

BY-LAWS
OF
MATIKO HOMEOWNER'S ASSOCIATION

ARTICLE 1

APPLICABILITY, DEFINITIONS, LOCATION

SECTION 1. Applicability. These By-Laws are adopted for the administration of the Association and Common Areas described in the Covenants, Conditions and Restrictions recorded 25 NOVEMBER, 1991, Snohomish County Recording No. 9111250297.

SECTION 2. Definitions. The terms used in these By-Laws shall have the same meaning as in the Declaration, unless otherwise indicated. The term "Member" shall mean a Lot owner in the Recorded Plat as defined in Article I., Section 2 of the Declaration of Covenants, Conditions, and Restrictions for the Matiko Homeowner's Association.

SECTION 3. Location. The initial office of the Association shall be located at 550 Kirkland Way, Suite 100, Kirkland, Wa 98033.

ARTICLE II

BOARD OF DIRECTORS

SECTION 1. Number and Term. The affairs of the Association shall be managed by a Board of Directors. The number of Directors which shall constitute the whole Board shall be three (3). Until succeeded by the Directors elected by the Members, Directors need not be Members. At least one third (1/3) of the terms of the of the Members of the Board of Directors shall expire annually. In any event, however, each Director shall hold office until such time as his successor has been elected. Provided, however, the Developer, Richard C. and Pamela K. Breckenridge, or assigns, shall have the right to select all the Directors (and such Directors need not Members) until the earliest of the following events happens:

- (a) A date five (5) years from the date the first sale of a lot closes;
- (b) The date Developer has sold and closed ninety-five percent (95%) of the ownership interests;
- (c) Developer elects to permanently relinquish their authority under this provision by written notice to all Members.

Upon the happening of any one of the three foregoing events, the existing Directors shall resign, to be succeeded by the Directors elected by the Members.

SECTION 2. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association. Such powers and duties of the Board of Directors shall include, but shall not be limited to, the following:

(a) Operation, care, upkeep and maintenance of the common areas, entrance markers and appurtenances thereto, if any, including landscaping of the area surrounding the entrance markers, if any;

(b) Determination of the common area expenses required for the affairs of the Association, including, without limitation, the operation and maintenance of the common areas;

(c) Collection of assessments from the lot owners;

(d) Employment and dismissal of the personnel necessary or advisable for the maintenance and operation of the Common Area and the storm water detention and run-off system, (the "Storm Water System") until such time as the City of Mukilteo accepts responsibility for the Storm Water System. The Directors shall have the authority to enter into a contract for professional management of the Common Area. If they enter into such contract, the maximum term shall not exceed one (1) year, or payment of a termination fee on Thirty (30) days written notice;

(e) Adoption and amendment of rules and regulations covering the details of the operation and use of the Common Area, including adoption of reasonable fines and penalties for violating the rules and regulations, subject to a right of the lot owners to overrule the Board.

(f) Opening of bank accounts on behalf of the Association and designating the signatories required therefor;

(g) Obtaining of insurance for the Common Area, liability insurance for maintenance/indemnification of the Storm Water System as required by that certain "Voluntary Agreement and Declaration of Covenants for Matiko Plat" and liability insurance in accordance with Article XI, Section 2 of the "Declaration of Covenants, Conditions and Restrictions for the Matiko Homeowner's Association".

(h) Making of repairs, additions and improvements to, or alterations of, the common areas;

(i) Grant or relocate easements; provided, however, no new easements shall be created or granted nor existing easements relocated that would change the function or use of the Common Area or affect the rights of any lot owners, without the two-thirds vote of all affected lot owners.

SECTION 3. Removal. Except as provided in Section 1, Directors may be removed for cause by an affirmative vote of a majority of the lot owners. No director other than members of the initial Board of Directors appointed by the Developer shall continue to serve on the Board if, during his term of office, he shall cease to be a lot owner.

SECTION 4. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a member thereof by a vote of the lot owners shall be filled by vote of a majority of the remaining Directors at a special meeting of the Board of Directors held for that purpose promptly after the occurrence of any such vacancy, even though the members present at such meeting may constitute less than a quorum, and each person so elected shall be a member of the Board of Directors for the remainder of the term of the member and until a successor shall be elected at the next annual meeting of the lot owners.

SECTION 5. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the members of the Board of Directors, but at least one (1) such meeting shall be held during each fiscal year. Notice of regular meeting of the Board of Directors shall be given to each member of the Board or Directors at least three days previously thereto by written notice delivered or mailed to each director at his home address, or by telephone. If mailed, such notice shall be deemed delivered when deposited in the United States Mail so addressed, with postage prepaid.

SECTION 6. Special Meetings. Special meetings of the Board of Directors may be called by the President on three day's notice to each member of the Board of Directors, given in the manner provided for regular meetings, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) members of the Board of Directors.

SECTION 7. Waiver of Notice. Any member of the Board of Directors may at any time waive notice of any meeting of the Board of Directors in writing and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member of the Board of Directors at any meeting of the Board shall constitute a waiver of notice by him of the time and place thereof. If all the members of the Board of Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

SECTION 8. 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.

SECTION 9. Quorum of Board of Directors. At all meetings of the Board of Directors, a majority of the members thereof shall constitute a quorum for the transaction of business, and the votes of a majority of the members of the Board of Directors present at a meeting at which a quorum is present shall constitute a decision of the Board of Directors. If, at any meeting of the Board of Directors, there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is not present, any business which might have been transacted at the meeting originally called, may be transacted without further notice.

SECTION 10. Fidelity Bonds. The Board of Directors shall attempt to obtain adequate fidelity bonds for all officers and employees of the Association handling or responsible for Association funds. The premium on such bonds shall constitute a common expense.

