

BYLAWS
OF
MILL CREEK HIGHLANDS HOMEOWNERS ASSOCIATION

ARTICLE I

NAME AND LOCATION

The name of the corporation is Mill Creek Highlands Homeowners Association, hereinafter referred to as the "Association". The initial registered office of the Association shall be located at 14410 Bel-Red Road, Suite 200, Bellevue, Washington 98007, but meetings may be held at such places within the State of Washington, Counties of King or Snohomish as may be designated by the Board.

ARTICLE II

DEFINITIONS

The terms used in these Bylaws shall have the same meaning as in the Declaration of Covenants, Conditions and Restrictions for Mill Creek Highlands (hereinafter "Declaration") as they may be amended from time to time, unless specifically indicated to the contrary.

ARTICLE III

MEMBERSHIP

Section 1: Membership. Every person or entity who is an Owner of any Lot as defined in the Declaration shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot. All Members shall have rights and duties as specified in the Declaration, Articles of Incorporation and Bylaws of the Association. Ownership of a Lot shall be the sole qualification for membership. During the Development Period there will be two classes of membership. Class A members shall consist of all lot owners other than the Developer. Class B members shall be the Developer. Upon termination of the Development Period as provided in the Declarations there will be only one class of members. Class A members will be entitled to one vote for each lot owned on all matters and Class B members will be entitled to 3 votes for each lot owned.

Section 2: Suspension of Membership. During any period in which a Member shall be in default in the payment of any assessment levied by the Association or the Developer, the voting rights of such Member may be suspended by the Board of Directors until such assessment has been paid. Such rights of a Member may also be suspended, after notice and hearing, for a period not to exceed sixty (60) days, for violation of any rules and regulations established by the Board of Directors.

ARTICLE IV

PROPERTY RIGHTS: RIGHTS OF ENJOYMENT

Each Member shall be entitled to the use and enjoyment of the Common Area and facilities as provided in the Declaration. Any Member may delegate his right of use and enjoyment of the Common Area to the members of his family, his tenants and friends, subject to rules and regulations adopted by the Association.

ARTICLE V

BOARD OF DIRECTORS: SELECTION: TERM OF OFFICE

Section 1: Number. The affairs of this Association shall be managed by a Board of three (3) directors, who need not be Members of the Association.

Section 2: Development Period. During the Development Period the Board of Directors shall be appointed by the Developer as provided in the Declaration. The term of office shall terminate when the Development Period terminates and thereafter the selection and removal of the directors will be as herein provided.

Section 3: Term of Office. At the first meeting or termination of the Development Period the Members shall elect one (1) director for a term of one (1) year, one (1) director for a term of two (2) years and one (1) director for a term of three (3) years; and at each annual meeting thereafter the Members shall elect one (1) director for a term of three (3) years.

Section 4: Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining Members of the Board and shall serve for the unexpired term of his predecessor.

Section 5: Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 6: Action Taken Without a Meeting: The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE VI

MEETINGS OF BOARD OF DIRECTORS

Section 1: Regular Meetings. Regular meetings of the Board of Directors shall be held annually without notice, at such place and hour as may be fixed from time to time by resolution of the Board.

Should such meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2: Special Meetings. Special meetings of the Board of Directors shall be held when called by the president of the Association, or by any two (2) directors after no less than three (3) days' notice to each director. Attendance of a director at any special meeting shall constitute a waiver of notice of such meeting except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened. Attendance of a meeting may be in person or by telephone communication.

Section 3: Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII

NOMINATION AND ELECTION OF DIRECTORS

Section 1: Nomination. Nomination for election to the Board of Directors shall be made by a nominating committee appointed by the Board of Directors. The selection of the nominating committee and the rules under which it will function to be determined from time to time by the Board of Directors. The nominating committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies to be filled. Nominations may also be made from the floor at any annual meeting of the members or special meeting called for the purpose of election of directors. The final Board of Directors shall be elected from persons nominated from the floor without the benefit of a nominating committee.

