

**BYLAWS OF
SKAGIT HIGHLANDS HOMEOWNERS ASSOCIATION**

ARTICLE 1. OFFICE

The principal office of the Association may be located wherever the Board of Directors ("Board") designates.

ARTICLE 2. MEMBERSHIP

The Association shall have two classes of membership, Class "A" and Class "B", as explained in the Declaration of Covenants, Conditions, and Restrictions for Skagit Highlands Residential Property, as amended from time to time ("Declaration"). The rights of Members shall be as set forth in the Declaration, as amended.

Every person or entity who is an Owner of any Unit agrees to be a Member of the Association by acceptance of a deed for, or recordation of any other instrument signifying ownership of, such Unit. Membership may not be separated from ownership of any Unit. All Members shall have rights and duties as specified in the Declaration and in the Articles and these Bylaws of the Association.

ARTICLE 3. NOTICES

Section 3.1. Notice. Except as otherwise provided in the Declaration or these Bylaws, all notices, demands, bills, statements, or other communications under the Declaration or these Bylaws shall be in writing and shall be deemed to have been given if delivered personally or if sent by United States mail, first class postage prepaid:

3.1.1. If to a Member, at the address of the Unit of such Member; or

3.1.2. If to the Association, the Board, or a managing agent, at the principal office of the Association or the managing agent or at such other address as shall be designated by notice in writing to the Members pursuant to this Section; or

3.1.3. If to any committee, at the principal office of the Association or at such other address as shall be designated by notice in writing to the Members pursuant to this Section.

Section 3.2. Owner's Alternative Address. An Owner taking title to a Unit has a duty to provide the Association notice of the Owner's name and address within seven (7) days of transfer of title. An Owner may provide the Association notice of an alternative mailing address, that is, one different from the address of the Unit. Such notice is effective only if sent to the Association by certified mail return receipt requested.

ARTICLE 4. MEMBERS' MEETINGS

Section 4.1. Annual Meeting. The annual meeting of the Members shall be held each year for the purpose of electing Directors and transacting such other business as may come before the meeting.

If the election of Directors is not held by December 15, the election shall be held at a special meeting of the Members called as soon thereafter as practicable.

Section 4.2. Special Meetings. The President or the Board may call special meetings of the Members for any purpose. At the written request of not less than ten percent (10%) of the Class "A" Members of the Association entitled to vote, the President shall call a special meeting of the Members, which date shall not be more than 50 days after the Association's receipt of the written request.

Section 4.3. Place of Meeting. All meetings shall be held at the principal office of the Association or at such other place designated by the Board.

Section 4.4. Notice of Meeting. When calling an annual or special meeting of Members, the Board shall cause to be delivered to each Member entitled to vote at the meeting, either personally or by mail not less than 14 nor more than 50 days before the meeting, written notice stating the place, day, and time of the meeting, and the agenda for the meeting. If an amendment to the Bylaws, removal of a director, or change in a budget which will result in a change of an assessment obligation, is proposed, a general description of such action proposed shall be included with the notice. Placing such notice in the United States mail, postage prepaid, and addressed to a Member at his last known postal address constitutes delivery of notice.

Section 4.5. Action by Members without a Meeting. Any action required or permitted to be taken at a Member's meeting may be taken without a meeting if a written consent setting forth the action so taken is approved and signed by sufficient Members entitled to vote. The number of affirmative votes needed to take any action shall be determined by the same rules that apply to a meeting in person, with the total number of written responses determining the existence of a quorum and the number of affirmative votes needed at any meeting in which a quorum is present determining whether the proposed action is approved. Any such consent shall be inserted in the minute book as if it were the minutes of a Members' meeting.

Section 4.6. Quorum. Ten percent (10%) of the Members of the Association entitled to vote, represented in person, by proxy, by consent, or by telephone, shall constitute a quorum at a Members' meeting. If there is less than a quorum at a meeting, a majority of the Owners present or represented by proxy may adjourn the meeting, and fifty percent (50%) of the number of Owners represented in person or by proxy at the adjourned Members' meeting shall constitute a quorum for the purpose of any rescheduled meeting. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

Notwithstanding the foregoing, and pursuant to RCW 64.38.025(3), unless a majority of Members, in person or by proxy, reject a budget proposed by the Board, the budget is approved, whether or not a quorum of Members is present.

ARTICLE 5. VOTING

Section 5.1. Membership; One Vote Per Unit.

5.1.1. Each Unit is entitled to one vote. There shall be only one membership per Unit.

5.1.2. The membership rights of an Owner that is not a natural person may be exercised by any officer, director, partner, or trustee, or by the individual designated from time to time by the Owner in a written recorded provided to the Secretary of the Association.

