out loans, and have oversight. This Board has done that same work year in and year out when we put in the dams. We put in a \$100,000 dam and we had to do the same type of work. We must now have some oversight thinking. The water board hasn't read their own bylaws to figure out how to do something like this. If

you go to the government and they're going to give you \$50,000 back, that means the government could own our lake. They wanted to give our deeded water to the State.

Richard: If we are close to maxed out, the developer will do what?

Charlie: It's already maxed out. Dave Tice, State Water Operator told them last year that Vanderholm's hookup shouldn't have happened. Now we have my brother-in-law and Harley Douglas' 7 lots. Has it ever been discussed to have just one board for Reflection Lake? Has it ever been discussed to not have two associations?

Jim: There are not two associations. What happened is the water association took that name. It had always been just the water board. Hovaten and Brown and Leo Wilson called themselves the water board. We all trusted Hovaten and Brown and let them continue to run it. They did a nice job. When it passed to other people and so on, when Susan or pre-Susan came along, they started calling themselves Reflection Lake Water Association.

Charlie: That was likely the State who told them they must. After 1995 all new water systems must be managed through a satellite water company but we were grandfathered in. They were told by the State Operator that they had to establish an association. They probably told them that they had to be autonomist and own the property, but it got pushed aside.

Jim: But they could have told them we are an association.

Glen: Part of the disinformation campaign was they told them that they were the association. We are, RLCA is the association. We hold all the cards. We have all the deeds and they should have told them that the water system is the Reflection Lake Community Association.

Charlie: I asked that question when I joined the water board. I pushed and pushed and pushed and there was never an answer why the boards aren't together. The State Operator told me that the best run systems are run by an HOA. It's the easiest because you already have a board and committee and it just works.

Vonnie: What you're saying is instead of having any kind of a separation between us, they are us and we are them. We run them.

Charlie: Yes. For whatever reason former members of the RLCA association got on that water board and tried to separate it from the RLCA, and they did up until now. They're up against the end of the water and their hands are tied. They can't even put a generator in. They have the money for it. It requires a little infrastructure, but they can't legally touch it because it's not their property.

Glen: And they refuse to come to our meetings and give us these reports. Over and over and over we've asked them please send a representative to one of our meetings and we would send a representative to their meetings, which we did.

Chad: From what I heard the meetings kept changing to a different time.

Glen: They would change the day of the meeting. They would cancel if they knew we were coming. The last meeting I went to, when they knew they were up against the wall on these meters for having any more water output, I made a statement to Susan that "you need to send out a letter to all the property owners explaining what the current water situation is and it might not be possible at this time to provide water to any additional new construction in the plat."

Charlie: That's what she was told by the State Water Operator and from the President of the Association and she has ignored it.

Richard: And that's why she trying to become state operator?

Glen: No, she wants to be the state operator for a bigger paycheck. We already have a State Water Operator, Dave Tice, that we pay on a monthly basis.

Charlie: An operator and a manager. She wants to be both. She gets a paycheck as a manager but she's not a state operator and I'm told that it's not too hard to get the qualifications.

Glen: In the meantime, I have told them that whatever they might need we would be willing to help and we want you to be successful. I personally had a private meeting with Susan not that long ago that she requested, and specifically asked me "what do you guys want from us?" and I asked her what she meant. I told her we don't want anything from you except to get consistent reporting and information and whatever we need to do to help ensure the water board is successful getting these grants so we can move forward. And I would like you to put together an email and send that to Reflection Lake Community Association, to our emails explaining what you need to be successful and move forward getting these grants and making this thing happen. Do you know what I got? Nothing.

Charlie: They had an engineering study done and they won't even share it with us. Vonnie, Jeff and I went to their annual meeting in the fall and I asked them at that time if RLCA need to be involved? And I got a flat no. They wouldn't even talk about easements. Jeanie brought up that you'd need one like what Inland gets, an easement from the lake and from the lease lot owners. They wouldn't talk about it.

Jeff: What has been done since then from an engineering standpoint? Do we know?

Charlie: Other than the fact the main line needs to be replaced. It's got leaks. The only reason they check the meters is for leaks.

Jeff: Do we know the cost or the extend of the improvements that need to be made?