Section 2: Election. Election to the Board of Directors shall be by secret written ballot. At such election Class A Members or their proxies may cast, in respect to each vacancy, one (1) vote and Class B members three (3) votes. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted. Such election may, in the discretion of the Board of Directors, be conducted by mail.

ARTICLE VIII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1: Powers. The Board of Directors shall have the power to:

(a) Adopt and publish rules and regulations governing the Members and their guests, and to establish penalties for the infraction thereof;

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

(c) Declare the office of a Member of the Board of Directors to be vacant in the event such Member shall be absent from three (3) consecutive regular meetings of the Board of Directors;

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

(e) Take any and all actions necessary to comply with and enforce the provisions and requirements of the Declaration, the Articles of Incorporation and these Bylaws, and all powers and rights as provided in the Declaration.

Section 2: Duties. It shall be the duty of the Board of Directors to:

(a) Cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members;

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

(c) To fix, levy and collect assessments as provided in the Declaration;

(d) Cause the Common Area and right of ways to be maintained;

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

(f) Cause the utility charges for the Common Area to be paid as appropriate;

(g) To obtain insurance as it may deem appropriate;

(h) Cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(i) Cause the landscaping to be maintained as provided in the Declaration;

(j) Cause the taxes on the Common Area to be paid; and

(k) Perform any and all duties necessary to comply with the provisions and requirements of the Declaration, the Articles of Incorporation and these Bylaws.

ARTICLE IX

COMMITTEES

The Board of Directors shall appoint a nominating committee, as provided in these Bylaws, and such other committees as are deemed appropriate in carrying out its purposes.

ARTICLE X

MEETINGS OF MEMBERS

Section 1: Annual Meetings. The first meeting of the Members shall be held at said time as the Developer shall elect after termination of the Development Period and each subsequent regular annual meeting of the Members shall be held on the day of the month of each year thereafter as fixed by the Directors, at the hour of 7:00 o'clock p.m., unless the time of such meeting shall be changed by resolution of the Board of Directors. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 2: 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 one-third (1/3) of the total votes of the entire membership.

Section 3: Notice of Meetings. Unless otherwise specifically provided in the Declaration, or in the Articles or Bylaws, 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 mailing a copy of such notice, postage prepaid, not less than ten (10) days, nor more than fifty (50) days (in the case of increase of assessments under Article IV Section 3 of the Declaration and Special Assessments under Article IV Section 4, not less than thirty (30) days nor more than sixty (60) days) before such meeting to each Member entitled to vote thereat, 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. Presence at any such meeting shall constitute a waiver of the requirement for notice.

Section 4: Quorum. Unless otherwise specifically provided in the Declaration, the presence at a meeting of Members or proxies entitled to vote or cast sixty (60%) percent of the votes of each Class of the membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called, subject to the notice requirements set forth above and the required quorum at such subsequent meeting shall be one-half (1/2) of the required quorum of the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

A majority of the votes entitled to be cast by Members present or represented by proxy at a meeting at which a quorum is present shall be necessary for the adoption of any matter voted upon by Members (2/3 of the votes of each Class of members voting required for assesment matters falling under Declarations Article IV Section 3 and Section 4) unless a greater proportion is required by the Declaration, the Articles of Incorporation or these Bylaws.

Section 5: Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot.

Section 6: Action Taken Without Meeting. Any action required to be taken at a meeting of the Members or any action which may be taken at a meeting of the Members may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the Members entitled to vote with respect to the subject matter thereof.

ARTICLE XI

OFFICERS AND THEIR DUTIES

Section 1: Enumeration of Offices. The officers of this Association shall be a president, vice-president, secretary and a treasurer and such other officers as the Board may from time to time by resolution create.

Section 2: Election of Officers. The officers of this Association shall be elected annually by the Board.

Section 3: Term. Each officer shall hold office for one (1) year and until his successor is elected and takes office unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4: Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5: Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of 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.

