

BYLAWS
OF
NORTH CREEK HEIGHTS HOMEOWNERS ASSOCIATION

ARTICLE 1

OBJECT AND DEFINITIONS

1.1 Purpose. The purpose for which this Association is formed is to govern the North Creek Heights development (the "Community") which is established by the Declaration of Covenants, Conditions and Restrictions for North Creek Heights, as it may be amended from time to time ("Declaration"). The Declaration has been recorded in the official records of King County, Washington, under Recording No. 8909200999.

1.2 Assent. All present or future Owners, tenants, future tenants, or any other person using the facilities of the Community in any manner are subject to the regulations set forth in these Bylaws and in the Declaration. The mere acquisition or rental of any of the Lots in the Community or the mere act of occupancy of any of said Lots shall constitute ratification of these Bylaws.

1.3 Definitions. Unless otherwise specified, all terms shall have the same meaning in these Bylaws as such terms have in the Declaration. The terms "Owners" and "Members" as used herein shall be synonymous. The term "Lot" or "Lots" as referred to in these Bylaws shall include the actual real property and all improvements thereon.

ARTICLE 2

VOTING AND MEETINGS OF MEMBERS

2.1 Matters Governed by Declaration. As provided in the Articles of Incorporation for the Association, the affairs of the Association shall in general be managed by its Board of Directors unless a vote of the Association's Members is required by these Bylaws, the Articles of Incorporation, the Declaration or law. The Declaration requires a vote of the Members with regard to the following matters:

2.1.1 Election of the Board (Article III, Section 3);

2.1.2 Dues increases in excess of twenty percent (20%) over the previous year (Article IV, Section 3);

2.1.3 Special assessments (Article IV, Section 4);

2.1.4 Conveyance of common areas (Article IX, Section 3); and

2.1.5 Amendment of the Declaration (Article X).

2.2 Voting. An affirmative vote of Owners holding a majority of the total votes present for each Class of membership, either in person or by proxy, shall be required to transact business at any meeting of the Members, other than the election or removal of Directors, unless a greater proportion is required by law, by these Bylaws, or by the Articles of Incorporation or Declaration.

2.3 Annual Meetings. The first annual meeting of the Members shall be held the third Tuesday of March, 1991, and each subsequent regular annual meeting of the Members shall be held the third Tuesday of March of each year at a time and place established by the Board of Directors.

2.4 Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board of Directors, or upon written request of the Members who are entitled to vote twenty-five percent (25%) of the total membership votes entitled to be cast.

2.5 Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by personal delivery or mailing a copy of such notice, postage prepaid, to each Member entitled to vote thereat, not less than ten (10) days nor more than fifty (50) days in advance of the meeting. Notice shall be addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

2.6 Additional Administrative Provisions.

2.6.1 Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Owners holding at least fifty-one percent (51%) of the total votes for both Class A and Class B memberships shall constitute a quorum. A quorum must exist in order to transact business.

2.6.2 Proxies. Votes may be cast in person or by proxy. Proxies shall be in writing and the signatures must be witnessed or acknowledged. Proxies must be filed with the Secretary before the appointed time of each meeting. No proxy

shall be valid for a period longer than eleven (11) months after the date thereof, unless otherwise provided in the proxy.

2.6.3 Voting by Mail. The Board may decide that voting of the Members shall be by mail with respect to any particular election of the Board or with respect to adoption of any proposed amendment to the Declaration or Bylaws, or with respect to any other matter for which approval by Owners is required by the Declaration or Bylaws, in accordance with the following procedure:

(a) In case of election of Board members by mail, the existing Board members shall advise the Secretary in writing of the names of proposed Board members, for each Class of Members, sufficient to constitute a full Board and of a date at least fifty (50) days after such advice is given by which all votes are to be received. Within five (5) days after such advice is given, the Secretary shall give written notice of the number of Board members to be elected and of the names of the nominees to all Owners. The notice shall state that any such Owner may nominate an additional candidate or candidates, not to exceed the number of Board members to be elected for the respective Class, by notice in writing to the Secretary at the specified address of the principal office of the Association, to be received on or before a specified date fifteen (15) days from the date the notice is given by the Secretary. Within five (5) days after such specified date, the Secretary shall give written notice to all Owners, stating the number of Board members to be elected, stating the names of all persons nominated by the Board and by the Members on or before said specified date, stating that each Owner may cast a vote by mail and stating the date established by the Board and by which such votes must be received by the Secretary at the address of the principal office of the Association, which shall be specified in the notice. Votes received after that date will not be effective. All persons elected as Board members pursuant to such an election by mail shall take office effective on the date specified in the notice for the receipt of such votes.