Charlie: When we were at their meeting, you were there, we were told that the improvements would cost \$200-300,000 to get up to speed, which included the roads.

Glen: That would include the road repairs, so with the upgrade to the water system that portion of the plat gets all new roads.

Charlie: That's a county grant, Spokane County.

Jeff: Have we applied for the grant?

Charlie: They got refused because they won't bring RLCA in. That's why we're starting this now in January.

Jeff: How do we know that grant money is still available?

Glen: New grants could be available for this year.

Jim: When this folds up under the water board, which it should because they're running into walls and it's going to cost us later; the worst-case scenario is it comes under us and it causes a little more work. This system is 53 people or 58 people that are online right now. We'll get the bank account; Watson will still be doing billing. You'll end up with \$3600/yr in that bank account because there will be no more free water, and you're going to end up with Susan's paycheck \$3600/yr. We can get with the Water System Operator and see what has to be done and then we can contract for those things, paying for it with the water systems funds. When that runs out, we'll have to see if we go for a grant or a low interest loan. We're the signature authority for that. They've never been able to do that because they don't own anything, but we can. You can apply for a low interest loan for five years or whatever, having them pay it off and you get that section of the system done right then and there.

Dan: When we fictitiously get those papers, do we know what we're looking for? Are there any guarantees we'll get the documentation? Will we send them a letter immediately?

Jim: I'll do the financial side. I've been to school to learn how to audit funds. As far as the planning, that's the water committee working with the Board.

Dan: Are we going to get any historical documents or are they going to burn them?

Jim: I did ask Burdega. If the water board refuses to vacate, he said to send them an immediate, graduated response threatening them with potential legal action, personal responsibility and you could be sued or jailed for all of these things. Tell them to turn over what they must turn over. If misappropriation has occurred, that's a case when I get the checkbooks and I get the bank accounts and statements. We need three people to go on the bank account. That would be me and two others from the Board so that we do dual signing for all checks. He said to go ahead and take their books, take two water users and sit up there in the office and go through an audit. I do know how to audit. If there's misappropriation more than \$2000 then prosecute and call a cop. Turn over the evidence to a prosecutor and go for it. If the turn over deadline is not met, send a letter to the president and vice president of that water association saying you haven't met this and we're taking legal action and you have until the end of business day to finish it up. Sabotage: The minute you take it over we need to get down and look at the system, take pictures and put a new lock on it immediately. That way you won't have a sabotage problem and if it's a broken lock you know someone's done that.

There has been a considerable amount of time spent to find out what it'll take to manage our water system. There are several companies that will manage the system but would want to own the system. We contacted some people that are available to be a new operator. Best not to use Dave Tice because he wants to retire. There are Level IV operators available. We would be a Level I. It is quite possible that everyone on the system are being way overcharged.

On these letters, please take a look at them. One is a letter to entire Association and that's meant to be a positive letter. The second one is a termination letter to all the water board members and that spelled out exactly what we're expecting from them. No beating around the bush. We're taking control of the situation and you're out of here. Please take a minute and read through it and make any changes that need to be discussed so we can vote on this before we leave tonight. What I don't want to do is be harsh with people who have tried to do the job. With this water board we've had really good ones and really bad ones. We're hoping this RLCA Board is caliber enough to do a better job in oversight and bring it back to where's it's supposed to be and that's under the Board.

Chad: Are we going to allow any of their executive board to be a part of this or are they out? I don't know this person. I've met her a couple of times but sounds like she just doesn't need to be involved in this.

Glen: They're going to be out.

Chad: It doesn't matter if you live on the west side or east side, we're all down for doing what's right for the people of the east side.

Charlie: It's going to come up in our regular meetings.

Chad: Because there's a lot of, you know the people on the west side, saying they're trying to take our water, blah, blah, blah. There seems to be a division.

Glen: We're trying to rectify that. The big deal here is we're one association and it's the Association's responsibility to make sure this private water system, not water association or board, is properly maintained and taken care of.

I want everybody to be aware that once we were completely denied and ignored, Charlie and I took a considerable amount of time, we both put a lot of time into what is it going to take to actually manage this water system. We went so far as to go talk to other water system managers, like Stevens System PUD. We told them this is where we're at and we need someone to manage this system, but they wanted the deed to our water system. They are a "for profit" business and they would want to own the system.