Section 6: Vacancies. A vacancy in any office may be filled in the manner prescribed for special appointments. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7: Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one (1) of any of the other offices except in the case of special offices created pursuant to Section Four of this Article.

Section 8: Duties. The duties of the officers are as follows:

PRESIDENT

(a) The president shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.

VICE-PRESIDENT

(b) The vice-president shall act in the place and stead of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

SECRETARY

(c) The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate, current records showing the Members of the Association, together with their addresses, and shall perform such other duties as required by the Board.

TREASURER

(d) The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association along with the president; keep the proper books of account; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the Members.

ARTICLE XIII

CERTIFICATES OF MEMBERSHIP

Section 1: Certificate. Membership in the Association shall be evidenced by the issuance of a certificate in such form as shall be determined by the Association. The Association shall keep a register, indicating in whose name such certificates are held.

Section 2: Transfer of Membership; Records. A membership in the Association shall not be transferred, pledged or alienated in any way, except by the sale of a Lot which entitles the Owner to membership,

and then only to such purchaser, or by intestate succession, testamentary disposition, foreclosure of mortgage of record or other legal process. Upon the transfer of any membership in accordance herewith, the certificate evidencing membership shall be returned to the Association and a new certificate issued in the name of the new Member. The Association shall then delete the name of the old Member and his certificate from the books and indicate thereon the new Member who is taking his place. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Association. In the event the Owner of any Lot should fail or refuse to transfer the membership registered in his name to the purchaser of such Lot, the Association shall have the right to report the transfer upon the books of the Association and issue a new certificate to the purchaser and thereupon the old membership outstanding in the name of the seller shall be null and void as though the same had been surrendered in accordance with the provisions hereinabove specified.

ARTICLE XIV

BOOKS AND RECORDS

The Association shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its Members, Board of Directors and committees having any of the authority of the Board of Directors. The Association shall keep at its registered office or principal office in this state a record of the names and addresses of its Members entitled to vote. All books and records of the Association may be inspected by any Member, his agent, his attorney, or his mortgagee, for any proper purpose at any reasonable time.

ARTICLE XV

CORPORATE SEAL

The Association shall have no seal.

ARTICLE XVI

AMENDMENTS AND CONFLICTS

Section 1: Meeting and Majority Required. These Bylaws may be amended at a regular or special meeting of the Members, by a vote of seventy-five percent (75%) of the total votes of the entire membership; provided, however, no material amendment to the Bylaws shall be made unless at least thirty (30) days' written notice of said proposed material amendment is given by the Association to institutional holders of first mortgage liens or equivalent liens who have requested notice thereof in writing.

Section 2: Conflicts. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

ARTICLE XVII

WAIVER OF NOTICE

Whenever any notice is required to be given to any Member or Director of the Association under the provisions of these Bylaws, a waiver thereof, in writing, signed by the persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

ARTICLE XVIII

GENDER

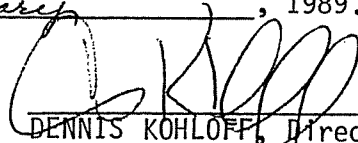
This Declaration is to be read with all changes of number and gender required by the context.

ARTICLE XIX

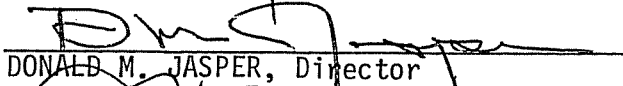
FISCAL YEAR

The Association shall operate on a fiscal year commencing on January 1 of each year and ending on December 31 of each year.

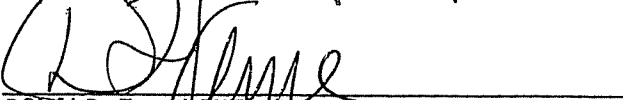
IN WITNESS WHEREOF, we, being all of the directors of Mill Creek Highlands Homeowners Association, have hereunto set our hands this 9th day of January, 1989.



DENNIS KOHLOFF, Director



DONALD M. JASPER, Director



DONALD F. KLAWE, Director