(b) In the case of a vote by mail relating to any other matter, the Secretary shall give written notice to all Owners, which notice shall include a proposed written resolution setting forth a description of the proposed action, and shall state that such persons are entitled to vote by mail for or against such proposal and stating a date not less than twenty (20) days after the date such notice shall have been given on or before which all votes must be received and stating that they must be sent to the

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specified address of the principal office of the Association. Votes received after that date shall not be effective. Such proposal shall be adopted if approved by the affirmative vote of not less than a majority of the votes of each Class entitled to be cast on such question, unless a greater or lesser voting requirement is established by law or by the Articles of Incorporation, the Declaration or Bylaws for the matter in question.

(c) Delivery of a vote in writing to the principal office of the Association shall be equivalent to receipt of a vote by mail at such address for the purpose of this Section 2.6.3.

2.6.4 Adjourned Meeting. If any meeting of the Owners cannot be organized because a quorum has not attended, the Owners who are present either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called.

2.6.5 Order of Business. The order of business at all meetings of the Owners shall be as follows:

- A. Roll call.
- B. Proof of notice of meeting or waiver of notice.
- C. Reading of minutes of preceding meeting.
- D. Reports of officers.
- E. Reports of committees.
- F. Election of Board members (annual meeting only).
- G. Unfinished business.
- H. New business.

ARTICLE 3

MANAGEMENT OF COMMUNITY

3.1 In General. The affairs of the Association shall be governed by a Board which shall be composed of seven (7) Directors, all of whom must be Owners or authorized representatives of entities which are Owners. There shall be three (3) Class A Directors and four (4) Class B Directors, each elected by Members of their respective Class. Reference to

Board members in these Bylaws refers to both Class A Directors and Class B Directors in general, unless specified otherwise.

3.2 Additional Provisions Regarding Board.

3.2.1 Election and Term of Office. The members of the initial Board shall serve until the first annual meeting of Members at which the Board is elected. Thereafter, the full Board shall be elected annually at the annual meeting of Members or by mail. Those candidates who receive the highest number of votes from the Members of the same class as the directorship position, shall be elected as Directors of the Association, until all director positions are filled, and shall serve until the next annual meeting of Members and until his or her successor is elected and qualified.

3.2.2 Vacancies. Vacancies on the Board caused by any reason other than the removal of a Board member by a vote of the Members shall be filled by vote of either the majority of the remaining Board members of the same Class, even though they may constitute less than a quorum, or of the Owners of the same Class as the vacant directorship, and each person so elected shall be a Board member until a successor is elected at the next annual meeting of the Members.

3.2.3 Removal of Board Members. At any annual meeting or at any special meeting called for that purpose, any one or more of the Board members may be removed with or without cause, by a vote of two-thirds (2/3) of all of the Owners of the same Class as such Board member, and a successor may then and there be elected to fill the vacancy thus created. Any Board member whose removal has been so proposed by the Owners shall be given an opportunity to be heard at the meeting.

3.2.4 Annual Meeting. An organizational meeting of a newly elected Board shall be held immediately following the annual meeting of Members and no notice to the newly elected Board members shall be necessary in order legally to constitute such meeting, provided a majority of each Class of Director shall be present.

3.2.5 Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined, from time to time, by a majority of the Board members, but at least two (2) such meetings shall be held during each fiscal year in addition to the annual meeting held immediately following the annual meeting of Owners. Notice of regular meetings of the Board shall be given to each Board member, personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting.

3.2.6 Special Meetings. Special meetings of the Board may be called by the President on three (3) days notice to each Board member, given personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of meeting. Special meetings of the Board shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) Board members.