Charlie: The State has provided satellite systems, satellite managers and satellite operators. We asked what our alternatives would be and contacted some people who were in Washington State who were ready, willing and able to help.

Glen: We have now become well acquainted with a new operator. Dave Tice wants to retire who is the current operator for us. Our prospective operator knows Dave. He knows what is going on and he's the other person who would be involved with the audit, making sure we've got all the correct paperwork. He's a level IV operator with the State, which is as high as you can get.

Charlie: We are about a level I and he assures me that we're nothing compared to a lot of the other water districts in Washington State.

Glen: One of the things that we found out in this exploration of ours is that it's quite possible as the end users of the water that you guys are being way overcharged.

Charlie: The town of Eltopia pays \$15/mo. The town of Addy, they pay a flat rate of \$50/mo for up to 30,000 gal. I'm the top user on ours because I have 5 acres and I irrigate a lot and I'm at 15,000 gal., and I had a leak at that.

Gary: Beyond the committee that we're looking to put together as part of the Association, we would still need a certified operator outside the community?

Charlie: New systems have been required to have an operator and a manager since 1995, but they let us grandfather so that we can do it all ourselves if our operator is licensed and a manager. Susan at this time wants to be both of those but has been unable to obtain those licenses. Even if she did, they couldn't move forward with any of the ideas or construction that needs to be done. They can't even put a generator in.

Glen: What happens here is everyone will keep paying their water bills to Watson Management as normal, the receipts go out and we hire a new operator. We already have one. We hire a different one and we manage the thing. The water's not going to quit flowing. The operator will take care of all the State paperwork for us, the testing, all of those things. We need to find someone to read the meters. We have to sit down and see what you're being charged for your water, and why aren't the meters being read and you guys being charged for x amount of cubic feet for water over a designated amount.

Jeff: Ok so what upgrades need to be put in place and what's the cost to bring on those other 8 properties?

Glen: There is currently enough water to supply for household only with those 8 lots, so at that there will have to be watering restrictions, i.e. lawn, washing your cars and it'll be odd/even days. We have no backup water storage so there needs to be a 50,000 gal storage tank put in. There also needs to be new 8" feed lines brought in and all new lines going into each property where the lines weren't upgraded. Century West Engineering did the study. The operator knows the engineer and Dave Tice.

Glen: We're in the range of \$150,000 for the water system and the same for the roads. They have to be done simultaneously because the water lines run underneath the roads.

Jim: There is a grant available but if we don't get the grant, we have the authority to borrow and assess, depending on what section of work we're doing at any given time, without losing the system to a contractor.

Glen: What it boils down to is this can only be ignored for a little while longer. We're going to have a vote on this tonight whether we move forward or not. You can say no, I don't want this. I don't want the responsibility and that's fine. The water board will fall on their face and Chad can't take a shower on Monday morning before work because water isn't running.

Charlie: And the new property owners start suing RLCA because we were negligent and didn't get this problem resolved.

Jim: First they'll sue the water association and the water association would say they couldn't handle the suit and it would come to us anyway.

Vonnie: When there's new construction is there a hookup fee?

Glen: \$5000 for new meters.

Jim: As we make up this new committee they'll make those decisions on what it's going to be, \$5500 or whatever, and what the monthly rates will be.

Gary: This letter is very important. The letter that goes out to the community is extremely important.

Charlie: To make sure that people see what's happening we're joining the boards. It'll be easier to delegate with one Board.

Chad: I've been wondering why there has been two boards all along.

Jim: When it first started out it was people who needed water so they got together and started this water system. Wilson had the bucks so he got it started. And then the rest of them, through their talents, developed the system.

Chad: Did they have to get the ok to get that system?

Jim: No at the time there were two associations. In 1975 they started it. Originally the development was easy because there were only 8 houses on the east side. The problem was the empty lots wouldn't pay their dues, so they had no money to operate. The reason why both sides came together, and I swear this was the answer, the east side couldn't afford their bills and the west side had money. They went together and everybody was happy because there were good people on both sides and they got along with each other. After that, with the new houses being built and new people getting involved, that's when they started having problems. It never came under the Association because it was like a child that they kept pushing to the back. I will blame the Association for that because they should have brought the water system in a long time ago.