5.1.3. An Owner may be one or more entities. If multiple Owners of a Unit cannot agree on a vote, their vote will not be counted, even though the Owners may be counted for purposes of constituting a quorum.

Section 5.2. Board Discretion. The manner and method of voting is left to the discretion of the Board. Members' votes may be solicited and tabulated by means other than personal attendance at meetings, such as by mail, proxy, or electronic transmission.

5.2.1. A Member may vote by written consent.

5.2.2. At all Members' meetings a Member may vote by proxy executed in writing by the Member or by his attorney in fact. Such proxy shall be filed with the Secretary of the Association before the counting of votes. Unless otherwise provided in the proxy, a proxy shall be invalid eleven (11) months after the date of its execution.

Section 5.3. Neighborhood Associations. Members subject to a Neighborhood Association may have their voting rights exercised by a voting representative if and to the extent set forth in the governing documents of such Neighborhood Association.

Section 5.4. Voting Groups. Voting Groups may be established by a Supplemental Declaration, as set forth in the Declaration.

Section 5.5. Cumulative Voting. There shall be no cumulative voting.

Section 5.6. Adjournments. Members' meetings may be adjourned to a time and place certain without new notice of the meeting being given.

ARTICLE 6. BOARD OF DIRECTORS

Section 6.1. General Powers; Delegation. The business and affairs of the Association shall be managed by the Board. The Board has such duties and authority as stated in the Declaration, RCW 24.03, RCW 64.38, and common law. The Board may delegate the following day-to-day management duties of the Association to any officer of the Association, or to a managing agent not a Member of the Board or the Association:

6.1.1. Supervision of the accounting records of the Association, and the authority to obtain or provide accounting services;

6.1.2. Collection of general or special assessments;

6.1.3. Performance and supervision of maintenance of the Common Areas of the Association;

6.1.4. Scheduling and providing notice of meetings, and providing any other information to the Members that the officer or managing agent deems advisable in the administration of the Association's business;

6.1.5. Procurement of insurance and legal assistance;

6.1.6. Proposal of late charges, rules and fines for their violation; and notification of the imposition of late charges or fines for violation of rules of the Association, calculation of the amount of any late charge or fine proposed for such violation and referral of the proposed late charge or fine to the Board for action; provided, that any late charge or fine imposed shall only be imposed after action by the Board taken in compliance with RCW 64.38.020(11).

6.1.7. All acts which are described in writing by a resolution adopted by the Board in the manner described in the Declaration, the Articles or these Bylaws, and are assigned to such officer or managing agent by the terms of the resolution so adopted.

Section 6.2. Number, Term of Office, and Qualification. After expiration of the Class "B" Period, the Board shall be composed of not less than three (3) and not more than seven (7) Directors, with positions designated as Position 1 and so forth on to Position 7.

6.2.1. The number of Directors shall be decided by the Board before an election. The Board may not decrease the number of directors if doing so would shorten the term of one director.

6.2.2. The term of office shall be two (2) years, and staggered so that odd-numbered positions (1, 3, 5, and 7) expire in odd-numbered years (e.g., 2009, 2011), and even-numbered positions expire in even-numbered years (e.g., 2008, 2010). Notwithstanding, some Directors elected at the initial annual meeting at the close of the Class "B" Period shall be elected for a term of one-year in order to effectuate the above.

Each Director shall hold office until his successor shall have been elected and qualified unless he resigns or is removed. Directors need not be Members of the Association.

Section 6.3. Regular Board Meetings. A regular Board meeting shall be held without notice immediately after and at the same place as the annual meeting of Members. By resolution, the Board may provide the time and place either within or without the State of Washington for holding additional regular meetings without other notice than such resolution. All meetings held by the Board shall be open to any Member except as otherwise provided by RCW 64.38.035(2).

Section 6.4. Special Board Meetings. Special Board meetings may be called by or at the request of the President or any two (2) Directors. The person or persons authorized to call special meetings may fix any place either within or without the State of Washington as the place for

holding any special Board meeting called by them. All meetings held by the Board shall be open to any Member except as otherwise provided by RCW 64.38.035(2).

Section 6.5. Notice. Written notice of each special Board meeting shall be delivered personally, by facsimile, or mailed to each Director at his business or residential address at least three (3) days before the meeting. If sent by facsimile, it shall be deemed to be delivered when the transmitting party receives an electronic confirmation of receipt by the recipient's facsimile machine. If such notice is mailed, it shall be deemed to be delivered three (3) business days after it is deposited in the United States mail properly addressed, with postage prepaid. The attendance of a Director at a 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 is unlawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need be specified in the notice or waiver of notice of such meeting.

