

To: Board of Trustees, Hat Island Community Association

On behalf of the Governance Committee, I present a revised set of By-Laws for review by the Board of Trustees. If, after review, the Board agrees with our recommended revisions, we request that they present them to the Community for review (and at some point, approval).

These revisions were begun in conjunction with the revised Articles of Incorporation which were approved in late 2007. There are a significant number of changes that are simply to align the name of the Community as an "Association" rather than a "Corporation".

There are also changes to help make the intent of the By-Laws clearer or define situations that have been questioned and had no clear answer. In addition, there are changes to update requirements that have been enacted through state laws.

I don't believe any of the changes proposed will cause a difference in what has become the normal course of activity on the island. That is, the ability of each of us to enjoy our property, and, observe first hand that our governing agents are insuring that end.

My thanks to my fellow committee members, Eleanor Bruegeman, Alan Dashen, Becky Snellenberg, Scott Wilson and Mike Worthy as wells as our Board Representative, Ginger Harmon, and our Employee representative, Chuck Motson for all the hours and work put into getting this done.

Thank you for your consideration,  
Merrill Balanag, Committee Chair

**AMENDED AND RESTATED  
BY-LAWS  
OF  
HAT ISLAND COMMUNITY ASSOCIATION**

**ARTICLE I**

**PURPOSES**

SECTION 1. This Association shall be conducted as a non profit Home Owners Association for the purpose set forth in the Articles of Incorporation for a portion of the area situated in Snohomish County, Washington, known as Gedney (Hat) Island.

SECTION 2. The Association shall have the power to levy and collect assessments against its members for the purposes set forth in its Articles of Incorporation and By-Laws, and to sell or forfeit the member's interest in the Association for default with respect to any lawful provisions of said Articles of Incorporation and By-Laws and upon forfeiture of any such property as by law and in the By-Laws provided, may transfer the membership of such defaulting member.

SECTION 3. The purpose for which this Association was created may be altered, modified, enlarged or diminished by the vote of two-thirds of the members represented in person or by proxy ballot at a meeting duly called for such purpose, notice of which meeting shall be given in the manner provided by the By-Laws of giving notice for the election of Trustees.

SECTION 4. Where these By Laws conflict with the Revised Code of Washington the revised Code prevails.

**ARTICLE II**

**MEMBERSHIP**

SECTION 1. Definition of Membership. The membership of the Association shall consist of and be limited to the owners of those lots on Gedney (Hat) Island originally included at the origin of HIC or which have been accepted into Hat Island Community Association by action of the Board of Trustees. The term "owner" shall include contract purchasers in possession of lots, but shall exclude contract sellers or other parties having an interest in a lot merely as a security for the performance of an obligation. For purposes of these By-Laws, a husband and wife and any other persons or entities jointly owning a lot or lots shall be considered collectively as being one owner. Proof of ownership shall be as recorded in the office of the Auditor of Snohomish County, Washington.

SECTION 2. Transferability of Membership. Membership shall be inseparably appurtenant to lots and shall be a mandatory part of lot ownership. No membership may be voluntarily withdrawn, abandoned or discontinued except upon transfer or sale of the real property to which the membership is appurtenant. The transferee of a membership shall assume all rights, privileges and liabilities of the transferor with respect to said membership, including the obligation to pay any delinquent assessments, fees or fines which may be owed at the time of transfer. All membership rights and privileges of the transferor shall terminate on the date of transfer. In the event of the death of a member, the membership, including all rights, privileges and liabilities of the deceased member, shall transfer to the personal representative, heirs or successors of the deceased member. No membership may be transferred, assigned or conveyed except as herein provided.

SECTION 3. Membership Voting Rights. If a person or entity such as a partnership, association or corporation owns more than one (1) lot, or owns a controlling interest in multiple entities collectively owning more than one (1) lot, the memberships for each of said lots shall be automatically merged into a single membership for purposes of determining voting rights. There shall be one (1) membership per owner, and one (1) vote per membership, regardless of the number of lots owned by any person or entity. The interest of each member shall be equal to that of any other member, and no member can acquire any interest which shall entitle it to any greater voice, vote or authority in the Association than any other member.

If ownership of any lot or lots is shared by more than one person or entity, the owners shall from among themselves designate a single person who will be the nominal member and the person entitled to vote.

