

JUN 10 1987

SECRETARY OF STATE

ARTICLES OF INCORPORATION

OF

KING'S RIDGE HOMEOWNERS ASSOCIATION

The undersigned, for the purpose of creating a non-profit corporation under the laws of the State of Washington, hereby certify and adopt, in duplicate, these Articles of Incorporation.

I.

NAME AND DURATION

The name of this corporation shall be the KING'S RIDGE HOMEOWNERS ASSOCIATION, hereafter called "the Association"; and its duration shall be perpetual.

II.

PURPOSES, AUTHORITY & LIMITATIONS

A. Purpose. The primary purposes for which this corporation is organized are to:

1. Provide for the ownership, use, management, maintenance, improvement, preservation, protection, and perpetual control of all common areas, facilities, properties now or hereafter located within King's Ridge, a planned residential development located in Snohomish County, Washington, and as more particularly described in Exhibit "A" attached hereto referred to as "King's Ridge".

2. To generally promote the health, safety, welfare and quiet enjoyment of all residents of King's Ridge.

B. Powers. In carrying out its purposes, the Association shall have full power and authority to have and to exercise all powers, rights, and privileges granted to non-profit corporations by the laws of the State of Washington, as the same now are or as may hereafter be amended, enacted or determined, and specifically to include, but not by way of limitation, the following powers:

1. To exercise all of the powers and privileges and to perform all of the duties and obligations of the Association set forth in that certain Declaration of Covenants, Conditions, Easements, Liens and Restrictions and Deed for King's Ridge, a Planned Residential Development, as recorded or to be recorded in

the office of the Auditor for Snohomish County, State of Washington, including any later amendments thereto hereinafter called the "Declaration. To enforce and police the provisions of said Declaration upon or for the benefit of parcels of real property and appurtenances, over which the Association has control and to which said parcels may be subject, and, for that purpose, to promulgate and provide rules and regulations for the use, protection and enjoyment of said property in accordance with the Bylaws of this Association.

2. To provide adequate means, financial or otherwise, for the maintenance, repair, replacement, upkeep, control and use of the property of the Association, whether real or personal, together with all appurtenances thereunto appertaining, and whether now or hereafter owned by the Association.

3. To levy and collect annually such dues, charges and/or assessments as may be necessary in the judgment of the Board of Directors and in pursuance of the Declarations and the Bylaws of this Association; to expend such money so collected in accordance with the Declarations and Bylaws of this Association and in payment of the costs, expenses, fees and obligations incurred by such Association in carrying out any or all of its purposes.

4. To accept, receipt for, purchase or otherwise acquire, own, hold, construct, improve, develop, repair, maintain, operate, care for and manage real and personal property, including all common areas and facilities within King's Ridge, whether designated as community areas, common open space and recreation facilities, drainage detention facilities, or otherwise, for the use and benefit of the members of the Association.

5. To acquire by gift, purchase, lease, assignment or otherwise and to own, hold, enjoy, maintain, convey, sell, lease, transfer, encumber, and/or otherwise dispose of, real and personal property wherever situated.

6. To dedicate, sell, or transfer all or part of the common areas or common facilities of King's Ridge to any public agency, governmental or other authority, or public or private utility for such purposes and subject to such conditions as may be determined by the Association.

7. To borrow money and to pledge, mortgage, deed-in-trust, encumber or hypothecate any of its real or personal property as security for money borrowed or debt incurred.

8. To participate in mergers and consolidations with other non-profit corporations organized for similar purposes, to enter into agreements for the sharing of properties or facilities with

such corporations, and to annex additional property and common areas.

9. To pay any taxes, assessments or other charges which may be levied by any public authority upon any of the real or personal property now or hereafter owned by the Association.

10. To approve and or disapprove, as provided in the Declaration, plans specifications or location for improvements or modifications to any privately owned property within King's Ridge, and to promulgate rules regarding the same.

11. To regulate, and to provide rules for the posting of signs, the parking of vehicles, the conduct of commercial activity, the keeping and conduct of animals, and for any other purpose consistent with the Declaration and for the promotion of the purposes of the Association.

12. Generally, to do any and all lawful things which may be advisable, proper, authorized or permitted to be done by the Association under or by virtue of any restriction, condition, covenant or law affecting the property of the Association, or any portion thereof (including common areas) and to do and perform any and all acts which may be either necessary for, or incidental to, the exercise of any of the foregoing powers or accomplishment of the foregoing purposes, or for the peace, health, comfort, safety, quiet enjoyment, and/or general welfare of owners, contract purchasers, guests, residents, invitees and lessees of property within Kings Ridge.

C. Limitations. Nothing contained in these Articles of Incorporation shall be construed as authorizing or permitting the Association to own, manage or operate any real or personal property for profit. It is the intention and purpose that the business of the Association shall not be carried out for profit, either for itself or for its members.

III.

MEMBERSHIP

A. The owner or contract purchaser of any lot within the plat of King's Ridge shall automatically be entitled to membership in this Association. All memberships in this Association are subject to the provisions of the Declaration. Memberships shall be inseparably appurtenant to lots owned or purchased, and upon transfer of ownership of any lot, membership herein shall likewise be deemed to be transferred. No membership may be transferred, assigned, pledged or conveyed in any manner other than as described herein or in the Association Bylaws.

B. There shall be but one membership for each lot, and one vote per membership for any issue submitted to a vote of the membership. When a single entity or person owns more than one lot, and thus more than one membership, each membership may be voted separately. Where more than one entity or person owns a lot, the vote for such membership shall be exercised as such owners shall determine, but in no event shall more than one vote be cast for any membership.

C. Voting and membership rights may be suspended or terminated by the Association as provided herein or in the Bylaws and as authorized in the Declaration.

D. This Association shall have no capital stock. The interest of each member may or may not be represented by a membership certificate, as the Association shall determine.

IV.

DISTRIBUTION UPON DISSOLUTION

In the event of a dissolution of the Association, the assets remaining after settlement of all debts, expenses and liability shall be transferred to such non-profit municipality or organization as may be required by applicable law.

V.

DIRECTORS

The number of initial directors of this corporation shall be three. Directors shall be elected as provided in the Bylaws. The number of directors may be changed from time to time as provided in the Bylaws. The names and addresses of the initial directors of this corporation are:

Noordin K. Sayani
#714 850 W. Hastings
Vancouver, B.C. V6C1E1
Canada

Raymond L. Terry
20815 52nd Ave West
Lynnwood WA 98036

Jack Cole
c/o Worthington Realty
626 124th St SW, Suite 106
Everett WA 98204

VI.

INCORPORATORS

The names and addresses of the incorporators are:

Terra Ferma Development Company, Ltd.
c/o Progressive Holdings, Inc.
Attn: Noordin Sayani
201 5631 No. 3 Rd.
Richmond, B.C. V6X2C7
Canada

Progressive Holdings, Inc.
Attn: Rick Hullah
201 5631 B.C. V6X 2C7
Canada

VII.

REGISTERED AGENT AND OFFICE

a. The registered agent and office for the corporation shall be:

Jack Cole
c/o Worthington Realty
626 128th St SW, Suite 106
Everett WA 98204

VIII.

EXHIBIT A

Description of King's Ridge

This plat of Kings Ridge Division 1 embraces that portion of the East 1/2 of the Southwest 1/4 of Section 21, Township 28 North, Range 5 East, W.M., Snohomish County, Washington, described as follows:

COMMENCING at the monument at the Northeast corner of said subdivision, thence S 0°15'00" E along the East line of said subdivision 20.00 feet to the POINT OF BEGINNING on the South margin of 108th Street Southeast; thence continuing S 0°15'00" E along said line 725.69 feet; thence N 62°00'00" W 169 feet; thence S 86°48'19" W 70.94 feet; thence N 88°00'00" W 31.00 feet; thence S 45D58'00" W 139.64 feet; thence S 26°11'54" E 100.00 feet; thence S 72D20'00" W 101.12 feet; thence N 26°11'54" W

137.00 feet; thence S 68°16'45" W 129.17 feet; thence S 87°40'50" W 50.81 feet; thence S 66°31'06" W 120.19 feet; thence S 19°40'00" E 11.00 feet; thence S 53°58'27" W 89.41 feet; thence N 86°08'37" W 124.17 feet; thence N 32°30'00" E 106.00 feet to intersect the arc of a curve at a point from which the center lies N 27°04'54" E 50.00 feet distant; thence Northwesterly along said curve to the right through a central angle of 22°55'06" an arc distance of 20.00 feet; thence 50°00'00" W 111.00 feet; thence N 30°10'15" W 119.88 feet; thence N 18°07'36" E 93.00 feet; thence N 73°40'46" W 70.03 feet; thence S 84°00'00" W 183.00 feet; thence N 6°00'00" W 71.00 feet; thence N 44°56'00" E 69.45 feet to intersect the arc of a curve at a point from which the center lies N 39°04'40" E 50.00 feet distant; thence Northwesterly along said curve to the right through a central angle of 22°55'06" an arc distance of 20.00 feet; thence S 56°09'43" W 115.66 feet to intersect the East line of the plat of Terryhaven recorded in Volume 27 of Plats, Page 73, Records of said County; thence N 0°16'30" W 592.00 feet to said South margin of 108th Street Southeast; thence N 89°33'06" E 1328.53 feet to the POINT OF BEGINNING.