3.2.7 Waiver of Notice. Before, at or after any meeting of the Board, any Board member may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Board member at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Board members of each Class are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

3.2.8 Quorum. At all meetings of the Board, a majority of each Class of Board members shall constitute a quorum for the transaction of business, and the acts of a majority of the Board members present at a meeting at which a quorum is present shall be the acts of the Board. If, at any meeting of the Board, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

3.2.9 Fidelity Bonds. The Board may require that officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

ARTICLE 4

OFFICERS

4.1 Designation. The officers of the Association shall be a President, a Secretary and a Treasurer, and such Vice Presidents, if any, as the Board deems necessary, all of whom shall be elected by the Board, annually.

4.2 Election of Officers. The officers of the Association shall be elected annually by the Board at the organization meeting of each new Board and shall hold office at the pleasure of the Board. Any person may hold concurrently any two offices, except that the same person may not concurrently hold the offices of President and Secretary. The office of Vice President need

not be filled. The Board may elect officers from among its members, or otherwise.

4.3 Removal of Officers. Upon an affirmative vote of a majority of the members of the Board, any officer may be removed, with or without cause, and his successor elected at any regular or special meeting of the Board called for such purpose.

4.4 President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and the Board. He shall have all of the general powers and duties which are usually vested in the office of the president of a nonprofit association including, but not limited to, the power to appoint committees from and among the Owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

4.5 Vice President. A Vice President shall have all the powers and authority and perform all of the functions and duties of the President in the absence of the President or his inability for any reason to exercise such powers and functions or perform such duties.

- 4.6 Secretary. The Secretary shall keep the minutes of meetings of the Board and minutes of meetings of the Members; he shall have charge of such books and papers as the Board may direct; and he shall in general perform all the duties incident to the office of Secretary. The Secretary shall compile and keep up to date a complete list of Members and their registered mailing addresses. Such list shall also show opposite each Member's name the number or other appropriate designation of the Lot owned by such Member. Such list shall be open to inspection by Members and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.

4.7 Treasurer. The Treasurer shall have responsibility for Association funds and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board.

ARTICLE 5

INDEMNIFICATION OF OFFICERS AND DIRECTORS

5.1 Indemnification. The Association shall indemnify every Board member or officer, and his or her heirs, executors and administrators as provided in Article XV of the Declaration. Nothing contained in said Article XV shall, however, be deemed to obligate the Association to indemnify any Member or Owner with respect to any duties or obligations assumed or liabilities incurred by him under and by virtue of the Declaration as an Owner of a Lot covered thereby.

ARTICLE 6

OBLIGATIONS OF OWNERS

6.1 In General. Each Owner shall always endeavor to observe and promote the cooperative purposes for accomplishment of which the Community was built, and each Owner shall comply strictly with all provisions of the Declaration. Without limiting the generality of the foregoing, particular reference is made to Articles II, VI, VIII and IX of the Declaration.

6.2 Use of Common Areas and Limited Common Areas. Each Owner shall use the Common Areas, Limited Common Areas, Limited Common Open Space and Private Open Space in accordance with the purpose for which they were intended without hindering or encroaching upon the lawful rights of the other Owners, and in accordance with the rules and regulations of the Association, if any, promulgated by the Board or Association pursuant to Article XII of the Declaration.

6.3 Right of Entry.

6.3.1 An Owner shall permit the Manager or other person authorized by the Board the right of access to the Owner's Lot and appurtenant Limited Common Areas from time to time during reasonable hours as may be necessary for the maintenance, repair or replacement of the Common Areas, or at any time deemed necessary by the Manager or Board for the making of emergency repairs or to prevent damage to any of the Common Areas.

6.3.2 An Owner shall permit the Manager or other persons authorized by the Board, or other Owners, or their representatives, when so required, to enter his Lot for the purpose of performing installations, alterations or repairs to the mechanical or electrical services, or to the Lot and Limited Common Areas of such other Owners; provided that requests for

entry are made in advance and that such entry is at a time convenient to the Owner. In case of an emergency, such right of entry shall be immediate.