SECTION 4. Membership Privileges. The privileges of membership, including the right of access to, and use of, the Association's property and facilities, shall be extended to the lot owner/owners and their legal dependents. However if ownership of a lot is shared by more than one family, or is held in the name of an entity such as a partnership, trusts, association or corporation, the owners shall, from among themselves, designate an individual owner who will be entitled to the privileges of membership for those lots and said designation shall be filed in writing with the Association. This designation shall be subject to change not more frequently than once every twelve months. Such notice of intent to change must be received by the Hat Island Business office no later January 31st of the year for which the change is requested. At the time a change is requested, payment of an "owner designation fee" in an amount to be established by the Board of Trustees may be required.

SECTION 5. User Privileges. Upon payment of an annual user fee equal to the amount of the annual membership assessment per lot, an additional owner which shares ownership in a lot may acquire the privilege to use Hat Island's property and facilities. Not more than two (2) additional owners per lot will be entitled to purchase such user privileges.

In cases where a lot is owned, and a membership is held, by a corporation, this Section 5 shall not apply and additional user privileges may not be purchased, except in cases where the corporation has entered into a special contract with Hat Island Community Association which

has been duly approved by the Board of Trustees. If such a contract allows user privileges, the annual fee for each such privilege shall be equal to the amount of the annual membership assessment per lot.

SECTION 6. Guest Privileges. The privileges and facilities of the Association may be extended to guests of members under such Rules and Regulations as the Board of Trustees may prescribe.

SECTION 7. Suspension of Privileges. Voting rights shall be suspended for any member whose assessments for any lots owned by said members are delinquent. Privileges to use the facilities of the Association shall be suspended for any owner, guests, or renters whose assessments, utilities or fines for any lots owned or used by him are delinquent as defined in Article VIII Section 4.

The President of the Association may suspend privileges to use the facilities of the Association for owner, guests, or renters as a penalty for violation of the Articles of Incorporation or By-Laws of this Association, or the Rules and Regulations established by the Board of Trustees.

SECTION 8. A home owned by a member of the Community may be rented in accordance with the Rules and Regulations established by the Board of Trustees. The renter must abide by all Community regulations and must pay user fees.

### **ARTICLE III**

#### **PROPERTY AND DISPOSITION**

It is provided that in order to mortgage, sell, lease, or dispose of HIC Association real property, except to sell real properties received as satisfaction of unpaid assessments, a notice of the proposition to be voted upon shall be mailed to all members of this Association thirty (30) days prior to the date of the regular or special meeting called and a majority of the members proxy ballots shall be necessary for such authorization.

### **ARTICLE IV**

#### **TRUSTEES AND OFFICERS**

SECTION 1. Corporate powers of the Association shall be vested in a Board of Trustees. The number of trustees who shall manage the affairs of the corporation shall be not less than five or more than seven.

SECTION 2. Trustees shall be elected to serve for three years, or until their successors are elected and duly qualified. Said terms shall be staggered. (See Article IV Section 7)

SECTION 3. Each trustee shall be a member who shall not have lost his/her right to vote by reason of having disposed of land to which his membership is appurtenant, or have become in arrears in assessments.

SECTION 4. In the event a trustee ceases to be the owner of the land to which his/her membership is appurtenant, or of a contract for the purchase thereof, he/she shall thereby cease to be a trustee and his/her office shall become vacant upon written notification without action other than to enter such fact upon the minutes of the Board of Trustees. Trustees are expected to attend in person or electronically 75% of Board meetings and 75% of membership meetings. A Board member is considered present if he/she can participate in the discussion of the subject for which the meeting is called. In the event a trustee is unable to function in the aforesaid manner, the trustee will be subject to removal from the office by the majority vote of the remaining trustees and the vacancy may then be filled as set forth in Section 7 of this article.

SECTION 5. At the first meeting of the Board of Trustees after each annual meeting of the members, the Board of Trustees shall elect a president, vice president, secretary and treasurer, who shall be trustees. The Board may also at any time appoint an executive secretary and/or assistant secretary and/or assistant treasurer. Officers of the corporation so elected shall hold office for the term of one year and until their successors are qualified. The president will have served at least one year on the Board of Trustees prior to his/her election to the post. Any officer may be suspended or removed by a majority vote of all the trustees. Trustees may not serve in any one consecutive period, more than six (6) years from the date of first election at an annual meeting of the membership.

SECTION 6. No trustee or officer, except the executive secretary and/or assistant secretary and/or the assistant treasurer shall receive any salary or compensation from the Association.

