

THE FALLS

At Snohomish Cascade

AMENDED ARTICLES OF INCORPORATION

SNOHOMISH CASCADE HOMEOWNERS ASSOCIATION

FOR DIVISIONS I, II, III

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In compliance with the requirements of Chapter 24.03, Revised Code of Washington, the undersigned, who is a resident of the State of Washington and citizen of the United States and is over the age of twenty one (21) years, for the purpose of forming a non-profit corporation, and does hereby made, subscribe, execute and adopt, in triplicate, the following Articles of Incorporation and certify as follows:

ARTICLE I

NAME

The name of the corporation is SNOHOMISH CASCADE HOMEOWNERS ASSOCIATION (hereinafter the "Association").

ARTICLE II

PRINCIPAL OFFICE

The principal office of the Association is located at 301 - 116th Avenue S. E., Suite 570, Bellevue, Washington 98004.

ARTICLE III

PURPOSE AND POWERS OF THE CORPORATION

This corporation does not contemplate pecuniary gain or profit to the Members thereof, and the specific purposes for which it is formed are to provide for the ownership, maintenance and preservation and architectural control of the Lots within the certain tract of land described as the Plat of SNOHOMISH CASCADE, DIVISION I, II, and III, and recorded on the days as follows:

Snohomish Cascade Division I recorded on the 2nd day of March, 1988 under Auditor's File No. 8803025002 in Volume 48 of Plats, pages 130-132 inclusive, records of the County of Snohomish, State of Washington; Snohomish Cascade Division II recorded on the 2nd day of August, 1989, under Auditor's File No. 8908025004 in Volume 49 of Plats, pages 163-165 inclusive, Records of the County of Snohomish, State of Washington; Snohomish Cascade Division III recorded on the 9th day of August, 1989 under Auditor's File No. 8908095001 in Volume 49 of Plats, pages 169-171 inclusive, Records of the County of Snohomish, State of Washington with the Snohomish County Auditor (hereinafter the "Property"), and to promote the health, safety and welfare of the residents within the Property and any additions thereto and for this purpose:

(a) To exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in that certain Declaration of Covenants, Conditions, and Restrictions (hereinafter the "Declaration"), applicable to the Property and recorded or to be recorded with the Snohomish County Auditor's File No. 9010250531 Volume 2388 page 2140 through 2158 inclusive, and as the same may be amended from time to time a therein provided, said Declaration being incorporated herein as if set forth at length;

(b) To fix, levy, collect and enforce payment by any lawful means, all charges or assessments pursuant to the terms of the Declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association including all licenses, taxes or governmental charges levied or imposed against the Property of the Association;

(c) To acquire (by gift, purchase or otherwise), own, hold, improve build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association;

(d) To borrow money, to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred; and

(e) To have and to exercise any and all powers, rights, privileges which a corporation organized under the Non-Profit Corporation Law of the State of Washington, by law may now or hereafter have or exercise.

ARTICLE IV

REGISTERED OFFICE AND AGENT

The address of the initial registered office of the corporation shall be 301 - 116th Avenue S.E. Suite 750, Bellevue, Washington 98004.

The name of the registered agent at such address shall be Donald H. Leavitt.

ARTICLE V

MEMBERSHIP

Every person or entity who is the contract vendee under a real estate contract or record owner of a fee interest in any Lot which is subject by covenants of record to assessment by the Developer named in the Declaration or by the Association, shall be a Member of the Association: Provided, however, that if any Lot is held jointly by two (2) or more persons, the several Owners of such interest shall designate one of their number as the "Member." The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of or the contract purchaser's interest in any Lot which is subject to assessment by said Developers or by the Association. Upon transfer of the fee interest to, or upon the execution and delivery of a contract for the sale of (or of an assignment of a contract purchaser's interest in) any Lot, the Membership and certificate of Membership in the Association shall ipso facto be deemed to be transferred to the grantee, contract purchaser or new contract purchaser, as the case may be. Ownership of, or a contract purchaser's interest in, any such Lot shall be the sole qualification for Membership.

ARTICLE VI

VOTING RIGHTS

The Association shall have two (2) classes of voting Membership:

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

CLASS B: Class B member(s) shall be the Declarant (as defined in the Declaration), and shall be entitled to three (3) votes for each Lot owned. The Class B Membership shall cease and be converted to Class A Membership on a happening of either of the following events, whichever occurs earlier:

(a) When the total votes outstanding in the Class A Membership equal the total votes outstanding in the Class B Membership; or

(b) Upon conveyance of the common area to the Association in accordance with Section 6.3 of the Homeowner's Association Covenants Conditions and Restrictions simultaneous delegation by Declarant of its interest, powers, obligations in accordance with Section 6.5 of the Homeowner's Association Covenants Conditions and Restrictions.

ARTICLE VII

BOARD OF DIRECTORS

The affairs of this Association shall be managed by a Board of Directors consisting of three (3) Directors, who need not only be Members of the Association. The number of Directors may be changed only by amendment of the Articles of Incorporation.

The names and addresses of persons who are to act as Directors until the selection of their successors are: Donald H. Leavitt, Gail M. Leavitt, and Tracey S. Cooper. The address of the above directors is 301 - 116th Avenue S.E., Suite 570, Bellevue, Washington 98004.

