

STATE of WASHINGTON



SECRETARY of STATE

I, RALPH MUNRO, Secretary of State of the State of Washington and custodian of its seal, hereby issue this

CERTIFICATE OF INCORPORATION

to

ISSAQUAH HIGHLANDS COMMUNITY
ASSOCIATION

a Washington Non Profit corporation. Articles of Incorporation were filed for record in this office on the date indicated below.

UBI Number: 601 786 605

Date: April 24, 1997



Given under my hand and the Seal of the State
of Washington at Olympia, the State Capital


RALPH MUNRO
Ralph Munro, Secretary of State

2-555170-6

6001786605

FILED
STATE OF WASHINGTON

APR 24 1997

ARTICLES OF INCORPORATION

RALPH MUNRO
SECRETARY OF STATE

OF

ISSAQUAH HIGHLANDS COMMUNITY ASSOCIATION

I, the undersigned person, acting as incorporator of a corporation for the purpose of forming a nonprofit corporation under Chapter 24.03 of the Revised Code of Washington (the "Washington Nonprofit Corporation Act"), adopt the following Articles of Incorporation:

Article 1. Name. The name of the corporation shall be Issaquah Highlands Community Association.

Article 2. Definitions. Unless otherwise defined herein, the words used in these Articles of Incorporation shall have the same meaning as set forth in the Declaration of Covenants, Conditions, and Restrictions for Issaquah Highlands Residential Properties ("Declaration"), unless the context shall prohibit.

Article 3. Duration. The Residential Association shall have perpetual duration.

Article 4. Purposes, Powers, and Limitations. The Residential Association does not contemplate pecuniary gain or profit, direct or indirect, to its Members.

(a) The purposes for which it is formed are:

(i) to be and constitute the Residential Association to which reference is made in the Declaration, recorded or to be recorded in the public land records of King County, Washington, to perform all obligations and duties of the Residential Association, and to exercise all rights and powers of the Residential Association, as specified therein, in the By-Laws and as provided by law;

(ii) to be organized and operated to provide for acquisition, construction, management, maintenance, and care of the Residential Association Area of Common Responsibility within the meaning of Section 528 of the Internal Revenue Code of 1986, as amended; and

(iii) to provide an entity for the furtherance of the interests of the Owners in the development.

(b) In furtherance of its purposes, the Residential Association shall have the following powers, which, unless indicated otherwise by the Declaration or By-Laws, may be exercised by the Board of Directors:

(i) all powers conferred upon nonprofit corporations by common law and the statutes of the State of Washington in effect from time to time;

(ii) all powers necessary or desirable to perform the obligations and duties and to exercise the rights and powers set out in these Articles, the By-Laws, or the Declaration, including, without limitation, the following:

(A) to fix, levy, and collect assessments or other charges to be levied;

(B) to manage, control, operate, maintain, repair, and improve property subjected to the Declaration or any other property for which the Residential Association by rule, regulation, declaration, or contract has a right or duty to provide such services;

(C) to enforce covenants, conditions, or restrictions affecting any property to the extent the Residential Association may be authorized to do so under the Declaration or By-Laws;

(D) to engage in activities which will actively foster, promote, and advance the common interests of all Owners of property subject to the Declaration;

(E) to buy or otherwise acquire, sell, or otherwise dispose of, mortgage, or otherwise encumber, exchange, lease, hold, use, operate, and otherwise deal in and with real, personal, and mixed property of all kinds and any right or interest therein for any purpose of the Residential Association;

(F) to borrow money for any purpose;

(G) to enter into, make, perform, or enforce contracts of every kind and description, and to do all other acts necessary, appropriate, or advisable in carrying out any purpose of the Residential Association, with or in association with any other association, corporation, or other entity or agency, public or private;

(H) to act as agent, trustee, or other representative of other corporations, firms, or individuals, and as such to advance the business or ownership interests in such corporations, firms, or individuals;

(I) to adopt, alter, and amend or repeal such By-Laws as may be necessary or desirable for the proper management of the affairs of the Residential Association; provided, however, such By-Laws may not be inconsistent with or contrary to any provisions of the Declaration; and

(J) to provide any and all supplemental services as may be necessary or proper.

(c) The foregoing enumeration of powers shall not limit or restrict in any manner the exercise of other and further rights and powers which may now or hereafter be allowed or permitted by law; and the powers specified in each of the paragraphs of this Article 4 are independent powers, not to be restricted by reference to or inference from the terms of any other paragraph or provisions of this Article 4.

(d) No part of the net earnings of the Residential Association shall inure (other than by acquiring, constructing, or providing management, maintenance, and care of association property and other than by a rebate of excess membership dues, fees, or assessments) to the benefit of any private individual.