IN WITNESS WHEREOF, the undersigned incorporator of this corporation has this 9th day of June, 1987, hereby executed the same, in duplicate.

PROGRESSIVE HOLDINGS, INC.

By [Signature] agent

TERRA FERMA DEVELOPMENT COMPANY, LTD.

By [Signature] PRR/SAC

CONSENT OF REGISTERED AGENT

The undersigned, as registered agent for the KING'S RIDGE HOMEOWNERS ASSOCIATION, does hereby consent to serve as registered agent for purposes of receipt of service of process on behalf of such corporation, or for any other purpose provided by law.

DATED this 9th day of June, 1987.

[Signature]
JACK COLE

After recording return to:
CARLSON, HOPKINS & JELSING
1001 Wall Street Bldg.
Everett, WA 98201

ORIGINAL RECORDED/FILED
SNOHOMISH COUNTY AUDITORS OFFICE
CURRENT DATE: JUN 10 1987

DECLARATION OF
COVENANTS, CONDITIONS, EASEMENTS, LIENS, AND RESTRICTIONS
AND DEED
FOR KING'S RIDGE
A PLANNED RESIDENTIAL DEVELOPMENT

Jun RECEIPT
THANK YOU

SNOHOMISH COUNTY
AUDITOR
JEAN V. WILLIAMS

06/10/87 1:55PM
001A#7009 0001
DEPUTY/BETTY

#00000275	
RECORD	\$29.00
#TTL	\$29.00
CHECK	\$29.00
CHNG	\$0.00

DECLARATION OF
COVENANTS, CONDITIONS, EASEMENTS, LIENS, AND RESTRICTIONS
AND DEED FOR
KING'S RIDGE, A PLANNED RESIDENTIAL DEVELOPMENT

THIS INSTRUMENT is made on the date hereinafter set forth by the undersigned who are the owners of certain land situated in the State of Washington, County of Snohomish, described on Exhibit A attached. The undersigned covenant, agree, and declare that all of said lands and buildings hereafter constructed thereon are, and will be, held, sold, and conveyed subject to and burdened by the following easements, restrictions, covenants, liens, and conditions, all of which are for the purpose of enhancing and protecting the value, desirability, and attractiveness of said lands, and all for the benefit of the owners of said lands, their heirs, successors, grantees, and assigns. This instrument establishes a plan for the individual ownership of lots and buildings constructed thereon and for the beneficial ownership through a nonprofit corporation of all the remaining land, improvements and related easements. The said nonprofit corporation is the King's Ridge Homeowners Association, hereinafter referred to as the "Association." All provisions of this instrument shall be binding upon all parties having or acquiring any right, title or interest in the said lands or any part thereof, and shall inure to the benefit of the owners thereof and to the benefit of the Association and shall otherwise in all respects be regarded as covenants running with the land.

ARTICLE I
DEFINITIONS

Section 1. "Association" shall mean and refer to the King's Ridge Homeowners' Association, a Washington nonprofit corporation, its successors, and assigns.

Section 2. "Board" shall mean and refer to the Board of Directors of the Association.

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Section 3. "Plat" shall mean that certain plat of King's Ridge, Division I recorded in Volume 47 of Plats, Pages 221-223, *records of Snohomish County, Washington and shall later include any additional plat for a subsequent division of King's Ridge, upon the recording of an amendment hereto to that effect. *Auditor's File No. 8705205044

Section 4. "Properties" shall mean that certain real property described on Exhibit "A" attached hereto together with improvements thereon, and shall later include any real property added for a subsequent Division, by amendment hereto, upon recording of the same, and any other real property hereafter acquired by the Association.

Section 5. "Development Period" shall mean that period of time from the date of recording of this Declaration until a time which is one hundred twenty (120) days after the date upon which eighty percent (80%) of the lots within Phase I of the Plat have been sold by the Declarant, or any shorter period ending five (5) years from the date of recording of this Declaration; provided, however, that if Declarant has received final plat approval for an addition to King's Ridge prior to the expiration of that period of time five years from the date of recording this Declaration, then the development period for the addition shall be that period of time from receipt of final plat approval for that addition until 120 days after the date upon which eighty percent (80%) of the additional lots in King's Ridge have been sold by Declarant, or any shorter period as determined by Declarant but no longer than that period ending five years from the date of final plat approval for that addition. The development period for subsequent additions to King's Ridge shall be a similar time period from the date of final plat approval for such addition.

Section 6. "Lot" shall mean the lots shown on the plat excluding any community areas, plus any dwelling unit now or hereafter placed on that lot together with all appurtenances of said lot, and shall also include any lots which may by phased addition become included in the properties.

Section 7. "Community Area" shall mean any and all of the properties shown on the plat, excluding lots, which shall be owned by the Association for the common use and enjoyment of the owners including common open space and recreation areas or facilities, and pathways or walkways, and all improvements thereto.

Section 8. "Drainage Detention Facilities" shall mean Tract 998 as depicted upon the final plat map for King's Ridge, Division I, and any similarly designated tract in Division II as

later recorded for King's Ridge.

Section 9. "Association Action" means and refers to a corporate resolution of the Association in the form of either a By-Law or a resolution duly passed by either the Board of Directors of the Association or by the members of the Association in a members' meeting.

Section 10. "Members" shall mean and refer to every person or entity holding a membership in the Association. There shall be one membership per lot.

Section 11. "Owner" shall mean and refer to every person of entity holding a membership in the Association. There shall be one membership per lot.

Section 12. "Unit" shall mean the buildings occupying any lot, but the word "unit" shall not be used in any conveyance, Will or trust instrument.

Section 13. "Architectural Committee" shall mean the Declarant or the Declarant's appointee, during the development period, and thereafter shall mean the Board or such committee as the Board shall appoint.

Section 14. "Declaration" shall mean and refer to this instrument, together with any amendment hereto that may be hereafter recorded.

Section 15. "Declarant" shall mean and refer to Terra Ferma Development Company, Ltd. and Progressive Holdings, Inc., Washington corporations, their successors, and assigns.

Section 16. "Developer" shall mean Declarant.

Section 17. "Institutional First Mortgagee" means a bank or a savings and loan association or established mortgage company, or other entity chartered under federal or state laws, any corporation or insurance company or any state or federal agency which holds a first mortgage or deed of trust on a unit.

ARTICLE II PRE-EXISTING RESTRICTIONS

The properties covered by this Declaration, to the extent that they may be already affected by covenants, conditions, and restrictions, are submitted without the said burdens being previously removed and to the extent that the same are valid they

shall continue despite this Declaration.

ARTICLE III
DEED AND DEDICATION OF COMMUNITY AREA

The Declarant hereby transfers, conveys, and quit claims all of the Community Area portion of the properties located within Division I to the Association for the common use and enjoyment of the Association members in accordance with the terms and conditions of this Declaration; RESERVING, HOWEVER, to Declarant for the benefit of Declarant those certain rights of use, ingress, egress, occupation, and control indicated elsewhere in this Declaration for the duration of the development period at which said time this said reservation shall cease and then be of no further force and effect.

ARTICLE IV
DEEDS AND DEDICATION OF DRAINAGE DETENTION FACILITIES

The Declarant hereby transfers, conveys and quit claims all of the drainage detention facilities located within Division I of the Plat, to the Association for the common uses and purposes of the Association members in accordance with the terms and conditions of this Declaration, RESERVING, HOWEVER, to Declarant for the benefit of Declarant those certain rights of use, ingress, egress, occupation, and control indicated elsewhere in this Declaration for the duration of the development period at which said time this said reservation shall cease and then be of no further force and effect.

ARTICLE V
DEED AND DEDICATION OF EASEMENTS

Declarant hereby transfers, conveys and quit claims to the Association for the common use and enjoyment of it and its members the following easements: All easements created hereby in the Community Area for purposes of open space enjoyment, utilities, and access; RESERVING, HOWEVER, to Declarant for the benefit of Declarant and any subsequent grantees of Declarant an equal right to utilize the said access easement to as full an extent as the Association and its members may.

ARTICLE VI
ASSOCIATION LIENS

Declarant hereby creates in the Association perpetually the power, and hereby subjects all lots perpetually to the power of the Association, to create a lien in favor of the Association against each lot to secure to the Association the payment to it

of all assessments, interest, costs and attorneys' fees. The said lien for each said respective lot when created shall be a security interest in the nature of a mortgage in favor of the Association. Said liens shall arise automatically in accordance with the terms of this Declaration, but shall be subordinate to the lien of a first mortgage or deed of trust in favor of an institutional first mortgagee. Said liens shall expire periodically also in accordance with the terms of this Declaration.