Section 6.6. Quorum. A majority of the Directors shall constitute a quorum for the transaction of business at any Board meeting but, if less than such majority be present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

Section 6.7. Manner of Acting. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board.

Section 6.8. Vacancies. Any vacancy occurring on the Board may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board. A Director appointed by the Board to fill a vacancy shall serve out the unexpired term of his predecessor in office.

Section 6.9. Removal. At a meeting of Members called for that purpose, one or more Members of the Board (including the entire Board) may be removed, with or without cause, by an affirmative vote of two-thirds of the Members entitled to vote on election of Directors, in person or by proxy at a Special Meeting.

Section 6.10. Compensation. No Director shall receive compensation for any service rendered to the Association. A Director may be reimbursed for actual expenses incurred in the performance of duties.

Section 6.11. Presumption of Assent. A Director of the Association present at a Board meeting at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent is entered in the minutes of the meeting or unless he files his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or unless he forwards such dissent by registered mail to the Secretary of the Association immediately after the adjournment of the meeting. A Director who voted in favor of such action may not dissent.

Section 6.12. Action by Directors without a Meeting. Any action required or permitted to be taken at a meeting of the Board may be taken without a meeting if a written consent setting

forth the action to be taken is signed by each of the Directors. Any such written consent shall be inserted in the minute book as if it were the minutes of a Board meeting.

ARTICLE 7. OFFICERS

Section 7.1. Number. The officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer, each of whom shall be elected by the Board. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the board. Any two or more offices may be held by the same person, except the offices of President and Secretary.

Section 7.2. Election and Term of Office. The officers of the Association shall be elected annually by the Board at the Board meeting held after the annual meeting of the Members. If the election of officers is not held at that meeting, the election shall be held soon thereafter. Each officer shall hold office until the next annual meeting and until that Director's successor is elected and qualified unless that Director is removed or a vacancy occurs.

Section 7.3. Removal. Any officer or agent elected or appointed by the Board may be removed by the Board whenever in its judgment the best interests of the Association would be served by that removal.

Section 7.4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board for the unexpired portion of the term.

Section 7.5. President. The President shall be the principal executive officer of the Association and, subject to the Board's authorization and control, shall supervise all of the business and affairs of the Association. When present, the President shall preside over all Members' meetings and over all Board meetings. With the Secretary or other officer of the Association authorized by the Board, the President may prepare, execute, certify, and record amendments to the Association's governing documents, and sign deeds, easements, licenses, bonds, contracts, or other instruments that the Board has authorized to be executed, except when the signing and execution thereof has been expressly delegated by the Board or by these Bylaws to some other officer or agent of the Association or is required by law to be otherwise signed or executed by some other officer or in some other manner. In general, the President shall perform all duties incident to the office of President and such other duties as may be prescribed by the board from time to time.

Section 7.6. Vice President. In the absence of the President or in the event of the President's death, inability, or refusal to act, the Vice President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall perform such other duties as from time to time may be assigned by the President or by the Board.

Section 7.7. Secretary. The Secretary shall: (a) keep the minutes of Members' and Board meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records of the Association; (d) keep a register of the post office address of each Member as furnished to the Secretary by each Member; (e) have general charge of the

Membership books of the Association; and (f) in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to the Secretary by the President or by the Board.

Section 7.8. Treasurer. The Treasurer shall have primary responsibility for oversight of all financial matters for the Association, including preparation of the budget as provided for in the Declaration, preparing and delivering the annual financial report, and insuring that the financial records of the Association have been maintained properly and in accordance with good accounting practices. The Treasurer may delegate all or part of the preparation and notification duties to a finance committee, a management agent, or both.

ARTICLE 8. COMMITTEES

Section 8.1. The Board may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution.

ARTICLE 9. NEIGHBORHOOD COMMITTEES; SERVICES

Section 9.1. Neighborhood Committees. Upon creation of a Neighborhood, and in the absence of a Neighborhood Association, Owners within a Neighborhood may establish a Neighborhood Committee.

9.1.1. Purpose. The purpose of a Neighborhood Committee is to represent the interests of the Owners within the represented Neighborhood by requesting higher levels of service from the Association or by requesting special services from the Association.

9.1.2. Advisory Role. A Neighborhood Committee may offer the Board advice on other issues; such advice is non-binding.

Section 9.2. Establishment. In order to establish a Neighborhood Committee:

9.2.1. Owners within a Neighborhood established by the Declarant must petition the Board for an Organizational Meeting. The petition must identify the Neighborhood, and must be signed by at least ten (10%) of the Neighborhood Owners (one Unit, one vote).

9.2.2. Upon receipt of a completed petition, the Board shall call a Special Meeting of the Owners within the Neighborhood for the purpose of holding an Organizational Meeting and electing a Neighborhood Committee of not less than three and not more than five Owners.