Article 5. Membership. The Residential Association shall be a membership corporation without certificates or shares of stock. Each Person who is the record owner of a Unit subject to the Declaration is either a Class "A" Member or a Class "B" Member, as described in the Declaration, and shall be entitled to vote as set forth herein and in the Declaration and the By-Laws.

Article 6. Board of Directors. The business and affairs of the Residential Association shall be conducted, managed, and controlled by a Board of Directors. The initial Board shall consist of three members. The names and addresses of the initial Board of Directors are as follows:

<u>James E. Warjone</u>	<u>Gregory S. Nunn</u>
<u>1325 Fourth Avenue</u>	<u>1325 Fourth Avenue</u>
<u>10th Floor</u>	<u>10th Floor</u>
<u>Seattle, WA 98101-2524</u>	<u>Seattle, WA 98101-2524</u>
<u>Judd Kirk</u>	
<u>1325 Fourth Avenue</u>	
<u>10th Floor</u>	
<u>Seattle, WA 98101-2524</u>	

The number of directors, method of election, term of office, removal and filling of vacancies shall be as set forth in the By-Laws. The Board may delegate such operating authority to such companies, individuals, or committees as it, in its discretion, may determine.

Article 7. Limitation of Directors' Liability. A director shall have no liability to the Residential Association for monetary damages for conduct as a director, except for acts or omissions that involve intentional misconduct by the director or a knowing violation of law by the director, or for any transaction from which the director personally receives a benefit in money, property, or services to which the director is not legally entitled. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Residential Association (except to the extent that such officers or directors also may be Members of the Residential Association).

If the Washington Nonprofit Corporation Act is hereafter amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director shall be eliminated or limited to the full extent permitted by the Washington Nonprofit Corporation Act, as so amended. Any repeal or modification of this Article shall not adversely affect any right or protection of a director of the Residential Association existing at the time of such repeal or modification for or with respect to an act or omission of such director occurring prior to such repeal or modification.

Article 8. Indemnification of Directors and Officers.

(a) Right to Indemnification. The Residential Association shall indemnify and hold harmless each person who was, or is threatened to be made, a party to or is otherwise involved (including, without limitation, as a witness) in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director, officer, or committee member of the Residential Association or, while a director, officer, or committee member, he or she is or was serving at the request of the Residential Association as a director trustee, officer, employee, or agent of another corporation or of a partnership, joint venture, trust, or other enterprise, including service with respect to employee benefit plans. The Residential Association shall so indemnify and hold harmless such persons whether the basis of such proceeding is alleged action in an official capacity as a director, trustee, officer, employee, or agent, or in any other capacity while serving as a director, trustee, officer, employee, or agent. The Residential Association shall so indemnify and hold harmless such persons to the full extent permitted by applicable law as then in effect, against all expense, liability and loss (including attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts to be paid in settlement) actually and reasonably incurred or suffered by such person in connection therewith.

Such indemnification shall continue as to a person who has ceased to be a director, trustee, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, except as provided in Section (b) of this Article with respect to proceedings seeking solely to enforce rights to indemnification, the Residential Association shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if the Board authorized such proceeding (or part thereof). The right to indemnification conferred in this Section shall be a contract right and shall include the right to be paid by the Residential Association the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, the payment of such expenses in advance of the final disposition of a proceeding shall be made only upon delivery to the Residential Association of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section or otherwise.

(b) Right of Claimant To Bring Suit. If a claim for which indemnification is required under Section (a) of this Article is not paid in full by the Residential Association within 60 days after a written claim has been received by the Residential Association, the claimant may at any time thereafter bring suit against the Residential Association to recover the unpaid amount

of the claim; provided, in the case of a claim for expenses incurred in defending a proceeding in advance of its final disposition, the applicable period shall be 20 days. To the extent successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim.

The claimant shall be presumed to be entitled to indemnification under this Article upon submission of a written claim (and, in an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition, where the required undertaking has been tendered to the Residential Association). Thereafter the Residential Association shall have the burden of proof to overcome the presumption that the claimant is not so entitled. Neither the failure of the Residential Association (including the Board or independent legal counsel) to have made a determination prior to the commencement of such action that indemnification of or reimbursement or advancement of expenses to the claimant is proper in the circumstances, nor an actual determination by the Residential Association (including the Board or independent legal counsel) that the claimant is not entitled to indemnification or to the reimbursement or advancement of expenses, shall be a defense to the action or create a presumption that the claimant is not so entitled.

(c) Nonexclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of these Articles of Incorporation, the By-Laws, agreement, or vote of disinterested directors or otherwise.

(d) Insurance, Contracts, and Funding. The Residential Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund its obligations under this Article, if such insurance is reasonably available. The Residential Association may maintain other insurance at its expense, to protect itself and any director, trustee, officer, employee, or agent of the Residential Association or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Residential Association would have the power to indemnify such person against such expense, liability or loss under § 24.03.043 of the Washington Nonprofit Corporations Act and Wash. Rev. Code § 23B.08.510 of the Washington Business Corporation Act, or any successor provision(s). The Residential Association may enter into contracts with any director or officer of the Residential Association in furtherance of the provisions of this Article and may create a trust fund, grant a security interest, or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article.