Jim: We own everything in writing. We have the deeds to everything on the east side, west side, lakebed, everything, plus deeds for 90 water rights. That means the county can't come in and take them. In our bylaws 2.4.8 it says, "to acquire, provide or pay for water, garbage disposal, refuse, collection, telephone, gas or other necessary services for the common areas; and to manage all domestic irrigation and amenity water rights and rights to receive water held by the Association whether such rights are evident by license, permit, stock ownership or otherwise. That's it, lock stock and barrel. That means the whole 189 property owners on the lake have to go by what this says. Everyone in the Association must go by 2.4.8.

Richard: You see, Chad, at one time there were two boards.

Jim: They started together in 1979, 1984 is when they finalized everything with the last bylaws and covenants revision. There was no action to bring the water board under the association board because half of the board members were on the water system and each of the boards. We've always had 2-5 people from the east side and on the west side there were always 2-7 members on the board. There was never any pressure impedance to bring anything on because things were running alright. When the scandals did happen, they were fixed by people that cared and no one on the water system had to make up the money.

Glen: One of the scandals of the water board was embezzlement of \$30,000. So again, no oversight, no one knows what's going on, no regular audits. The people that have suffered for it are the people living on the east side and they have not been getting service the way they should have been. This stuff should have been taken care of a long time ago. These problems have existed for as long as I've been here.

Jim: Each of the four officers of the water board will get a separate letter with their name on it.

Gary: And I know after being part of that first meeting, we had trying to bring it together. I thought they meant what they were saying at that time but they didn't. They never followed through.

Glen: We have Jeff and Gary here from the Board who went to their meetings and I'm sure if you have any questions, they'd be happy to share those with you.

Jeff: We were pretty much ignored and then they started changing dates for the meetings without notifying us. They'd set a time for the meeting and then there wouldn't be one. They started having clandestine meetings. You can't do that.

Vonnie: Is the Association going to be informed and are they going to vote on this or is this going to be up to the Board?

Jim: This is a Board matter, period, because the Board has a responsibility to take the Associations possessions and operate them correctly. You can't have someone running something that belongs to the Board and puts us in jeopardy.

Vonnie: I'm just concerned, and maybe not justified, that people are going to feel like we're going behind their back.

Jim: What we're going to do to stop that is this letter to everybody going to go out a day prior to or the same day you send out the letters to Susan Weeks and to their board members. That way the Association has time to look at it. At our first annual meeting in March, if there's a big hurrah over it, they'll all show up and it's up to us to explain our position.

Charlie: I hear what you're saying Vonnie. I want people to realize what's happening is a blending of the boards where the water association will be operating as a committee under the RLCA.

Glen: I think we ought to go one step further and say Reflection Lake Water Association does not exist. It is the Reflection Lake Water Board. It will be now functioning as a committee as expressed in the bylaws. We need to have that verbiage crystal clear in that letter. They have been operating outside of the Board illegally for many, many years and we are going to bring it back to where it is supposed to be. We need to make it very clear to the whole Association that we're going to attempt to do these repairs to the best of our ability by getting grants. There won't be money out of pocket from people that are not water users. Should there need to be an assessment it will be the users of that water system that will be assessed. There are going to be enough people on the west side that'll go "here we go". The Zoesch's are going to be #1, and the Lees and the whole nine yards. We need to

make it crystal clear in that letter that it says the users of that water system will be the ones that have to be assessed.

Glen: There's this illusion from the people on the west side that they're somehow going to get snookered into paying for this. It is totally an illusion so we need to come up with making it crystal clear that this is how this is going to go down.

Chad: What you're saying is nothing is going to change for the end users.

Jeff: I've got a comment, just looking at the other side of this. We're going to tell them we're going to be combining the two boards under one board and running it with a committee. Why do we have to fire all of them? Why don't we just incorporate that board under us and they if they want they could leave.

Charlie: Terry Zoesch sent an email and he has a whole other idea on how that system should operate, completely separate, but it's illegal. They cannot operate separately.

Chad: Why is this coming up now?

Gary: Isn't it coming to a head now because of the improvements needing to take place and they couldn't get the grant.