The first annual meeting of the Members of the Association shall be held as soon as practicable after more than eighty-eight (88) Lots have been sold in fee or under real estate contracts, to homeowners. At such meeting the Members shall elect one (1) Director for a term of two (2) years and one (1) Director for a term of one (1) year; and at the annual meetings thereafter Members shall elect one (1) Director for a term of three (3) years when the term of a Director elected by the Members expires. At the first annual meeting and at each third annual meeting thereafter, the Declarant shall select one (1) Director for a term of three years.

ARTICLE VIII**LIABILITIES**

The highest amount of indebtedness or liability direct or contingent, to which this Association may be subject at any one time shall not exceed one hundred fifty percent (150%) of its revenue for the previous fiscal year, provided, however, that additional amounts may be authorized by the assent of two-thirds (2/3) of that Membership.

ARTICLE IX**ANNEXATION OF ADDITIONAL PROPERTIES**

The Association may, at any time, annex additional residential properties and common areas to the Property and so add to its Membership under the provisions of Article V.

ARTICLE X**AUTHORITY TO MORTGAGE**

Any mortgage by the Association of the Common Properties defined in the Declaration shall require the assent of two-thirds (2/3) of the Members of the Association.

ARTICLE XI**AUTHORITY TO DEDICATE**

The Association shall have the power to dedicate, or transfer all of any part of the Common Properties owned by it to any governmental unit or public agency or authority or public utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective unless an instrument signed by two-thirds (2/3) of the Members of the Association entitled to vote has been recorded or agreed to such dedication or transfer.

ARTICLE XII**DISSOLUTION**

After approval of a plan of distribution as provided in Article XIII, the Association may be dissolved upon adoption of the Board of Directors of the resolution recommending the corporation be dissolved and the Member's written assent signed by not less than two-thirds (2/3) of the Members of the Association.

ARTICLE XIII**PLAN OF DISTRIBUTION**

Prior to voting on the Board of Directors resolution on dissolution of the Association, the Members of the Association shall vote upon and approve by a written two-thirds (2/3) vote of a plan of distribution embodied in a Board of Directors resolution stating that the dissolution of the Association shall not become effective until the assets, both real and personal, of the Association are dedicated to an appropriate public agency devoted to purposes as nearly as practicable the same as the purposes of the Association or, if such dedication is refused acceptance, until such assets are granted, conveyed and assigned to any non-profit association, trust or other organization devoted to the purposes and uses that most nearly reflect the purposes and uses of the Association.

ARTICLE XIV**MEETINGS FOR ACTIONS GOVERNED BY ARTICLES VIII THROUGH XIII**

To take action under Articles VIII through XIII, there must be a duly held meeting. Written notice, setting forth the purpose of the meetings, shall be given to all Members not less than ten (10) days nor more than thirty (30) days in advance of the meeting. The presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of Membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called, subject to the notice requirement set forth above, and the required quorum at such subsequent meeting shall be one-half (1/2) of the required quorum of the preceding meeting. No such subsequent meeting shall be

held more than sixty (60) days following the preceding meeting.

ARTICLE XV

DURATION

The Association shall exist perpetually.

ARTICLE XVI

AMENDMENTS

Amendments of these Articles by the Association shall require the affirmative vote of seventy-five percent (75%) of the Members.

ARTICLE XVII

INDEMNIFICATION OF OFFICERS, TRUSTEES, EMPLOYEES AND AGENTS

(a) The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than any action by or in the right of the corporation) by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines or amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any actions, suit or proceeding by judgement, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner in which he is reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding had reasonable cause to believe that his or her conduct was unlawful.

(b) The corporation shall indemnify any person who was or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgement in its favor by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another enterprise against expenses, including attorney's fees, actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect to any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application, despite the adjudication of liability, but in view of all circumstances of the case, such person is firmly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

(c) To the extent that directors, officers, employees or agents of the corporation have been successful on the merits or otherwise in defense of any actions, suit proceeding referred to in Subsections (a) or (b), or in defense of any claim, issue or matter therein he or she shall be indemnified against expenses, including attorney's fees, actually and reasonably incurred by him or her in connection therewith.

(d) Any indemnification under Subsections (a) or (b) (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standards of conduct set forth in Subsection (a) or (b). Such determination shall be made: (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or if such quorum is not obtainable, or even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (2) by the shareholders.

(e) Expenses, including attorneys' fees, incurred in defending a civil or criminal action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceedings as authorized in the manner provided in Subsection (d) upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he or she is entitled to be indemnified by the corporation as authorized in this section.

(f) The indemnification provided by this Article shall not be deemed exclusive or any other rights to which those indemnified may be entitled under any by law, agreement, vote of Members or disinterested directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be director, officer, employee or agent and shall inure to the benefit of heirs, executors and administrators of such a person.

(g) Upon the majority vote of a quorum of the Board of Directors, the corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as an officer, director, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity,

or arising out of his status as such, whether or not the corporation shall have indemnified him against such liability under the provisions of this Article.

ARTICLE XVIII

FHA/VA APPROVAL

As long as there is a Class B membership, the following actions will require the prior approval of the Federal Housing Administration (FHA) or the Veterans Administration (VA): annexation of additional properties, mergers and consolidations, mortgaging of Common Area, dedication of Common Area, dissolution and amendment of these Articles.