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STATE OF WASHINGTON

JUN 1 1995

RALPH MUNRO
SECRETARY OF STATE

ARTICLES OF INCORPORATION

OF

THE TOWN HOMES AT LUDLOW BAY ASSOCIATION

A Washington Non-Profit Corporation

In compliance with the requirements of RCW 24.03, the undersigned, Craig Jones, who is a resident of Washington and otherwise fully qualified, does hereby voluntarily form a corporation not for profit and does hereby certify:

**ARTICLE I
NAME**

The name of the corporation shall be "THE TOWN HOMES AT LUDLOW BAY ASSOCIATION" (hereafter referred to as the "Town Home Association").

**ARTICLE II
PRINCIPAL OFFICE**

The initial principal office of the Town Home Association is located at 19245 Tenth Avenue N.E., Poulsbo, Washington 98370, but may be changed at the discretion of the Board of Directors.

**ARTICLE III
REGISTERED AGENT**

Mr. Thomas A. Griffin, whose address is 19245 Tenth Avenue N.E., Post Office Box 1780, Poulsbo, Washington 98370, is hereby appointed as the initial Registered Agent of the Town Home Association.

**ARTICLE IV
DURATION**

The Town Home Association shall exist perpetually.

**ARTICLE V
PURPOSE AND POWERS OF THE TOWN HOME ASSOCIATION**

The Town Home Association does not contemplate pecuniary gain or profit to the members thereof, and it is formed for management, maintenance, social and recreational purposes to benefit the 53 residential town homes within Ludlow Bay Village, and owners, residents and occupants therein. Ludlow Bay Village, including the town homes, is subject to a Master Declaration of Covenants, Conditions, Restrictions, Assessments, Charges, Liens, Reservations and Easements for Ludlow Bay Village (hereafter referred to as the "Master Declaration"). The Master Declaration, together with all amendments thereto now or in the future, is incorporated herein by this reference and, in the event of any inconsistency between the Master Declaration and these Articles of Incorporation, the Master Declaration shall control. In addition, the definitions contained within the Master Declaration shall apply to these Articles of Incorporation by this reference.

The Town Home Association shall have the right and responsibility to exercise all of the powers and privileges and to perform all of the duties and obligations of the Town Home Association set forth in the Master Declaration, as may be amended from time-to-time, and as provided under the Washington Non-Profit Corporation Act, RCW 24.03, as specifically set forth in RCW 24.03.035, as may be amended from time-to-time.

**ARTICLE VI
MEMBERSHIP**

Every person or entity who is a record owner of a fee or undivided fee interest in a town home Lot shall be Members of the Town Home Association. Membership shall be appurtenant to and may not be separated from ownership of the town home Lot to which the Membership is attributable. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Terms and conditions of membership are set forth in the Master Declaration. The rights and obligations of Membership in the Association shall not be assigned, transferred, pledged, conveyed or alienated in any way, except upon conveyance of said property by deed, intestate succession, testamentary disposition, foreclosure or other legal process pursuant to the laws of the State of Washington or the United States.

**ARTICLE VII
MEMBERSHIP AND VOTING**

The Owner(s) of each town home lot shall be Members of the Town Home Association. Membership shall be appurtenant to and may not be separated from ownership of the town home Lot to which the Membership is attributable. If any town home Lot has been sold on contract, the contract purchaser shall exercise the rights of the Owners for purposes of the Town Home Association. Each town home Lot shall be entitled to one Membership. When more than one person holds an interest in any town home Lot, all such persons shall be Members. The vote for such property shall be exercised as they

collectively determine. If there is no collective determination, then the vote shall not be counted.

Each Membership shall be entitled to one (1) vote on all matters to come before the Town Home Association for a vote of the Membership. Unless otherwise specified to the contrary in this Master Declaration or other Governing Documents, a majority vote is required on any issue to come before the Membership for a vote.

The rights and obligations of Membership in the Town Home Association shall not be assigned, transferred, pledged, conveyed or alienated in any way except upon conveyance of the town home Lots, intestate succession, testamentary disposition, foreclosure or other legal process pursuant to the laws of the State of Washington or the United States.

ARTICLE VIII BOARD OF DIRECTORS

In order to assure that Ludlow Bay Village will be adequately administered during the initial development period, the affairs of the Town Home Association shall be managed and conducted by Declarant for a period of five (5) years from the date the Master Declaration was recorded, or until Declarant voluntarily relinquishes such right, whichever shall occur first. During this period of time, Declarant shall have the exclusive right to appoint all members of the Board of Directors, which may consist of between three (3) and nine (9) members, and who may be persons who are either employees or representatives of Declarant or who own, or are purchasers of, properties within Ludlow Bay Village. The Board appointed by Declarant shall have the full authority and all

rights, responsibilities, privileges and duties to manage the Town Home Association in accordance with this Master Declaration and other Governing Documents.

At the expiration of control by Declarant as set forth above, all administrative power and authority shall vest in the Board, to be composed of at least three (3) and no more than nine (9) Members. Each Member of the Board shall be entitled to one (1) vote on all matters to come before the Board. A majority vote shall be required for all matters to come before the Board, unless otherwise specifically provided in the Master Declaration or as required by Washington law.

The Declarant hereby designates the following four (4) members of the initial Board of Directors, who are to act in the capacity of Directors until the selection of their successors:

Name	Address
Mr. Greg McCarry	19245 Tenth Avenue N.E. Poulsbo, Washington 98370
Mr. Thomas A. Griffin	19245 Tenth Avenue N.E. Poulsbo, Washington 98370
Mr. Larry Smith	19245 Tenth Avenue N.E. Poulsbo, Washington 98370
Mr. Thomas A. Ringo	19245 Tenth Avenue N.E. Poulsbo, Washington 98370

ARTICLE IX DISSOLUTION

In the event of dissolution, the net assets of the Town Home Association shall be distributed as determined by the Board of Directors to either (1) another nonprofit corporation; or (2) to the members as provided in RCW 24.03.

**ARTICLE X
BYLAWS**

Provisions for the regulation of the internal affairs of the Town Home Association shall be set forth in the Bylaws of the Town Home Association.

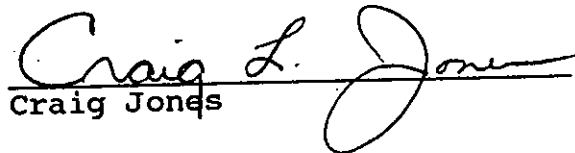
**ARTICLE XI
AMENDMENT**

These Articles of Incorporation may be amended by obtaining approval of fifty-one percent (51%) or more of the Membership; but may not be amended so as to be inconsistent with the Master Declaration.

**ARTICLE XII
INCORPORATOR**

The incorporator is Craig Jones, whose address is 18520 Hwy 305, Suite 400, Poulsbo, Washington 98370.

Dated this 25 day of May, 1995.


Craig Jones