Glen: The water board has had every chance. We have offered over and over again, beginning in March of 2019. I even had this clandestine meeting called by Susan back at the end of the year. It came down to the point where I asked her to provide this information and again she refused to do it. In any other world we'd be firing them on the spot. We've taken our time. We've done our due diligence. We've all been on the Board for 3-4 years and we've taken care of a ton of problems around here and this is the biggest problem that faces the Association is this water system. The State's going to tell us what to do. This could get to be a very big deal in a very big hurry and we're all sitting here on the Board going oh-oh.

Vonnie: And I reiterate if the IRS comes down on us....It's huge.

Glen: I think we just need to send out the termination letter.

Charlie: That board will just fold.

Jim: Let me play the devil's advocate here from what Jeff just said. Sending an emissary to Weeks, Kimball and to Powers and said we want to bring you up under the Board and we're going to make some changes in the operation. Maybe that's worth a go before we send out everything, but I just can't imagine... When I took over a Board position and I think it was Kimball's position that I took, they were rabid about "doing it my way or the highway". I believe if we send an emissary, they would say they want to work with us. Let's go ahead and you go sign for the \$100,000 or \$300,000. I think the minute they got their hands on the money that'd be it for them working with us. The Board has a responsibility for taking possession and running it properly. The checks to the contractors need to be written by the Board.

Jeff: I'm just playing the devil's advocate, they're going to go to Terry Zoesch, Rob Lee, Bullish and it'll be World War III.

Glen: That's why this letter is critical that the letter goes out the exact same day that these notices out but we've got to make sure that we're comfortable with the verbiage in the letter and it says what we want it to say. I think there has to be something in there that addresses those people that you just named.

Jim: I saved you guys \$7,000 back into your account so that the water system can run properly.

Dan: So do we want to put anything at the end of this that if there is any interest in these subjects, please come to the March Board meeting?

Glen: That's not what this letter is about.

Richard: I think you're on the right track. I think you should put on the very bottom of this letter that if you have an interest in the water system, please volunteer to be on that committee.

Glen: The letter does say east side members will be the backbone of this water system committee and the rules committee and we are looking for volunteers to start immediately. Will you help?

Glen: When we get a chance to look at this thing there could potentially be a rate cut almost immediately, then we'll set a threshold of 15,000/gal/mo or 10,000/gal/mo if what you get for your basic fee and then whatever over that, you'll be charged. They're sitting on \$35,000, give or take, cash and they're not doing anything to the system. There's not even a backup generator.

Charlie: I asked them because they have the money for it and they said because of the infrastructure we can't even legally step on the property.

Glen: I already know that we could do a propane backup system for about \$7,000. The other thing about these PUDs is they're only allowed to hold so much money in reserve for emergencies and anything over that has to go back to the rate payers as a credit or you have to have your rates reduced to balance it out.

Charlie: They do have to have a slush fund. I did ask the water operator about the \$35,000 and he said that's probably right in the ballpark.

Glen: They've been sitting on that money for a long time and not doing anything with it and there's all these needed repairs.

We could have the generator on the water system installed immediately.

Charlie: Dave Tice, the state operator, says with the worst case scenario is that the State would guarantee a \$1,000,000 loan with a very low interest rate for like 40 years, with a 50% payback, and it could be lower than that because it is a low income neighborhood. The maximum assessment would be \$500.00, onetime fee.

Dan: So all these lots that have been sold are on Sheets Road and Harley has paid the hookup fees?

Jeff: If he paid the hookups is that another \$40,000 in their account?

Jim: When we set up this committee, there will need to be a reserve account set up. Remember, we'll have to have two checkbooks, one for the water system and then ours.

Gary: I think Dan brought up a good point too is the documents. Who's going to ensure that these documents don't just go bye-bye. One of the keys to that is that maintenance/operator manual that Dave put together. That's huge. It outlines everything that has to be done. Maybe Dave has a copy.

Vonnie: I think we should try to get our hands on all that stuff, engineering, everything and not even try to get it from the water board.

Letters go out January 31st.

MOTION: Jim read the motion to abolish the Reflection Lake Water Board. Unanimous consent of 9 members and the motion passes.

GOOD OF THE ORDER:

Jim motioned to adjourn and seconded by Jeff.

Prepared by Vonnie Hutchison, Secretary

Glen Mumm, President

Vonnie Hutchison, Secretary