ARTICLE VII SUBORDINATION OF LIENS

Section 1. The provisions of this Article VII apply for the benefit of each institutional first mortgagee and to each secured entity who lends money to Declarant for purposes of construction or to secure the payment of the purchase price of a lot. These Article VII provisions supersede any contrary provisions of the Articles, By-Laws, rules or regulations of the Association, or inconsistent provisions of this Declaration.

Section 2. The holder of a first mortgage or deed of trust or second mortgage or deed of trust given to secure payment of the purchase price of a lot shall not, by reason of the security interest only be liable for the payment of any assessment or charge as to such lot, nor for the observance or performance of any covenant or restriction, excepting only those enforceable by equitable relief and not requiring the payment of money and except as hereinafter provided.

Section 3. During the pendency of any proceeding to foreclose the first mortgage or deed of trust or second mortgage or deed of trust given to secure payment of the purchase price of a lot including any period of redemption, the holder of such mortgage or deed of trust, or the receiver, if any, may exercise any or all of the rights and privileges of the owner of the encumbered lot, including but not limited to the right to vote as a member of the Association to the exclusion of the owner's exercise of such rights and privileges.

Section 4. At such time as said mortgage or deed of trust holder shall become the record owner of the lot, he shall be subject to all of the terms and conditions of this instrument including those creating the obligation to pay for all assessments and charges accruing as to the said lot in the same manner as any owner.

Section 5. Said mortgage or deed of trust holder or other secured party acquiring title to an encumbered lot through foreclosure, suit, deed of trust sale, deed in lieu of

foreclosure or equivalent method, shall acquire title to the encumbered lot free and clear of any lien authorized by or arising out of any of the provisions of this instrument insofar as said lien secures the payment of any assessment, charge, or installment accrued but unpaid before the final conclusion of any such proceeding including the expiration date of any period of redemption. The Association by Association Action may treat any unpaid assessment against a lot foreclosed against as a common expense in which case it shall prorate such unpaid assessments among remaining lots and each such lot shall be liable for its pro rata share of such expense in such manner as any other assessment.

Section 6. Regardless of the foreclosure of any security interest in a lot, any unpaid assessments shall nevertheless continue to exist and remain as a personal obligation of the owner against whom the same accrued and the Association shall use reasonable efforts to collect the same from the owner even after he is no longer a member.

Section 7. The liens for assessments provided for in this instrument shall be subordinate to the lien of any mortgage, deed of trust, or other security interest placed upon a lot as a construction loan security interest or as a purchase price security interest, and the Association will, upon demand, execute a written subordination document to confirm the particular superior security interest. The sale or transfer of any lot or interest therein shall not affect the liens provided for in this instrument except as otherwise specifically provided for herein, and in the case of a transfer of a lot for purposes of realizing a security interest, liens shall arise against the lot for any assessment payments coming due subsequent to the date of completion of foreclosure (including expiration of redemption).

Section 8. No land or improvements devoted to residential use shall be exempt from assessments by the Association in any event, but the Community Area, the Drainage Detention Facilities and all portions of the properties dedicated to and accepted by a local public authority exempt from taxation by the laws of the State of Washington, shall be exempt from assessments by the Association.

ARTICLE VIII PHASING IN OF ADDITIONAL PROPERTIES

Section 1. King's Ridge is proposed to be a phased planned residential development consisting of two phases. Although Declarant intends to complete and add Division II, Declarant is under no obligation to do so, and shall have complete discretion

to determine whether or not to pursue approval and completion of Division II.

Section 2. The lot owners in each phase will have equal rights with the lot owners in the other phase to use the Community Areas and facilities in all phases. Both of the phases shall be governed by this Declaration, as amended from time to time, and the Articles and By-Laws of the Association. All easements for ingress, egress, utilities and use of facilities, unless otherwise specifically limited, shall exist in favor of all lot owners.

Section 3. The Declarant shall add the additional phase of King's Ridge to the Association by properly recording an amendment to this Declaration. That amendment shall include the conveyance to the Association of all Community Areas and any Drainage Detention Facilities within the division to be added. The Association shall have no right, title, or interest in any such area located within the property encompassed by Division II of King's Ridge until such time as each additional phase is properly added to the Association as provided for in this Section.

Section 4. The voting rights of the owners shall be adjusted at the time additional phases are added only to the extent that the total number of votes is increased by the number of lots added and the percentage which one vote bears to the total is thus diminished.

Section 5. Within thirty (30) days after the addition of Division II, a revised budget for the balance of the fiscal year shall be prepared including the additional phase, and if necessary, a revised assessment made against all lots in the manner provided for in the annual budget and assessment as set forth in Article IX, Section 8.2.

ARTICLE IX HOMEOWNERS' ASSOCIATION

Section 1. The Community Areas and Drainage Detention Facilities within Division I of the Plat are dedicated and transferred to the Association as the owner thereof by this instrument. However, during the development period of Division I of the Plat, the Association and such areas shall, for all purposes, be under the control, management, and administration of the Declarant either directly or through the Association memberships held by Declarant. The Community Areas and any Drainage Detention Facilities within the additional Division shall be dedicated and transferred to the Association by the

Declarant through amendment to this Declaration.

1.1 During the development period, Declarant may at such times as Declarant deems appropriate select, as a temporary board, three (3) to seven (7) persons who own, or are purchasers of, lots, or are officers, trustees, partners, or nominees of corporations, trusts, partnership, or other entities owning or purchasing such lots. This temporary board shall have the full authority and all rights, responsibilities, privileges, and duties to manage the Association under this Declaration and By-Laws, and shall be subject to all provisions of the Declaration and By-Laws; provided, that, after selecting any such temporary board, Declarant in the exercise of its sole discretion may at any time terminate such temporary board, and reassume its management authority or select a new temporary board.

1.2 These requirements and covenants are made in order to insure that the properties and Association will be adequately administered in the initial stages of development, and to insure an orderly transition of Association operations.

1.3 At the expiration of the development period, all administrative power and authority shall vest in a Board of directors as provided in the By-Laws, elected from among the lot owners. The Board may delegate all or any portion of its administrative duties to a manager, managing agent, or officer of the Association, or in such manner as may be provided by the By-Laws. All Board positions shall be open for election at the first annual meeting after the period of Declarant's authority ends. The Board shall elect officers of the Association from among its members, which shall include a president who shall preside over meetings of the Board and the meetings of the Association.

Section 2. By acceptance of an interest in any lot covered by this Declaration, the owner covenants and agrees thereby for himself and his heirs, assigns, successors and lessees to observe and comply with all terms of this Declaration, the Articles of Incorporation of the Association, its current By-Laws, and all rules and regulations promulgated by Association Action. The acquisition of an interest in fee of any lot covered by this Declaration automatically thereby makes the acquiring party subject to this Declaration.

Section 3. For each lot covered by this Declaration either initially or by the addition of another division, there shall be but one membership in the Association and said membership shall be automatically held and owned in the same manner as the

beneficial fee interest in the lot to which it relates. Every person or entity who acquires ownership of a fee, undivided fee interest or contract purchasers interest in any lot shall be automatically thereby a member of the Association. However, there shall be excluded from membership entities holding merely a security interest in a lot for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any lot, and membership rights shall be subject to the right of the Association to limit, restrict or terminate the benefits thereof, as provided in this Declaration.

Section 4. There shall be one vote for each lot owned whether such lot is improved or not. Initially, there shall be a total of sixty-five (65) votes which shall be increased when and if the succeeding phase is added by the number of lots so added. A single vote is hereby made appurtenant to each membership in the same manner as each such membership is made appurtenant to each respective lot. When a single person or entity holds more than one membership, each membership may be voted separately. When more than one person or entity holds in common or undivided interests the fee interest in any lot, the vote for such lot shall be exercised as the owners among themselves determine, but in no event shall more than one vote be cast with respect to any lot. In case they are unable to agree, their vote shall not be counted.

Section 5. Every member shall have a right of easement for enjoyment in the Community Area dedicated to the Association and for ingress and egress over and through the Community Area dedicated to the Association and such easement shall be appurtenant and shall pass with title to every lot, subject to the following provisions, powers, and rights which are otherwise hereby granted:

5.1 The right of the Association to limit the number of guests of owners; and

5.2 The right of the Association to make reasonable rules governing use of the Community Areas and to charge reasonable admission and other fees for the use of any facilities within the Community Area; and

5.3 The right of the Association to suspend the voting rights and right to use any portion of the Community Area by any member for any period in which any assessment by the Association against his lot remains unpaid, and this right shall not be exercised by the Association as against any secured party with respect to assessments coming due before completion of foreclosure proceedings through a period of redemption; and

5.4 The right of the Association to suspend the voting rights and right to use any portion of the Community Area by any member for any violation of the Association's rules and regulations, which suspension shall not exceed 180 days; and

5.5 The right of the Association to exclusive use and management of the Community Area for utilities such as pumps, pipes, wires, conduits, and other utility equipment, supplies and materials; and

5.6 The right of the Association to borrow money (except as otherwise proscribed by other contracts) for the purpose of improving the Community Areas or Drainage Detention Facilities and facilities and in aid thereof to convey a security interest in the same; and

5.7 The right of the Association to dedicate or transfer any portion of the Community Areas or Drainage Detention Facilities to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Association; and

5.8 The right of the Declarant during the development period to have the exclusive control, management and administration of the Community Areas and Drainage Detention Facilities.