SECTION 11. Compensation. No member of the Board of Directors shall receive any compensation from the Association for acting as such.

ARTICLE III

LOT OWNERS

SECTION 1. Annual Meetings. Within three years following conveyance of the first lot, the Developer shall call the first annual meeting of lot owners. Thereafter, annual meetings shall be held on the anniversary of such date each succeeding year. At such meetings a Board of

Directors shall be elected, in accordance with the requirements of Article II of these By-Laws, by Developer or by ballot of the lot owners. The lot owners may also transact such other business of the Association as may properly come before them.

SECTION 2. Place of Meeting. Meetings of the lot owners shall be held at the principal office of the Association, or at such other suitable place convenient to the lot owners as may be designated by the Board of Directors.

SECTION 3. Special Meetings. It shall be the duty of the President to call a special meeting of the lot owners as directed by the Board of Directors or upon petition signed by at least one-third (1/3) in number of the lot owners having been presented to the Secretary.

SECTION 4. Notice of Meetings. It shall be the duty of the Secretary to give notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, to each lot owner of record, not fewer than thirty (30) days nor more than fifty (50) days in advance of such meeting.

SECTION 5. Adjournment of Meetings. If any meeting of lot owners cannot be held because a quorum has not attended, a majority common interest of the lot owners who are present at such meeting, either in person or by proxy, shall adjourn the meeting to a time not less than forty-eight hours from the time the original meeting was called.

SECTION 6. Voting. The owner or owners of each lot (including the Developer if the Developer shall then own one or more lots) or some person designated by such owner or owners to act as proxy on his or their behalf and who need not be a Lot owner, shall be entitled to cast the votes appurtenant to such lot at all meetings of Members according to the Class of voting membership each lot owner possesses. The Association shall have two classes of Voting Membership:

Class A. Class A Members shall be all owners with the exception of the Declarant and shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in a Lot all such persons shall be Members. The vote for such Lot shall be exercised as they determine but in no event shall more than one (1) vote be cast with respect to any Lot.

Class B. The Class B Members shall be the Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B Membership shall cease and be converted to Class A Membership on the happening of either of the following events, whichever occurs earlier:

A. When the total votes outstanding in the Class A Membership equal the total votes outstanding in the Class B Membership;

B. December 31, 1992.

The designation of any such proxy shall be made in writing to the Secretary, and shall be revocable at any time by written notice to the Secretary by the owner or owners so designating.

SECTION 7. Majority of Lot Owners. As used in these By-Laws the term "majority of lot owners" shall mean those lot owners having more than fifty percent (50%) of the total authorized votes of all lot owners present in person or by proxy and voting at any meeting of the lot owners.

SECTION 8. Quorum. Except as otherwise provided in these By-Laws, the presence in person or by proxy of a sixty percent (60%) majority of lot owners shall constitute a quorum at all meetings of the lot owners.

SECTION 9. Majority Vote. The vote of a sixty percent (60%) majority of lot owners present at a meeting at which a quorum shall be present shall be binding upon all lot owners for all purposes except where in the Declaration or these By-Laws a higher percentage vote is provided for.

ARTICLE IV

OFFICERS

SECTION 1. Designation. The principal officers of the Association shall be the President, the Vice-President, the Secretary and the Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an assistant treasurer, an assistant secretary, and such other officers as in its judgement may be necessary. No officer need be a member of the Board of Directors, but members of the Board of Directors may appoint themselves as officers.

SECTION 2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors and shall hold office at the pleasure of the Board of Directors and until their successors are elected.

SECTION 3. Removal of Officers. Upon the affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor may be elected at any regular meeting of the Board of Directors, or any special meeting of the Board of Directors called for such purpose.

SECTION 4. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the lot owners and of the Board of Directors. He shall have all of the general powers and duties which are incident to the office of President of a corporation organized under the Non-Profit Corporation Law of the State of Washington, including but limited to the power to appoint committees from among the lot owners from time to time as he may in his discretion decide are appropriate to assist in the conduct of the affairs of the Association.

SECTION 5. Vice-President. The Vice-President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice-President is able to act, the Board of Directors shall appoint some other member of the Board of Directors to act in the place of the President, on an interim basis. The Vice-President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors or by the President.

SECTION 6. Secretary. The Secretary shall keep the minutes of all meeting of the lot owners and of the Board of Directors; shall have charge of such books and papers as the Board of Directors may direct; and shall in general, perform, all the duties incident to the office of Secretary of a corporation organized under the Non-Profit Corporation Law of the State of Washington.

SECTION 7. Treasurer. The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements and for the preparation of all required financial data. He shall be responsible for the deposit of all moneys and other valuable effects in the name of the Board of Directors in such depositories as may from time to time be designated by the Board of Directors, and he shall, in general, perform all the duties incident of the office of Treasurer of a corporation organized under the Non-Profit Corporation Law of the State of Washington. No payment vouchers shall be paid unless and until approved by the Treasurer.

SECTION 8. Agreements, Contracts, Deeds, Checks, Etc. All agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by such other person or persons as may be designated by the Board of Directors.


SECTION 9. Compensation of Officers. No officer shall receive any compensation from the Association for acting as such.

ARTICLE V

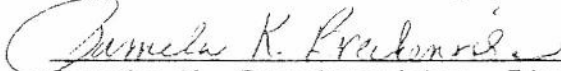
AMENDMENT TO BY-LAWS

These By-Laws may be amended by a sixty percent (60%) majority vote of Members.

APPROVED AND ADOPTED
BOARD OF DIRECTORS



Richard C. Breckenridge, Director



Pamela K. Breckenridge, Director



James Hudson, Director