SECTION 7. Any vacancy occurring in the Board of Trustees, in accordance with Article IV, section 1, may be filled by appointment by a majority of the remaining trustees. The person so appointed shall hold office until the next annual meeting of the members of the Association when vacancies for the remainder of the original terms, if any, shall be filled by election by the members in the regular manner.

SECTION 8. There shall be Standing Committees established to function as recommending bodies to serve and inform the Board of Trustees as from time to time the president may charter.

## **ARTICLE V**

### **MEETINGS**

SECTION 1. Annual meetings of the members of the Association shall be held at the principal place of business of the corporation or at such other place as the Board of Trustees may elect. The annual meetings shall be held in September or at such time as the Board of Trustees elect. Notice thereof shall be given by the secretary by mailing notices to each member not less than fourteen days prior to the date of the meeting.

SECTION 2. Special meetings of the members may be called at any time by the President or a majority of the Board of Trustees or by members representing 10 percent of members in good

standing Notice of Special meeting stating the object thereof shall be given by the secretary by mailing such notice to each member not less than fourteen (14) nor more than 60 days prior to the date of which such meeting is to be held.

SECTION 3. At all annual and special meetings of the members at which the business to be transacted involves election of officers or amendment of governing documents, 15% of all the members of the Association, in person or by valid ballot, shall constitute a quorum for the transaction of business. The Board of Trustees or President may convene monthly meetings of the members of the Association.

SECTION 4. Meetings of the Board of Trustees shall be called at any time by the secretary on order of the president or of a majority of the Board of Trustees. The secretary shall give each trustee notice, personally, verbally, by telephone, or electronically of all regular and special meetings at least three days previous thereto. Any member of the Board of Trustees not able to attend should be allowed to include his/her opinion and vote on that meeting by written proxy or verbally to the president or secretary and confirmed within ten (10) days by letter.

SECTION 5. A member may exercise his/her right to vote by proxy executed in writing by the member.

SECTION 6. Robert's Rules of Order, revised currently may govern all procedures of the Board of Trustees and of general community meetings, when not in conflict with these By-Laws.

## ARTICLE VI

### **POWER AND DUTIES OF TRUSTEES**

SECTION 1. Subject to limitations in the Articles of Incorporation and the By-Laws and Laws of the State of Washington, all powers of the Association and the business and affairs of the Association shall be controlled by the Board of Trustees, without prejudice to such general powers, and subject to the same limitations, it is hereby expressly declared that the trustees powers shall include but not be limited to providing and maintaining roads, recreational facilities, transportation, and water, in a fiscally responsible manner, preserve the island's safety, security and environmental character, enhance owner's quality of life, and preserve and protect the real and intangible values of the island owner's personal and community properties.

SECTION 2. To select and remove all the other officers, agents and employees of the Association, prescribe such powers and duties for them as may not be inconsistent with law, with the Articles of Incorporation or the By-Laws, fix their compensation and require from them security for faithful service.

SECTION 3. To conduct, manage and control the affairs and business of the Association and to make such rules and regulations therefore not inconsistent with law, with the Articles of Incorporation or the By-Laws, as they may deem in the best interest of the public good.

SECTION 4. To charge and/or assess the several parcels of land and the owners thereof. The Board of Trustees has the power to establish enforcement procedures for these By-Laws and the rules and regulations of Hat Island Community Association. To cause the annual operating budget of the Association to be executed as ratified by the membership and to approve such amendments to the budget as do not exceed \$25,000 by item.

SECTION 5. To cause to be kept a complete record of all minutes and acts and to present a full statement to the regular annual meeting of members showing in detail the condition of the affairs of the corporation.

SECTION 6. The Board of Trustees has the power to establish payment terms for assessments, fees and fines.

## **ARTICLE VII**

### **DUTIES OF OFFICERS**

SECTION 1. President. The president shall preside at all meetings of the trustees and members; he/she shall sign as President all contracts or other instruments in writing authorized by the Board of Trustees; he/she shall call special meetings of the trustees or the members whenever he/she deems it necessary; he/she shall have and exercise under the direction of the Board of Trustees the general supervision of the affairs of the corporation. The President shall be responsible for enforcing the Articles of Incorporation and By-Laws and any rules and regulations established by the Board of Trustees and levying such penalties as he/she deems necessary as provided for in Article II, Section 7 of these By-Laws. The President shall appoint the Chairs of the Standing Committees and instruct them in their duties.