5.9 The right of the Association to require each lot owner to provide the name and address of any person or institution holding a mortgage, deed of trust or security interest in such lot.

Section 6. Any member may delegate his rights of enjoyment to the Community Area and facilities to the members of his family and tenants.

Section 7. Membership in the Association may be (but need not be) evidenced by a written certificate validated by the Association annually. A membership in the Association shall be inalienable and unencumberable in any way except as an appurtenance to a lot which entitles an entity to membership. Upon the transfer of any membership, the Association shall delete the name of the old members and reflect the new members succeeding in interest to the lot involved. Any attempt to make a prohibited transfer of a membership is void and will not be reflected upon the records of the Association nor shall the same be recognized by the Association. If an owner refuses or neglects to advise the Association of a transfer, the Association may, on evidence satisfactory to it, reflect such new transfer

upon the books of the Association and recognize as the member the successor or successors in interest to the exclusion of the prior member.

Section 8. Each lot owner for himself, his heirs, successors, and assigns, covenants and agrees that each lot shall be subject to annual assessments or charges and certain special assessments for capital improvements in an amount to be determined by the Developer during the development period and thereafter by the Association, and that a lien (periodically arising) shall exist in favor of the Association (and the Developer) with respect to each such lot as security for amounts to be paid in accordance with this instrument and the following provisions.

8.1 The Association (and the Developer during the development period) shall maintain and otherwise manage all of the Community Areas and all Drainage Detention Facilities, including (without limitation) the landscaping, irrigation, and storm drainage systems, and recreational facilities, and shall conduct such additional maintenance as may be determined by Association action. Owners shall maintain their lots in the same condition as a reasonably prudent homeowner would maintain his own home and shall cooperate with the Association so that the entire development will reflect a significant pride of ownership. The maintenance of the individual lots and limited areas shall be the sole obligation and expense of the individual owners thereof.

8.2 Within sixty (60) days prior to the beginning of each fiscal year the Board shall prepare a budget and an estimate of the charges (including common expenses and any special charges for particular lots) to be paid during such year; shall make provisions for creating, funding, and maintaining reasonable reserves for contingencies, operations, repairs, replacements, improvements, and/or acquisition of Community Areas and facilities and Drainage Detention Facilities; and shall take into account any expected income and any surplus available from the prior year's operating fund. Without limiting the generality of the foregoing but in furtherance thereof, the Board shall create and maintain from regular monthly assessments a reserve fund for replacement or repair of improvements to Community Areas and/or Drainage Detention Facilities which can reasonably be expected to require replacement or repair. During the development period the Declarant shall establish an annual budget. After such time, the Directors shall prepare an annual budget and submit the same for approval by majority vote of the membership at the annual meeting of the

members or special meeting called for such purpose. If the sum estimated and budgeted at any time proves inadequate for any reason (including nonpayment for any reason of any owner's assessment), the Board may at any time levy an interim assessment, which shall be assessed to the owners in like proportions until the next annual budget is adopted. Any surplus funds shall be carried over and applied against amounts needed in the following year.

8.3 Unless otherwise determined by the Board for Special Assessments, all assessments shall be made by Association Action setting forth lot numbers and the amount thereby assessed against the same and shall be assessed equally among the lots. Notification of the amount of the assessment shall not be necessary to the validity thereof. Upon each assessment a lien therefor in favor of the Association shall arise to secure the payment of the same together with applicable interest thereon, costs and reasonable attorneys' fees for collection, for all of the foregoing there shall also arise a personal obligation upon the owners of each such respective lot as of the date and time of the assessment.

8.4 The assessment by the Association shall be made and the proceeds therefrom shall be used, for the promotion of the recreation, health, safety, and welfare of the members and their use and enjoyment of the Community Areas. In connection with determining whether or not to make an assessment and the amount thereof, considerations shall be given to the following:

8.4.1 The cost of taxes, repairs, replacements, insurance, and maintenance of the Community Areas or Drainage Detention Facilities, and any improvements thereto;

8.4.2 The cost of amounts necessary for the establishment and maintenance of a reserve for replacement, repair, maintenance, taxes and other charges, including insurance premiums; and

8.4.3 The cost of any recreational facilities as may from time to time be provided upon Community Areas.

8.5 By virtue of this instrument each member during the development period shall pay to the Association or the Developer the annual amount of \$100.00 which is hereby assessed against each lot. Said funds so collected shall be held in trust by the Developer in an account separate from

Developer's own funds. During the development period said funds shall be expended only for the purposes specified in paragraph 8.4 above as needed in the sole discretion of the Developer. Upon termination of the development period, any balance shall remain the property of the Association and the annual assessment shall thereafter be fixed by Association action.

8.6 The liability of each member for assessments shall commence on the date upon which any instrument of transfer to such person becomes operative (such as the date of a real estate contract for the sale of any lot) or the date of death in the case of a transfer by Will or intestate succession) and, if earlier, the first day of the calendar month following the first occupancy of a unit by an owner. One-twelfth (1/12) of a member's annual assessment shall be due and payable on the commencement date and on the first day of each calendar month thereafter except that during the development period the Developer may require the annual assessment to be paid in a lump sum. The due date of any special assessment shall be fixed by the Association action authorizing such assessment.

8.7 The Board shall certify in writing upon the request of an owner the extent to which assessments on a specified lot are paid and current to a specified date. Issuance of such a certificate shall be conclusive evidence of payment of any assessment therein declared to have been paid. A reasonable charge may be made by the Association for the issuance of such a certificate.

8.8 In addition to annual assessments, special assessments applicable to that year only may be made by the Association. Such assessments may be for construction, reconstruction, repair or replacement of capital improvements in the Community Areas and Drainage Detention Facilities and related personal property or fixtures. Except on an emergency basis special assessments may be made only upon recommendation of the Board and by majority vote of the membership at a regular or special meeting called for such purpose.

8.9 Annual and special assessments together with the interest thereon and the cost of collection thereof including reasonable attorneys' fees shall become a lien against each respective lot in the amount stated in the assessment from the time of the assessment, but expiring pro rata as the assessment payments are made, and shall also be the personal obligations of the persons or entities who were the owners of each lot at the time of assessment. The

personal obligation to pay a prior assessment shall not pass to successors in interest unless expressly assumed by them, provided, however, that in the case of a sale or contract for the sale of (or the assignment of a contract purchaser's interest in) any lot which is charged with the payment of an assessment, the person or entity who is the owner or contract purchaser immediately prior to the date of such sale, contract or assignment shall be personally liable only for the amount of the monthly installments due prior to said date and the new owner or contract purchaser or assignee shall be personally liable for monthly installments becoming due on or after said date; however, the lack of a personal obligation to pay a prior assessment shall not be a defense to the enforcement or foreclosure of any lien or lien rights.

8.10 If any assessment is not paid in full within thirty (30) days after it was first due and payable, the assessment shall bear interest on the unpaid portion amounts from the date it was made at the rate of twelve percent (12%) per annum. Each member hereby expressly grants the Association, its agents and the Developer during the development period, the right and power to bring all actions against such member personally for the collection of such assessments as a debt and to enforce the liens created by this instrument in favor of the Association, by foreclosure of the continuing liens in the same form of action as is then provided for the foreclosure of a mortgage on real property. The liens provided for in this instruments shall be for the benefit of the Association as a corporate entity, and the Association shall have the power to bid in at any lien foreclosure sale and to acquire, hold, lease, mortgage, and convey the lot foreclosed against.

8.11 In the event any member shall be in arrears in the payment of the assessments due or is otherwise in default of the performance of any terms of the Articles and By-Laws of the Association or of this Declaration for period of thirty (30) days, said membership's voting rights shall be suspended (except as against foreclosing secured parties) and remain suspended until all payments are brought current and defaults otherwise remedied. No member is relieved of liability for assessments by non-use of the Community Area or Drainage Detention Facilities or by abandonment of a lot.

8.12 No action shall at any time be taken with respect to assessments which may unreasonably discriminate against any particular owner in favor of other owners.

Section 9. Each owner expressly covenants that the Association (and the Developer during the development period) may enter into management agreements for the Community Areas and Drainage Detention Facilities, and all maintenance functions related thereto, with such entities as the Association or Developer deem fit and proper, and that he is bound to observe the terms and conditions of any such management agreement. Any such management agreement shall be made available for inspection by any member upon request. Any management agreement for King's Ridge will be terminable by the Association for cause upon thirty (30) days written notice thereof, and the term of any such agreement may not exceed one year, renewable by agreement of the parties for successive one-year periods.

