

ARTICLES OF INCORPORATION OF CANDLE RIDGE ASSOCIATION

ARTICLE I

The name of this corporation is Candle Ridge Association.

ARTICLE II

This corporation shall be formed as of the date of filing of these Articles of Incorporation with the Washington State Secretary of State's office by the Declarant. This corporation shall have perpetual existence. At all times the rights, powers, and obligations provided for in these Articles of Incorporation, and the Bylaws of the Association, shall be governed by and interpreted consistently with the Declaration of Covenants, Conditions, Restrictions, and Easements for Candle Ridge, City of Stanwood, dated October 12th 1998 and recorded under Snohomish County Recording No. 9812160693 (as the same may be amended from time to time, referred to herein as the "Declaration"). All capitalized terms not otherwise defined herein shall have the same meaning and definition as provided for in the Declaration.

ARTICLE III

The purpose of purposes for which this corporation is organized are:

(1) To manage, control and maintain that certain residential development located in the City of Stanwood, Snohomish County, Washington, commonly know as Candle Ridge, including, but not limited to: i) maintaining and administering the Common Areas; ii) administering and enforcing the Declaration; and iii) collecting and disbursing the assessments and charges provided for under the Declaration for the purposes set forth in the Declaration. The Association shall have all of the rights, power and authority granted to it under the Governing Documents and, unless provided otherwise in Governing Documents, the Washington Nonprofit Corporation Act, RCW Chapter 24.03 et seq.

(2) To engage in any other lawful business or activity permitted under the Washington Nonprofit Corporation Act RCW 24.03 et seq., as same may be amended from time to time.

ARTICLE IV

The corporation is not for profit. Other than explicitly provided for in the Governing Documents, no part of its net earnings shall inure to the benefit of any Owner or other individual or entity. No capital stock shall ever be issued and no dividends, rebates, or other allowances shall be paid to the Members of this corporation from any income which it may realize or from any other source. The corporation shall not loan money or provide credit to its officers or directors. All funds received by this corporation as contributions, dues, fees or similar payments or as income, shall be exclusively held and disbursed for the purposes described in Article III, above, including reasonable salaries and fees for services rendered to or on behalf of the corporation and reimbursements for expenditures incurred by directors, officers, or Members on behalf of the corporation.

ARTICLE V

The street address of the initial registered office of the corporation is 601 Union Street, Suite 4100, Seattle, Washington 98101-2380 and the name of the initial registered agent at such address is WKG, Inc.

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ARTICLE VI

(1) During the Development Period, the Declarant shall be the sole Member of the corporation. During this time, the Declarant shall operate and manage the corporation solely for the purposes described in the Declaration and other Governing Documents. During the Development Period, no Owner, other than the Declarant, if the Declarant is an Owner, shall either be a Member or be eligible to become a Member, and no such Owner shall have any right to participate in the governance or decision-making of the corporation.

(2) Upon the termination of the Development Period, and in accordance with the Declaration and without need of any further action, the Members of the corporation shall automatically be and become all Owners, and ownership of a Lot shall be the sole criteria for membership in the corporation. Upon termination of the Development Period, the Members shall continue to operate and manage the corporation solely for the purposes described in the Declarations and other Governing Documents.

(3) During the Development Period, the Declarant, or Declarant's designee shall be the sole director of the corporation. Upon the termination of the Development Period, the Declarant shall appoint the initial Board of Directors of the corporation pursuant to the Declaration which shall consist of no fewer than three (3) directors and no more than seven (7) directors. The initial directors shall each serve until the first election is held for the Board of Directors. The number, qualifications, powers, duties, and terms of the directors of this corporation may be altered from time to time in the manner specified in the Declaration and the Bylaws.

(4) During the Development Period, the Declarant shall be the sole Member and sole director of the Association and shall have the sole vote in all Association matters. Upon the termination of the Development Period, each Member shall have one (1) vote on all matters submitted to membership of the Association for each lot owned by him within Candle Ridge, other than the Declarant, who shall have four (4) votes for each lot owned.

(5) Members shall not have cumulative voting rights for directors or otherwise.

ARTICLE VII

The name and address of the incorporator is:

<u>Name</u>	<u>Address</u>
Donald H. Leavitt, Manager Stanwood Investments, L.L.C.	301 – 116 th Avenue Southeast Bellevue, Washington 96004

The name and address of the sole director is:

Donald H. Leavitt	301 – 116 th Avenue Southeast Bellevue, Washington 98004
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ARTICLE VII

(1) The Board of Directors is expressly authorized to alter, amend or repeal the Bylaws of the corporation, or to adopt new Bylaws; provided that such authority may be revoked by a majority vote of the Members entitled to vote or by the unanimous written consent of such Members.

(2) The Board of Directors shall have the authority, at the end of any calendar year, to refund membership fees or Owner Assessments collected in excess of the needs of the corporation to the Members in direct proportion to their contribution of such fees.

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(3) In the event of dissolution or liquidation of the corporation, all of the property, powers and obligations of the Association existing immediately prior to its dissolution shall thereupon automatically vest in a successor unincorporated association as provided in the Declaration, and such vesting shall thereafter be confirmed and evidenced by appropriate conveyances and assignments by the Association pursuant to and in accordance with the Washington State Nonprofit Corporation Act, RCW Chapter 24.03 et seq. to the greatest extent possible, any successor unincorporated association shall be governed by the Articles of Incorporation and Bylaws of the Association as if they had been made to constitute the governing documents of unincorporated association.

ARTICLE IX

(1) No director or officer of the corporation shall be personally liable to the corporation, any of its Members, or third parties, for monetary damages for conduct as directors or officers except that this limitation on liability shall not apply to acts or omissions of the director or officer involving intentional misconduct, a knowing violation of law, by the director, any transaction from which the director or officer will personally receive a benefit in money, property, or services to which the not legally entitled, or any other situation wherein applicable law prohibits the above described limitations on the personal liability of a director or officer.

(2) The corporation shall indemnify each of its directors and officers, and any person who serves at the request of the corporation a fiduciary of any other corporation, partnership, joint venture, trust, other enterprise, or any employee benefit plan or trust of the corporation or any other such entity, against liabilities and expenses incurred by them as a result of actions in their official capacity to the fullest extent permitted by law.

(3) The Limitation on liability and the obligations of the corporation to indemnify its directors and officers under this Article IX shall equally apply to the Declarant for conduct on behalf of or for the benefit of the Association and/or Candle Ridge during the Development Period.

ARTICLE X

The corporation reserves the right to amend, alter, change or repeal any provision contained in these Articles of Incorporation, in the manner now or hereafter prescribed by law, and all rights and powers conferred herein on Members and directors are subject to this reserved power. In the event of a conflict between these Articles of Incorporation and the Declaration, the terms of the Declaration shall control and these Articles shall be deemed amended to agree with the Declaration.

EXECUTED and FILED this 12th day of October, 1998

DECLARANT and INCORPORATOR:

STANWOOD INVESTMENTS, L.L.C.

Original signed by: Donald H. Leavitt
Manager