6.4 Power of Attorney. Each Owner shall, upon becoming an Owner of a Lot, execute a power of attorney in favor of the Association, irrevocably appointing the Association his attorney-in-fact to maintain, repair and improve the Common Areas, Limited Common Areas, Limited Common Open Space and Private Open Space and to deal with the Owner's Lot upon its destruction or obsolescence and regarding insurance proceeds as is provided in the Declaration. The purpose of such execution shall be more fully to evidence such appointment, but failure to execute such power of attorney shall in no way derogate from the appointment provided in the Declaration.

ARTICLE 7

AMENDMENTS

7.1 Amendments. These Bylaws may be amended or rescinded and new Bylaws may be adopted by concurrence of those voting Owners holding fifty-one percent (51%) of the voting power of each Class at a regular or special meeting. Notice of the time, place and purpose of such meeting shall be delivered to each Owner at least ten (10) days prior to such meeting.

ARTICLE 8

MORTGAGES

8.1 Notice to Association. An Owner who mortgages his Lot shall notify the Association through the Manager, if any, or the President of the Board, giving the name and address of his Mortgagee; provided, an Owner's failure to so notify the Association shall not invalidate or adversely affect an otherwise valid Mortgage. The Association shall maintain such information in a book or list entitled "Mortgagees of Lots."

8.2 Notice of Unpaid Assessments. The Association shall at the request of a Mortgagee of a Lot report any unpaid assessments due from the Owner of such Lot.

ARTICLE 9

EVIDENCE OF OWNERSHIP, REGISTRATION OF MAILING ADDRESS AND REQUIRED PROXIES

9.1 Proof of Ownership. Any person on becoming an Owner of a Lot shall furnish to the Manager or Board a photocopy of the recorded instrument vesting that person with an interest or ownership, which instrument shall remain in the files of the Association. A Member shall not be deemed to be in good standing nor shall he be entitled to vote at any annual or special meeting of Members unless this requirement is first met; provided, that a failure to meet this requirement shall not invalidate an otherwise valid transfer of a Lot.

9.2 Registration of Mailing Address. The Owners of each Lot shall have one and the same registered mailing address to be used by the Association for mailing of monthly statements, notices, demands and all other communications; and such registered address shall be the only mailing address to be used by the Association for a person or persons, firm, corporation, partnership, association or other legal entity or any combination thereof having any ownership interest in such Lot. Such registered address of a Lot Owner or Owners shall be furnished by such Owners to the Secretary within five (5) days after transfer of title; such registration shall be in written form and signed by all of the Owners of the Lot or by such persons as are authorized by law to represent the interests of the Owners thereof. If no such address is registered or if all of the Owners cannot agree, then the address of the Lot shall be the registered address until another registered address is furnished as permitted under this section. Registered addresses may be changed from time to time by similar designation.

9.3 Completed Requirement. The requirements contained in this Article shall be first met before an Owner of a Lot shall be deemed in good standing and entitled to vote at any annual or special meeting of Members.

ARTICLE 10

CONFLICT WITH DECLARATION OR LAW

These Bylaws are intended to comply with and supplement the requirements of the Washington Nonprofit Corporation Act and the Declaration. If any of these Bylaws conflict with the provisions of said Act or Declaration, the provisions of the Act and Declaration will apply.

ARTICLE 11

NONPROFIT ASSOCIATION

This Association is not organized for profit. No member, member of the Board, or person from whom the Association may receive any property or funds shall receive or shall be lawfully entitled to receive any pecuniary profit from the operations thereof, and in no event shall any part of the funds or assets of the Association be paid as salary or compensation to, or distributed to, or inure to the benefit of any members of the Board. The foregoing, however, shall neither prevent nor restrict the following: (1) reasonable compensation may be paid to any Member or Manager while acting as an agent or employee of the Association for services rendered in effecting one or more of the purposes of the Association, and (2) any Member or Board member may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association.

ARTICLE 12

FISCAL YEAR

The Fiscal Year of the Association shall begin on January 1st and end on December 31st.

CERTIFICATE OF ADOPTION

The undersigned, being the Acting Secretary of the North Creek Heights Homeowners Association, hereby certifies that the foregoing is a true and correct copy of the Bylaws adopted by resolution of the Board of Directors of the Association on _____, 1990.

_____, Acting Secretary