Section 10. Except as to the Association's rights to grant easements for utilities and similar or related purposes, the Community Areas and facilities may not be alienated, released, transferred, hypothecated, or otherwise encumbered without the approval of all institutional first mortgagees. However, no such approval shall be required for any transfer of ownership of or maintenance responsibility for the Drainage Detention Facilities to Snohomish County or other appropriate governmental authority.

ARTICLE X
LOT USE RESTRICTIONS

Section 1. All lots within the properties and otherwise subject to this instrument shall be solely and exclusively for private residences. A private residence shall consist of not less than one lot and no lot shall be subdivided.

Section 2. Except as authorized by Association Action (or by the Declarant during the development period) all garages shall be incorporated in or made part of a residential unit, and shall remain usable at all times for the purpose of parking at least one automobile therein. Garages shall provide for a minimum of two cars. Tandem garages shall not be allowed, and concrete surfacing shall be required on all driveways, unless otherwise approved by Association Action (or by the developer during the development period).

Section 3. No animals, livestock or poultry of any kind shall be raised, bred, or kept on any lot except that dogs, cats, or other household pets may be kept, provided that they are not kept, bred, or maintained for any commercial purpose. At all times household pets shall be kept in accordance with rules and regulations established by the Association.

Section 4. No commercial enterprise including itinerant

vendors shall be permitted on any lot except as authorized by Association Action.

Section 5. No mobile home shall be stored or kept on any lot unless expressly authorized by Association Action. Recreational vehicles, campers, boats and boat trailers may be stored or kept on a lot as long as such vehicle or trailer is kept in an area not closer to the street than the front edge of the garage located on such lot. All on street parking shall comply with local governmental ordinances.

Section 6. Any dwelling or structure erected or placed on any lot in this subdivision shall be completed as to external appearance including finish painting, within six months from start of construction, except for reasons beyond control of the owner and builder in which case a longer period may be permitted by Association Action.

Section 7. No lot shall be used or maintained as a dumping ground for rubbish, trash, garbage or other waste, and the same shall not be kept except in sanitary containers screened from public view. All equipment for the storage or disposal of such materials shall be kept in a clean and sanitary condition.

Section 8. No signs of any kind or description (except as otherwise required by law) shall be erected, posted, painted or displayed on any building, fence, tree or lot unless otherwise expressly authorized by Association action or unless erected or placed by the Developer. Reasonable signs advertising a property "For Rent" or "For Sale" may be displayed, subject to the authority of the Association to restrict the size, number and location of such signs.

Section 9. Any lease agreement between an owner and a lessee shall provide that the terms of the lease are subject in all respects to the provisions of the Declaration, Articles of Incorporation and the By-Laws, of the Association, and any failure by the lessee to comply with the terms of such documents shall be a default under the lease. All leases shall be in writing. Other than the foregoing, there is no restriction on the right of an owner to lease his or her unit.

Section 10. No noxious or offensive activity shall be carried on upon any lot, nor shall anything be done thereon which may be reasonably determined by the Association to be an annoyance or nuisance to the neighboring residents.

Section 11. No excavation shall be done on any lot, and no building or structure shall be erected, placed or altered until the construction plans and specifications and a plan showing

location of the improvements have been approved by the Architectural Control Committee as to quality of workmanship and materials, harmony of external design with existing structures, location with respect to topography and finish grade elevations, height of any retaining walls, and as to overall compliance with the provisions of this Declaration and with any duly enacted Association rules. A review fee of \$50.00 or such other amount as the Association may reasonably determine shall be submitted to the Architectural Control Committee along with such plans and specifications.

Section 12. The ground floor area of any residential structure on any lot shall be not less than 1,700 square feet for a one-story building. Multi-story structures shall have a total floor area of not less than 1,900 square feet. Computation of the minimum floor area as specified herein shall exclude the areas of any porches or garages.

Section 13. All structures constructed on any lot shall have as roof material either cedar shakes, concrete tile or clay tile, unless otherwise approved by the Architectural Control Committee. Structures shall not have plywood exterior siding except when used with battens not greater than 12" on center.

Section 14. No structure of a temporary character, nor trailer, recreational vehicle, boat, tent, shack, garage or other building shall be utilized at any time upon any lot for either temporary or permanent residential purposes.

ARTICLE XI COMMUNITY AREAS: SPECIAL RESTRICTIONS

Section 1. All community areas designated as common open space on the plat of Kings Ridge shall be left in a substantially natural state, except for recreational facilities consistent with the provisions of the plat. Notwithstanding any other provisions of these Declarations, no clearing, grading, filling or construction shall occur in these areas except as necessary for safety, maintenance, preservation, drainage, utility installations or community recreation facilities.

Section 2. Upon completion of the neighboring Waldenwood Project, the Association shall enter into an agreement with the homeowners' association of Waldenwood, such agreement to provide for the mutual use, enjoyment and protection of the trails located within the common areas of both Kings Ridge and Waldenwood, by residents of both areas.

ARTICLE XII
USE AND REPAIR COVENANTS

Section 1. Outside any lot, no planting or gardening shall be done (except by the Developer), and no fences, hedges or walls shall be erected or maintained on any lot unless authorized by Association action. The Association may establish an Architectural Control Committee for the purpose of delegating thereto certain powers and duties of the Association or its Board for the enforcement and regulation of lot use restrictions, special restrictions for community areas, and use and repair covenants, as provided for in this Declaration.

Section 2. The proper maintenance, upkeep, and repair of individual units and improvements shall be the sole responsibility and duty of the individual owners thereof and in no way shall it be the responsibility of the Association, its agents, subagents, officers, or directors. Subsequent to the development period, any action necessary or appropriate to the maintenance and upkeep of the Community Areas, shall be taken only by the Association.

ARTICLE XIII
INSURANCE AND DAMAGE; CONDEMNATION

Section 1. Insurance coverage.

The Board shall obtain and maintain at all times as a common expense a policy or policies and bonds written by companies licensed to do business in Washington required to provide:

1.1 General comprehensive liability insurance insuring the Board, the Association, the owners, Declarant, and any managing agent against any liability to the public or to the owners of lots and their guests, invitees, or tenants, incident to the ownership or use of Community Areas or Drainage Detention Facilities. The coverage under such policies shall be in an amount determined by the Board after consultation with insurance consultants but not less than One Million Dollars (\$1,000,000.00) covering all claims for personal injury and property damage arising out of a single occurrence. Policy limits shall be reviewed at least annually by the Board. The policies of liability insurance shall contain a severability of interest endorsement or equivalent coverage which shall preclude the insurer from denying the claim of a lot owner because of the negligent acts of the Association or other lot owners.

1.2 Fidelity coverage naming the Association as an obligee to protect against the dishonest acts by the Board, Association officers, manager and employees of any of them and all others who are responsible for handling Association funds, in an amount equal to at least fifty percent (50%) of the estimated annual operating expenses, including reserves. Fidelity bonds providing such coverage shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression.

1.3 Such other insurance as the Board deems advisable, including directors and officers liability insurance covering the Board and officers of the Association and including insurance against loss of personal property of the Association.

1.4 Each owner shall obtain additional insurance respecting his lot and his own improvements and contents at his own expense.

Section 2. Consequences of Condemnation.

If at any time, all or any part of the property of the Association shall be taken or condemned by any public authority or sold or otherwise disposed of in lieu of or in avoidance thereof, the provisions of this Section 2 shall apply.

2.1 Notice of Condemnation Proceedings. If any part of the Community Area and facilities, Drainage Detention Facilities or portions thereof is made the subject matter of any condemnation or eminent domain proceedings, or is otherwise sought to be acquired by a condemning authority, the Board shall promptly furnish notice of such proceedings or proposed acquisition to each owner and each institutional holder of a mortgage on lots.

2.2 Proceeds. All compensation, damages, or other proceeds therefrom, the sum of which is hereinafter called the "Condemnation Award," shall be payable to the Association.

2.3 Complete Taking. In the event that the entire Community Area and facilities are taken or condemned, or sold or otherwise disposed of in lieu of or in avoidance thereof, the Condemnation Award shall be apportioned among the owners in equal shares.

2.4 Partial Taking. In the event that less than the

entire property is taken or condemned, or sold or otherwise disposed of in lieu of or in avoidance thereof, the Condemnation Award shall be paid to the Association and shall be retained by it to use for the purposes of the Association.

ARTICLE XIV
ENFORCEMENT

Section 1. The Association, or any owner, shall have the right to enforce, by any appropriate proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this instrument. The Developer separately and the Declarant separately shall have the same rights of enforcement during the development period. Failure by any person entitled to enforce the provisions of this instrument to pursue the enforcement of such provision shall in no event be a waiver of the right thereafter to enforce such provision.