(e) Indemnification of Employees and Agents of the Residential Association. The Residential Association may, by action of the Board from time to time, provide indemnification and pay expenses in advance of the final disposition of a proceeding to employees and agents of the Residential Association with the same scope and effect as the provisions of this Article with respect to the indemnification and advancement of expenses of directors, officers, and committee

members of the Residential Association or pursuant to rights granted pursuant to, or provided by, the Washington Business Corporation Act, as applied to nonprofit corporations, or otherwise.

Article 9. VA/HUD Approval. During the Class "B" Control Period, the following actions shall require prior approval of the U.S. Department of Veterans Affairs ("VA"), so long as the development is approved by the VA for the guaranteeing of mortgages in the Properties, and the U.S. Department of Housing and Urban Development ("HUD"), so long as the development is approved by HUD for the insuring of mortgages in the Properties: submission of additional property to the Properties, except for submission by Declarant in accordance with Section 9.1 of the Declaration pursuant to a plan of submission previously approved by the VA and/or HUD, as applicable; mergers and consolidations; mortgaging of Common Area; dedication of Common Area to any public entity; dissolution; and amendment of these Articles of Incorporation.

Article 10. Dissolution. The Residential Association may be dissolved only upon a resolution duly adopted by the Board and the affirmative vote of Voting Members representing not less than sixty-seven percent (67%) of the Class "A" votes of the Residential Association and Declarant's consent so long as Declarant owns any property subject to the Declaration or which Declarant may unilaterally subject to the Declaration. Upon dissolution of the Residential Association, so long as the VA is guaranteeing or HUD is insuring any mortgage in the Properties, and unless otherwise agreed in writing by HUD or VA, as applicable, any remaining real property assets of the Residential Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this Residential Association was created. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any nonprofit corporation, association, trust or other organization to be devoted to such similar purposes.

Article 11. Merger and Consolidation. The Residential Association may merge or consolidate only upon a resolution duly adopted by the Board of Directors and the affirmative vote of Voting Members representing not less than sixty-seven percent (67%) of the Class "A" votes of the Residential Association and Declarant's consent so long as Declarant owns any property subject to the Declaration or which Declarant may unilaterally subject to the Declaration.

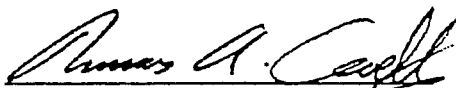
Article 12. Amendments. These Articles may be amended only upon a resolution duly adopted by the Board and the affirmative vote of Voting Members representing at least sixty-seven percent (67%) of the Class "A" votes of the Residential Association and Declarant's consent so long as Declarant owns any property subject to the Declaration or which Declarant may unilaterally subject to the Declaration; provided however, no Members shall be entitled to vote on any amendment to these Articles of Incorporation for the sole purpose of complying with the requirements of any governmental (including, without limitation, HUD or VA) or quasi governmental entity or institutional lender authorized to fund, insure or guarantee mortgages on individual Units, as such requirements may exist from time to time, which amendments may be adopted by the Board of Directors.

Article 13. Incorporator. The name and address of the sole incorporator is Thomas A. Goeltz, Davis Wright Tremaine LLP, 1501 4th Avenue, Suite 2600, Seattle, Washington 98101-1688.

Article 14. Registered Agent and Office. The initial registered office of the Residential Association is 1501 4th Avenue, Suite 2600, Seattle, Washington 98101-1688, and the initial registered agent at such address is DWTR&J Corp.

IN WITNESS WHEREOF, the undersigned incorporator has executed these Articles of Incorporation this 22nd day of April, 1997.

Incorporator:



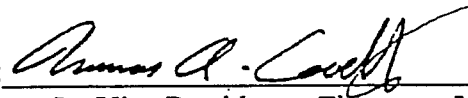
Thomas A. Goeltz
Davis Wright Tremaine LLP
1501 4th Avenue, Suite 2600
Seattle, Washington 98101-1688

CONSENT TO SERVE AS REGISTERED AGENT

DWTR&J Corp., a Washington corporation, hereby consents to serve as Registered Agent, in the State of Washington, for Issaquah Highlands Community Association. DWTR&J Corp. understands that as agent for said corporation, it will be responsible to receive service of process in the name of said corporation; to forward all mail to said corporation; and to notify immediately the office of the Secretary of State in the event of its resignation, or of any changes in the registered office address of Issaquah Highlands Community Association.

DWTR& J CORP.

4/22/97
Date

By: 
Its Vice President Thomas A. Goeltz

2600 Century Square
1501 Fourth Avenue
Seattle, Washington 98101-1688