SECTION 2. Vice President. The Vice President shall preside at all meetings in the absence of the President, and in case of the absence or disability of the President shall perform all other duties of the President which are incidental to his/her office.

SECTION 3. Secretary. The secretary shall cause to be issued all notices and shall attend and cause to be kept the minutes of all meetings; he/she shall have charge of all corporate books, records and papers; he/she shall be custodian of the corporate seal, shall attest signature and impress with the corporate seal all written contracts of the Association and shall perform all other duties as are incidental to his/her office.

SECTION 4. Treasurer. The Treasurer shall keep safely all monies and securities of the Association and disburse the same under the direction of the Board of Trustees. He/she shall cause to be deposited all funds of the Association in a bank selected by the trustees; he/she shall issue and present a full statement showing in detail the condition of the affairs of the Association monthly and an unless waived, an annual audit per RCW 64.38.045 or its successor.

SECTION 5. The executive and/or assistant secretary and/or assistant treasurer, if appointed by the Board of Trustees shall perform such duties as may be designated to them.

SECTION 6. Any two or more offices may be held by the same person concurrently if the Board of Trustees so directs except the President.

**ARTICLE VIII**  
**ASSESSMENTS, CHARGES AND PAYMENTS**

SECTION 1. The Board of Trustees shall annually determine the proposed amount of the operating assessment against each and every lot for the subsequent year. Such proposed assessment will be presented to the community for approval during the annual meeting of the Association as provided in Article V, Section 3. Assessments will be established and levied upon all properties following the affirmative vote of a simple majority (50% plus 1) of all members in good standing. Assessments shall be collected and expended pursuant to the the Articles of Incorporation, these By-Laws, and the annual Association budget as ratified by the membership. Members shall be liable for the payment of any and all assessments applicable to their respective lots as described in section 3 of this article.

User fees, as provided in Article II, Section 5 of these By-Laws, are distinct from assessments and are applicable only in cases of lots with multiple owners or users. Applicability of user fees will be determined by the Board of Trustees.

Special assessments may be levied upon the affirmative vote of a simple majority of members in good standing voting in person or by proxy at a meeting of members of the Association. Special assessments do not need to be uniform, and may apply only to those lots specially benefited; provided, that in such cases the special assessments must be authorized by a vote of a majority of the members in good standing who own lots which will be subject to the special assessments.

SECTION 2. From time to time as and when any such assessments are levied, in a manner determined by the Board of Trustees, each member with respect to his/her lot or lots shall pay the amount. The assessments, together with such interest thereon and costs of collection thereof (including reasonable attorneys' fees) shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with such interest and cost of collection thereof (including reasonable attorneys' fees), shall also be the personal obligation of the member who is the owner or contract purchaser of the lot at the time when the assessment fell due. Any such lien or assessment runs with the lot. The Association may file or record a lien or take any other action deemed appropriate to effectuate collection of unpaid assessment. The bringing an action at law against the one personally obligated to pay the same and/or foreclose the lien against the property, interest, costs and reasonable attorney's fees of any such action shall be included in any judgment or decree entered in such suit.

SECTION 3. If any assessment, is not paid after it was first due and payable, the assessment shall bear interest from the date on which it was originally due, at a rate to be determined by the

Board of Trustees, not to exceed the maximum allowed by law. No lawsuit for the collection of delinquent assessments, fines or fees may be commenced except upon the expiration of 60 days from and after the date of mailing said notice of assessment as described above. No action to foreclose a lien may be commenced until the delinquency is one (1) year old.

No owner or contract purchaser shall be relieved of liability for the assessments provided for herein by non-use of the areas maintained by the Association or abandonment of the Member's lot.

The lien of the assessments provided for herein is subordinate to the lien of any first mortgage or deed of trust. Sale or transfer of any lot will not affect the assessment lien. However, the sale or transfer of any pursuant to mortgage foreclosure or any proceedings in lieu thereof, will extinguish the lien of such assessments as to payments which become due prior to such sale or transfer. No sale or transfer will relieve such lot from liability for any assessment thereafter becoming due or from the lien thereof, and all delinquent amounts must be made current at the time of sale or transfer.