Section 2. Remedies provided by this instrument for collection of any assessment or charge against any member or other entity are in addition to, cumulative with, and are not in lieu of other remedies provided by law.

Section 3. The covenants, restrictions, liens, conditions, easements, and enjoyment rights contained herein run with the land and shall be binding upon all persons purchasing, leasing, subleasing or otherwise occupying any portion of the properties, as well as their heirs, executors, administrators, successors, grantees, and assigns. All instruments granting or conveying any interest in any lot shall refer to this instrument and shall recite that it is subject to the terms hereof as if fully set forth therein. However, all terms and provisions of this Declaration shall be binding upon all successors in interest notwithstanding the failure to refer to this Declaration in the instrument of conveyance.

Section 4. If any particular paragraph, subparagraph or sentence of this instrument be declared invalid by an appropriate authority, every other provision shall remain nevertheless in full force and effect. The singular wherever used herein shall, when applicable, be construed to include the plural and necessary grammatical changes required to make the provisions of this instrument applicable to corporations or individuals, men or women, shall in all cases be assumed as if set forth expressly.

ARTICLE XV
RIGHTS OF CERTAIN MORTGAGEES

Section 1. Any institutional first mortgagee shall have the right on request therefor to: (a) inspect the books and records of the Association during normal business hours; (b) receive an annual audited financial statement of the Association within ninety (90) days following the end of any fiscal year; and (c) receive written notice of all meetings of the Association and to designate a representative to attend all such meetings.

Section 2. The Association shall not abandon or terminate the planned residential development or make any material amendment to the Declaration, By-Laws or Articles of Incorporation, without the prior written approval of all institutional first mortgagees.

Section 3. Institutional first mortgagees shall be entitled to timely written notice of:

(a) substantial damage to any part of the Community Areas or facilities, and

(b) any condemnation or eminent domain proceedings involving any portion of the Community Areas or facilities.

ARTICLE XVI
AMENDMENT AND REVOCATION

Section 1. This instrument may be amended, and partially or completely revoked only as herein provided or otherwise provided by law.

Section 2. During the development period, the Declarant may amend this instrument only to make corrections of a technical nature, to add an additional division, or to comply with the requirements of the Federal National Mortgage Association, Government National Mortgage Association or Federal Home Loan Mortgage Corporation simply by recording an acknowledged document setting forth specifically the provision amending this instrument.

Section 3. After the conclusion of the development period this instrument may be amended by recording a written instrument signed by the Association and acknowledged by its President and Secretary setting forth the specific provisions of amendment and certifying truthfully that said provisions were approved at a duly held meeting of the members of the Association by an affirmative vote of not less than seventy five percent (75%) of the membership.

ARTICLE XVII
MISCELLANEOUS PROVISIONS

Section 1. Whenever in this Declaration a matter is required to be adopted or approved by majority vote or by other percentage vote of the membership, the determination of the majority or percentage shall be based upon the number of memberships present (in person or by proxy) and entitled to vote at an annual or special meeting of the membership, duly called in accordance with the Bylaws of the Association.

Section 2. The invalidity of any part of these Declarations shall not impair or affect in any manner the validity, enforceability or effect of the balance thereof.

Section 3. The captions herein are inserted only as a matter of convenience and for reference and in no way confine, limit or describe the scope of these Declarations, or the intent of any provision thereof.

Section 4. The use of the masculine gender in these Declarations shall be deemed to include the feminine gender and the use of the singular shall be deemed to include the plural whenever the context so requires.

Section 5. No restriction, condition, obligation or provision contained in these Declarations shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

IN WITNESS WHEREOF the undersigned Declarant designated herein has executed this instrument this 9th day of June, 1987.

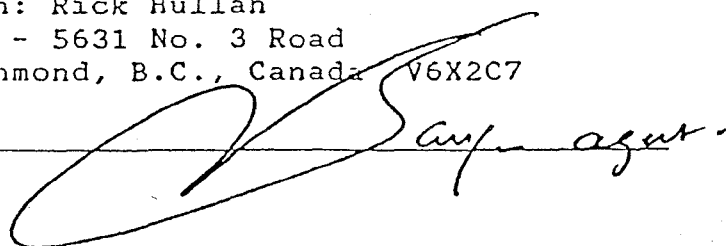
TERRA FERMA DEVELOPMENT COMPANY, LTD.
c/o Progressive Holdings, Inc.
Attn: Noordin Sayani
201 - 5631 No. 3 Road
Richmond, B.C., Canada V6X2C7

By 

8706100275

PROGRESSIVE HOLDINGS, INC.
Attn: Rick Hullah
201 - 5631 No. 3 Road
Richmond, B.C., Canada V6X2C7

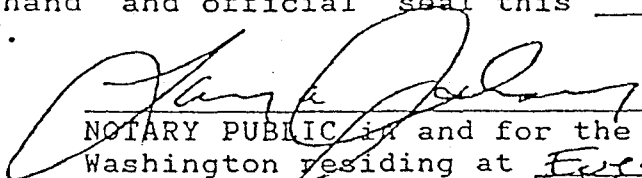
By _____



STATE OF WASHINGTON)
)ss
COUNTY OF SNOHOMISH)

On this day before me the undersigned, a Notary Public in and for the above County and State, duly commissioned and sworn, personally appeared Noor Din K Sayani, to me known to be the Secretary of Terra Ferma Development Company, Ltd., the corporation described in and which executed the within and foregoing instrument, for the uses and purposes therein mentioned, and on oath stated that he is duly authorized to execute such instrument in the name of and on behalf of such corporation.

GIVEN under my hand and official seal this 9th day of June, 1987.


NOTARY PUBLIC in and for the State of
Washington residing at Everett
My commission expires 4/7/91

STATE OF WASHINGTON)
)ss
COUNTY OF SNOHOMISH)

On this day before me the undersigned, a Notary Public in and for the above County and State, duly commissioned and sworn, personally appeared Noor Din K Sayani, to me known to be the Agent of Progressive Holdings, Inc., the corporation described and which executed the within and foregoing instrument, for the uses and purposes therein mentioned, and on oath stated that he is duly authorized to execute such instrument in the name of and on behalf of such corporation.

GIVEN under my hand and official seal this 9th day of June, 1987.

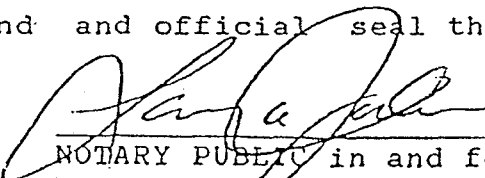

NOTARY PUBLIC in and for the State of
Washington residing at Everett
My commission expires 4/7/91

EXHIBIT A

Description of Real Property Within
King's Ridge, Division I

This plat of Kings Ridge Division 1 embraces that portion of the East 1/2 of the Southwest 1/4 of Section 21, Township 28 North, Range 5 East, W.M., Snohomish County, Washington, described as follows:

COMMENCING at the monument at the Northeast corner of said subdivision, thence S 0°15'00" E along the East line of said subdivision 20.00 feet to the POINT OF BEGINNING on the South margin of 108th Street Southeast; thence continuing S 0°15'00" E along said line 725.69 feet; thence N 62°00'00" W 169 feet; thence S 86°48'19" W 70.94 feet; thence N 88°00'00" W 31.00 feet; thence S 45D58'00" W 139.64 feet; thence S 26°11'54" E 100.00 feet; thence S 72D20'00" W 101.12 feet; thence N 26°11'54" W 137.00 feet; thence S 68°16'45" W 129.17 feet; thence S 87°40'50" W 50.81 feet; thence S 66°31'06" W 120.19 feet' thence S 19°40'00" E 11.00 feet; thence S 53°58'27" W 89.41 feet; thence N 86°08'37" W 124.17 feet; thence N 32°30'00" E 106.00 feet to intersect the arc of a curve at a point from which the center lies N 27°04'54" E 50.00 feet distant; thence Northwesterly along said curve to the right through a central angle of 22°55'06" an arc distance of 20.00 feet; thence 50°00'00" W 111.00 feet; thence N 30°10'15" W 119.88 feet; thence N 18°07'36" E 93.00 feet; thence N 73°40'46" W 70.03 feet; thence S 84°00'00" W 183.00 feet; thence N 6°00'00" W 71.00 feet; thence N 44°56'00" E 69.45 feet to intersect the arc of a curve at a point from which the center lies N 39°04'40" E 50.00 feet distant; thence Northwesterly along said curve to the right through a central angle of 22°55'06" an arc distance of 20.00 feet; thence S 56°09'43" W 115.66 feet to intersect the East line of the plat of Terryhaven recorded in Volume 27 of Plats, Page 73, Records of said County; thence N 0°16'30" W 592.00 feet to said South margin of 108th Street Southeast; thence N 89°33'06" E 1328.53 feet to the POINT OF BEGINNING.

8706100275

BYLAWS

OF

KING'S RIDGE HOMEOWNERS ASSOCIATION

I.