9.2.3. At the Special Meeting, twenty percent (20%) of the Owners within the Neighborhood, present in person or by proxy, shall constitute a quorum. Nominations for Committee members may be taken from the floor. Those nominees receiving a majority of votes of the Owners shall constitute the initial Neighborhood Committee.

9.2.4. The Neighborhood Committee shall meet within thirty (30) days of the Organizational Meeting in order to elect a Chairperson and adopt Bylaws. The Chairperson will preside over Committee meetings and be the primary liaison with the Association's Board. The

Bylaws adopted must include notice, quorum, open meeting, and election provisions that are substantially similar to the Association's Bylaws provisions.

Section 9.3. Request for Services. The Association will consider no request for higher or special services from a Neighborhood Committee unless this Section is followed and unless the request is approved by the affirmative vote, written consent, or combination thereof, of Owners of a majority of Units within the Neighborhood.

ARTICLE 10. CONTRACTS, LOAN, CHECKS AND DEPOSITS

Section 10.1. Contracts. The Board may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances.

Section 10.2. Loans. No loans shall be contracted on behalf of the Association and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board. Such authority may be general or confined to specific instances.

Section 10.3. Loans to officers and Directors. No loans shall be made by the Association to its officers or Directors.

Section 10.4. Checks, drafts, bank accounts. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Association shall be signed by such officer or officers, agent or agents, of the Association and in such manner as is from time to time determined by resolution of the Board. All funds of the Association shall be deposited in bank accounts in the name of the Association, and shall not be commingled with the funds of any other Association or person.

Section 10.5. Deposits. All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in such banks, trust companies or other depositories as the Board may select.

Section 10.6. Association Records.

10.6.1. The Association or its managing agent shall keep financial and other records sufficiently detailed to enable the Association to fully declare to each owner the true statement of its financial status. All financial and other records of the Association, including but not limited to checks, bank records, and invoices, in whatever form they are kept, are the property of the Association. Each Association managing agent shall turn over all original books and records (including electronic records) to the Association immediately upon termination of the management relationship with the Association, or upon such other demand as may be made by the board of directors. An Association managing agent is entitled to keep copies of Association records. All records which the managing agent has turned over to the Association shall be made reasonably available for the examination and copying by the managing agent.

10.6.2. All records of the Association, including the names and addresses of owners and other occupants of the Units, shall be available for examination by all owners, holders of mortgages on the Units, and their respective authorized agents on reasonable advance

notice during normal working hours at the offices of the Association or its managing agent. The Association shall not release the unlisted telephone number of any owner. The Association may impose and collect a reasonable charge for copies and any reasonable costs incurred by the Association in providing access to records.

10.6.3. At least annually, the Association shall prepare, or cause to be prepared, a financial statement of the Association. If the Association's annual assessments are fifty thousand (\$50,000) dollars or more, its financial statements shall be audited at least annually by an independent certified public accountant, but the audit may be waived if sixty-seven percent (67%) of the votes cast by owners, in person or by proxy, at a meeting of the Association at which a quorum is present, vote to waive the audit.

ARTICLE 11. FISCAL YEAR

The fiscal year of the Association shall be the calendar year.

ARTICLE 12. 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 or under the provision of the Articles of Incorporation or under the provisions of RCW 64.38, or under the provisions of the Washington Nonprofit Corporation Act, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE 13. INDEMNIFICATION

To the full extent permitted by the Washington Nonprofit Corporation Act the Association shall indemnify any person who was or is a party or is threatened to be made a party to any civil, criminal, administrative or investigative action, suit or proceeding (whether brought by or in the right of the Association or otherwise) by reason of the fact that he is or was a Director or officer of the Association, or is or was serving at the request of the Association as a Director or officer of another Association, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding; and the Board of Directors may, at any time, approve indemnification of any other person which the Association has the power to indemnify under the Washington Nonprofit Corporation Act. The indemnification provided by this section shall not be deemed exclusive of any other rights to which a person may be entitled as a matter of law or by contract.

ARTICLE 14. AMENDMENTS

Before the expiration of the Class "B" Period, these Bylaws may be amended by the Class "B" Member.

After the expiration of the Class "B" Period, these Bylaws may be amended at a regular or special meeting of the members by a vote of a majority of the members of the Association

present in person or by proxy, provided that prior notice of the text of any proposed amendment to the Bylaws has been distributed to all Members.

I certify that the foregoing Bylaws were unanimously adopted this 15th day of February, 2006 by the Directors.

SKAGIT HIGHLANDS
HOMEOWNERS ASSOCIATION

By

Mable [Signature]
Its President

Attest:

By:

Austin J. [Signature]
Its Secretary