SECTION 4. Annual Operating Assessments are due and payable by March 31<sup>st</sup> of each year or may be paid, without additional interest penalty in four equal payments on or before March 31<sup>st</sup>, June 31<sup>st</sup>, September 31<sup>st</sup> and December 31<sup>st</sup>. In any event an assessment will be in arrears and subject to interest payments if a minimum of one quarter of the total amount is not paid by the end of each calendar quarter. Failure to make payment within the prescribed time will cause interest to be charged at the highest rate allowed by law, and or collection action instituted in the manner prescribed in Sections 2 and 3 of this article.

Unless specified differently in the ballot measure, special assessments are due and payable by March 31<sup>st</sup> of each year or may be paid, without additional interest penalty in four equal payments on or before March 31<sup>st</sup>, June 31<sup>st</sup>, September 31<sup>st</sup> and December 31<sup>st</sup>. In any event an assessment will be in arrears and subject to interest payments if a minimum of one quarter of the total amount is not paid by the end of each calendar quarter. Failure to make payment within the prescribed time will cause interest to be charged at the highest rate allowed by law, and or collection action instituted in the manner prescribed in Sections 2 and 3 of this article.

Charges for services or materials rendered to members shall be paid within 15 days of the billing date, or by the last day of the month in which billed, whichever is later. Failure to make payment within the prescribed time will cause interest to be charged at the highest rate allowed by law, and or collection action instituted in the manner prescribed in Sections 2 and 3 of this article.

## **ARTICLE IX** **AMENDMENTS**

These By-Laws may be amended at any time by a vote of two-thirds of the members in good standing voting at any meeting of the members of the Association in accordance with Article V Section 3.

**ARTICLE X**  
**LIMITATION OF LIABILITY OF ASSOCIATION BOARD MEMBERS, TRUSTEES,**  
**OFFICES, AND DESIGNATED AGENTS**

**SECTION 1.** Liability for Utility Failure etc. Except to the extent covered by insurance obtained by the Board neither the corporation nor the Board nor any managing agent exercising the powers of the Board, shall be liable for: Any failure of any utility or other service to be obtained and paid for by the Board; or any injury or damage to person or property caused by the elements, or resulting from electricity, water, rain, dust or sand which may lead or flow from outside or from any parts of the buildings, or from any of its pipe, drains, conduits, appliances or equipment, from any other place; or for inconvenience or discomfort resulting from any action taken to comply with any law, ordinance or orders of a governmental authority. No diminution or abatement of common expense assessments shall be claimed or allowed for any such utility or service failure, or for such injury or damage, or for such inconvenience or discomfort.

**SECTION 2.** No Personal Liability. So long as Board member, Association committee member, or Association officer, or the Association managing agent exercising the powers of the Board, has acted in good faith, without willful or intentional misconduct, upon the basis of such information as may be possessed by such person, then no such person 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 such person; provided that this Section shall not apply where the consequences of such act, omission, error or negligence are covered by insurance obtained by the Board.

**SECTION 3.** Indemnification of Board Members. The Association shall indemnify any director or officer or former director or officer or other person in the manner and to the extent provided in the Revised Code of Washington, as now existing or hereafter amended.

Further, the Association shall indemnify or agree to indemnify a director made party to a proceeding or obligate itself to advance or reimburse expenses incurred in a proceeding without regard to the limitations of the Revised Code of Washington, provided that no such indemnity shall indemnify any director from or on account of:

- A) Acts or omissions of the director finally adjudged to be intentional misconduct or a knowing violation of the law;
- B) Conduct of the director finally adjudged to be in violation of the Revised Code of Washington; or
- C) Any transaction with respect to which it was finally adjudged that such director personally received a benefit in money, property or services to which the director was not legally entitled.

**ARTICLE XI**

**CORPORATE SEAL**

The seal of the corporation shall be in a circular form and shall contain the words "HAT ISLAND ASSOCIATION ASSOCIATION" and the words "Corporate Seal Washington 1967" in the form and style as affixed in these By-Laws by the impression of said corporate seal.

**ARTICLE XII**

**DATE OF ADOPTION**

These By-Laws are duly adopted by the Corporation seal thereof affixed on the X day of X 2009.

**ATTEST:**

**/s/ VIRGINIA HARMON**

President

**/s/ BECKI SNELLENBERG**

Secretary

**SUBSCRIBED AND SWORN TO** before me, this X day of X, 2009.

**/s/ MELODY SMITH**

NOTARY PUBLIC in and for the State  
of Washington, residing in Seattle.