Name & Location

1.1 The name of this corporation is the "King's Ridge Homeowners Association", and this corporation is incorporated under the laws of the State of Washington as a non-profit corporation, and as evidenced by Certificate of Incorporation dated 6/16/87; File No. 601-029-639.

1.2 The principal offices of the corporation shall be located as initially determined by the incorporators, and as later determined by the Board of Directors of this Association.

II.

Definitions

2.1 "Association" shall mean and refer to the King's Ridge Homeowners Association, a Washington nonprofit corporation, its successors, and assigns.

2.2 "Board" shall mean and refer to the Board of Directors of the Association.

2.3 "Plat" shall mean that certain plat of King's Ridge, Division I recorded in Volume _____ of Plats, Pages _____, records of Snohomish County, Washington and shall later include any additional plat for a subsequent division of King's Ridge, upon the recording of an amendment to the Declarations to that effect.

2.4 "Properties" shall mean that certain real property described on Exhibit "A" attached to the Declarations together with improvements thereon, and shall later include any real property added for a subsequent Division, by amendment to the Declarations, upon recording of the same, and any other real property hereafter acquired by the Association.

2.5 "Development Period" shall mean that period of time from the date of recording of the Declaration until a time which is one hundred twenty (120) days after the date upon which eighty percent (80%) of the lots within Phase I of the Plat have been

sold by the Declarant, or any shorter period ending five (5) years from the date of recording of this Declaration; provided, however, that if Declarant has received final plat approval for an addition to King's Ridge prior to the expiration of that period of time five years from the date of recording this Declaration, then the development period for the addition shall be that period of time from receipt of final plat approval for that addition until 120 days after the date upon which eighty percent (80%) of the additional lots in King's Ridge have been sold by Declarant, or any shorter period as determined by Declarant but no longer than that period ending five years from the date of final plat approval for that addition. The development period for subsequent additions to King's Ridge shall be a similar time period from the date of final plat approval for such addition.

2.6 "Lot" shall mean the lots shown on the plat excluding any community areas, plus any dwelling unit now or hereafter placed on that lot together with all appurtenances of said lot, and shall also include any lots which may by phased addition become included in the properties.

2.7 "Community Area" shall mean any and all of the properties shown on the plat, excluding lots, which shall be owned by the Association for the common use and enjoyment of the owners including common open space and recreation areas or facilities, pathways or walkways, and all improvements thereto.

2.8 "Drainage Detention Facilities" shall mean Tract 998 as depicted upon the final plat map for King's Ridge, Division I, and any similarly designated tract in Division II as later recorded for King's Ridge.

2.9 "Association Action" means and refers to a corporate resolution of the Association in the form of either a By-Law or a resolution duly passed by either the Board of Directors of the Association or by the members of the Association in a members' meeting.

2.10 "Members" shall mean and refer to every person or entity holding a membership in the Association. There shall be one membership per lot.

2.11 "Owner" shall mean and refer to every person of entity holding a membership in the Association. There shall be one membership per lot.

2.12 "Unit" shall mean the buildings occupying any lot, but the word "unit" shall not be used in any conveyance, Will or trust instrument.

2.13 "Architectural Committee" shall mean the Declarant or the Declarant's appointee, during the development period, and thereafter shall mean the Board or such committee as the Board shall appoint.

2.14 "Declaration" shall mean and refer to the Declaration of Covenants, Conditions, Easements, Liens and Restrictions and Deed, as recorded under Snohomish County Auditor's File No. _____, Book _____, Pages _____ or as hereafter amended.

2.15 "Incorporator", "Declarant" or "Developer" shall mean Terra Ferma Development Company, Ltd. and Progressive Holdings, Inc., both of which are Washington corporations, and their respective successors, and assigns.

2.16 "Articles of Incorporation" shall mean the Articles of Incorporation for the Association, as on file with the Office of the Secretary of State for the State of Washington, or as hereafter duly amended.

2.17 "Director" shall mean any member of the Board of Directors.

2.18 "Institutional First Mortgagee" means a bank or a savings and loan association or established mortgage company, or other entity chartered under federal or state laws, any corporation or insurance company or any state or federal agency which holds a first mortgage or deed of trust on a unit.

III.

Purposes & Powers

3.1 This Association shall be at all times conducted in accordance with the Declaration, the Articles of Incorporation and the laws of the state of Washington for non-profit corporations and the purposes of this Association and the authority and power of this Association shall be as granted, defined and limited in such Declaration, Articles and laws.

IV.

Membership

4.1 The owner or contract purchaser of any lot within the plat of King's Ridge shall automatically be entitled to

membership in this Association. All memberships in this Association are subject to the provisions of the Declaration. Memberships shall be inseparably appurtenant to lots owned or purchased, and upon transfer of ownership of any lot, membership herein shall likewise be deemed to be transferred. No membership may be transferred, assigned, pledged or conveyed in any manner other than as described herein or in the Declaration.

4.2 There shall be but one membership for each lot, and one vote per membership for any issue submitted to a vote of the membership. When a single entity or person owns more than one lot, and thus more than one membership, each membership may be voted separately. Where more than one entity or person owns a lot, the vote for such membership shall be exercised as such owners shall determine, but in no event shall more than one vote be cast for any membership.

4.3 Those persons who hold an interest in a lot merely as security for the performance of an obligation shall not be entitled to membership.

4.4 Membership and all rights incident thereto including voting rights, may be forfeited or suspended for non-payment of regular or special assessments by a majority vote of a quorum of the Board of Directors. No compensation shall be paid by the Association upon any transfer of membership and no member whose membership is transferred shall be entitled to share, use, enjoy or participate in any of the property or assets of the Association. In the event that any member of this Association, his family or guest shall violate the Articles of Incorporation the Bylaws of this Association, the Declaration, or the rules and regulations established by the Board, in addition to all other rights of enforcement available to the Association, the Board may vote, by a majority of a quorum thereof, to forfeit or suspend the member's right to use the facilities and to enjoy the benefits of this corporation until such time as the violation is remedied and the member reinstated in good standing in accordance with the rules and regulations adopted by this corporation.

4.5 The right to use and enjoy Association property may be delegated by a member to such member's family, guests and tenants, subject to the authority of the Board to adopt reasonable rules governing such use and enjoyment.

V.

Meetings.

5.1 Annual meetings of the members of the corporation shall be held at the principal place of business of the corporation or at such other place as the Board may elect. The annual meetings shall be held on the third Saturday of November of every year at

2:00 p.m., or at such immediate time, day and place thereafter as a majority of a quorum of the Board may designate. Notice thereof shall be given by the secretary by mailing notice to each member no fewer than ten (10) days nor more than fifty days prior to the date of the meeting. The annual meeting of Directors shall take place immediately following the annual meeting of members.

5.2 Special meetings of the members may be called at any time by the President or a majority of the Board or by written request of twenty-five percent (25%) of the members entitled to vote, and notices of the special meeting stating the object thereof shall be given by the secretary by mailing such notice to each member no fewer than ten (10) days prior to the date on which such meeting is to be held.

5.3 At all annual and special meetings of the members, members of the Association representing twenty percent (20%) of the membership entitled to vote shall constitute a quorum for the transaction of business. Membership business shall be conducted by majority vote unless otherwise provided herein, except that to authorize the sale or transfer of any real property of the Association, to participate in mergers or consolidations with other non-profit organizations, or to liquidate assets or dissolve this Association, shall require a two-thirds majority vote of such a quorum at an annual or special meeting of the membership.

5.4 Special meetings of the Board shall be called at any time by the Secretary on order of the President or of a majority of the Board. The Secretary shall give each director notice, personally, verbally, by mail or by telephone, of all regular and special meetings at least one (1) day previous thereto. Notice of Directors' meeting shall be waived by the presence of all Directors.

5.5 A member may exercise his right to vote by written proxy, at any meeting called in compliance with Sections 1 through 3 of this Article. Directors may not vote by proxy.

5.6 A majority of the directors shall be required as a quorum for the transaction of business. The business of the Board shall be conducted by majority vote, unless otherwise provided herein.

5.7 The organizational meeting of members shall be called by the Developer at an appropriate time, but in no event later than within 30 days of the end of the development period. Such meeting shall be called upon notice to all owners as herein provided, and the purpose of such meeting shall be to elect the initial Directors of the Association. The organization meeting

of directors shall be held following the adjournment of the organizational meeting of members.

VI

Directors

6.1 The affairs of the Association shall be governed by a Board of Directors composed of not more than nine (9) persons and no fewer than three persons, the exact number to be determined by majority vote of the members at the organizational meeting or at a subsequent annual meeting. All directors shall be members of the Association, and shall serve without fee.

6.2 Directors shall be elected by majority vote of the members, except that during the development period the developer may select the directors who shall serve until the organizational meeting. The persons elected as directors at the organizational meeting shall serve until their successors are elected or until they are removed or resign. Each elected director shall serve for a term of three (3) years, except that one-third (1/3) of the directors elected at the organizational meeting shall serve for one (1) year, one-third (1/3) shall serve for two (2) years, and the remainder shall serve for three (3) years. Such terms of service shall be determined by the directors at their initial meeting by the drawing of lots.

6.3 Vacancies of director positions caused by any reason other than removal by vote of membership shall be filled through a majority vote of the remaining directors, and the person so chosen shall serve for the unexpired term of his or her predecessor. Any director may be removed by vote of no fewer than two-thirds (2/3) of the membership at a special meeting duly called for such purpose. The vacancy created by such removal shall be filled by vote of the members at such meeting.

6.4 Nominations for directors shall be from the floor at the organizational meeting. The Board shall thereafter appoint a nominating committee which shall include at least one board member, to nominate directors for election at annual meetings. Nominations at annual meetings may also be made from the floor.

6.5 The Board shall have the power and authority to do all things necessary to carry out and implement the purposes of the Association, as described herein, in the Articles of Incorporation or in the Declaration, and in so doing, shall exercise all powers, duties and authority on behalf or in the best interests of the Association which are not specifically reserved for the membership by these Bylaws, the Articles of Incorporation, the Declaration or the Laws of the State of Washington.

6.6 So long as a director, officer, or committee member, or managing agent exercising the powers of the Board of Directors, has acted in good faith, without willful or intentional misconduct, upon the basis of such information as may be possessed by such person, then no such person shall be personally liable to any owner, or prejudice suffered or claimed on account of any act, omission, error nor negligence of such person; provided, that this section shall not apply where the consequences of such act, omission, error or negligence are covered by insurance, or bond obtained by the Board of Directors. Each director, officer, committee member, or managing agent exercising the powers of the Board of Directors, shall be indemnified by the Association against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of being or having held such position at the time such expenses or liabilities are incurred, except in such cases wherein such person is adjudged guilty of misfeasance in the performance of his duties; provided, that, in the event of a settlement, the indemnification shall apply only when the Board of Directors approved such settlement and reimbursement as being for the best interest of the Association.

6.7 The Board of Directors may create such committees, and appoint or employ such agents, managers or employees as they deem necessary, and to fix and proscribe the duties and compensation of the same, including an architectural committee of no fewer than three (3) persons for the purpose of carrying out and enforcing the building, construction, and lot use provisions and restrictions of the Declarations.

6.8 It shall be the duty of the Board of Directors to:

(a) Conduct, manage and control the affairs and business of the Association and to make and publish rules and regulations governing use of common areas and facilities and for the personal conduct of members and their tenants, families and guests.

(b) Select and remove all officers, other than directors, agents and employees of the corporation, prescribe such powers and duties for them as may not be inconsistent with law, and with the Articles of Incorporation or the Bylaws, fix their compensation and require from them security for faithful service as the Board may deem appropriate.

(c) Fix, administer and levy the collection of dues, assessments or other charges from the members as otherwise provided herein.

(d) Cause to be kept a complete record of all minutes, and acts of the Board and to present a full statement and report to the annual meeting of members showing the condition and affairs of the Association.

(e) Appoint a nominating committee of no fewer than three (3) persons, one of whom is a director, for the purposes of nominating individuals for director positions.

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

(g) Procure and maintain adequate liability and hazard insurance on property owned by the Association.

(h) Provide for the maintenance, repair, upkeep of the properties of the Association and the common areas.

(i) Adopt a budget and provide for the keeping of adequate books, records and accounts.

VII

Officers

7.1 Designation. The executive officers of the Association shall be a President, Vice-President, Secretary and a Treasurer, all of whom shall be elected by and from the Board of Directors, and all of whom shall be members of the Association. The Directors may appoint an Assistant Treasurer and Assistant Secretary and such other subordinate officers as in their judgment may be necessary.

7.2 Election of Officers. The officers of the Association shall be elected by the Board of Directors at the organizational meeting of the Board and thereafter at the annual meeting of the Board and shall hold office at the pleasure of the Board, and/or until their successors be elected. The election or removal of officers shall be by majority vote of the Board.

7.3 President. The duties of the President shall be to preside at all meetings of members and directors. He or she shall have all general powers and duties which are usually incident to such office.

7.4 Vice President. The Vice President shall take the place of the President and perform the duties of the President whenever the President is absent or unable to do so, and he or

she shall perform such other duties as shall from time to time be assigned by the Board. During such time as there are only three (3) Directors, there shall be no Vice President, and the Secretary shall then perform the duties of the office of Vice President.

7.5 Treasurer. The Treasurer shall receive, keep faithfully and deposit in such bank or banks as may be designated by the Board of Directors, all funds, securities, and liquid assets of the Association; in its name for its account, and shall disburse funds of the Association under the direction of the Board of Directors on checks signed in the manner from time to time determined by the Board of Directors. He or she shall keep full and accurate books of account and shall make such report of the finances and transactions of the Association as may be required by the Board of Directors and shall prepare and present to the annual meeting of the members a full statement showing in detail the financial condition of the Association.

7.6 Secretary. The Secretary shall attend and keep the minutes of all meetings of the Board of Directors or of the Association; shall give all notices as provided by the Bylaws and shall have such other powers and duties as may be incidental to the office of Secretary, given by these Bylaws or assigned to him or her from time to time by the Directors. If the Secretary shall not be present at any meeting, the Presiding Officer shall appoint a Secretary Pro Tempore who shall keep the minutes of such meeting and record them in the books provided for that purpose.

VIII

Budget and Assessments

8.1 The Board of Directors shall prepare an annual budget for the Association. Such budget shall include the anticipated costs and expenses of operating the Association for a full fiscal year, and shall include all amounts that are anticipated as necessary for the conduct of the duties, responsibilities and affairs of the Association (together with any amounts to establish reasonable reserves for depreciation or replacement of property or facilities), as described herein and in the Articles of Incorporation and Declaration.

8.2 The annual budget as prepared by the Board shall be submitted to the membership for a vote, and shall be adopted as the basis for assessments by a majority vote of the membership in attendance at the annual meeting or other special meeting duly called for such purposes. At the first organizational meeting of the membership, an interim budget may be adopted until such time as the Board can more accurately determine a budget for the full or remaining year.

8.3 Upon approval of a budget by membership vote, the Board shall make the annual assessment equally against each lot, in the manner prescribed in the Declaration and based upon the approved budget.

8.4 Special assessments may be made for the purposes described in the Declaration, or for any other purpose of the Association, upon majority approval by the Board of Directors and upon majority vote of the membership present and entitled to vote at an annual or special meeting duly called for such purposes.

8.5 All annual or special assessments shall create a lien for the amount of the assessments in favor of the Association as described in the Declarations, and non payment of any assessment amount shall result in the addition of interest, attorney fees and collection costs being added to such assessment amount, as provided in the Declaration.

IX

Miscellaneous Provisions

9.1 Rules of Conduct. Rules, regulations and restrictions concerning the use of the lots and of the community areas and facilities and the drainage control facilities may be promulgated and amended by the Board of Directors from time to time. Copies of such rules, regulations and restrictions shall be made available by the Board to each lot owner prior to their effective date. Such rules, regulations and restrictions shall be in addition to the restrictions set forth in the Declaration attached hereto.

9.2 Notices. Except as herein expressly provided with respect to notices of meetings of the members and of the Board of Directors, all notices to the Board of Directors or the Association shall be sent by registered or certified mail in care of the Managing Agent, and if there is no Managing Agent, to the office of the Board of Directors or to such other address as the Board may hereafter designate from time to time. All notices to any lot owner shall be sent by regular mail or delivered to such address as may have been designated by such lot owner from time to time in writing to the Board of Directors.

9.3 Invalidity. The invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the balance thereof.

9.4 Captions. The captions herein are inserted only as a matter of convenience and for reference and in no way confine,

limit or describe the scope of these Bylaws, or the intent of any provision thereof.

9.5 The Use of Section, Number, Gender. The use of the masculine gender in these Bylaws shall be deemed to include the feminine gender and the use of the singular shall be deemed to include the plural whenever the context so requires.

9.6 Waiver. No restriction, condition, obligation or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

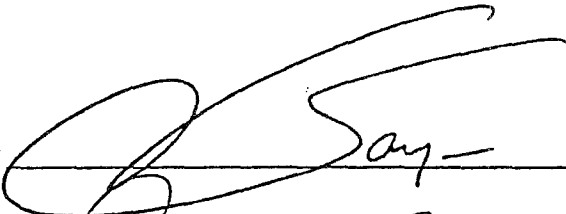
9.7 Conflicts. In case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control, and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

9.8 Amendment of Bylaws. These Bylaws may be amended, modified, or revoked in any respect from time to time upon a majority vote of the Board of Directors and upon a majority vote of approval by the members at an annual or special membership meeting called for that purpose.

ADOPTION OF BYLAWS

The foregoing Bylaws were adopted on this _____ day of _____, 1987.

By



By