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RALPH MUNRO
SECRETARY OF STATE

CANTERWOOD STEP SYSTEM ASSOCIATION

ARTICLES OF INCORPORATION

Dated June 16, 1994

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for
ARTICLES OF INCORPORATION
of
CANTERWOOD STEP SYSTEM ASSOCIATION

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ARTICLES OF INCORPORATION
OF
CANTERWOOD STEP SYSTEM ASSOCIATION

JOHN MORRISON, being a natural person over the age of 18, for the purpose of forming a nonprofit corporation under Chapter 24.03 of the Revised Code of Washington, adopts the following Articles of Incorporation:

ARTICLE I
NAME

The name of the corporation shall be CANTERWOOD STEP SYSTEM ASSOCIATION (the "Association").

ARTICLE II
DURATION

The period of duration of the Association shall be perpetual.

ARTICLE III
PURPOSES

The Association is organized exclusively as a nonprofit association within the meaning of Section 528 of the Internal Revenue Code of 1986 (or the corresponding provision of any future U.S. Internal Revenue law). This Association does not contemplate pecuniary gain or profit to its members.

The specific purposes for which this Association is formed are to provide for certain services and benefits to owners of certain real property in Pierce County, Washington (the "Covered Property"), within the Canterwood development.

The Covered Property is subject to a Declaration of Covenants, Conditions, and Restrictions for a STEP Sewerage System (the "Sewerage Declaration"), recorded on the 30 day of June, 1994, under Pierce County Auditor's No. 9406300300, and which authorized the formation of the Association. Terms in these Articles shall have the same meaning set forth in the Sewerage Declaration. The Association shall promote the health, safety, and welfare of the real property owners within the Covered Property, all in accordance with the provisions of the Sewerage Declaration.

ARTICLE IV

POWERS

Without limiting the foregoing, the Association shall have the authority to exercise all of the powers and privileges and perform all of the duties and obligations of the Association as set forth in the Sewerage Declaration, and as the same may be amended from time to time; exercise all other powers that may be exercised in this state for the same type of corporation as the association; and, exercise any other powers necessary and proper for the governance and operation of the Association.

ARTICLE V

DISSOLUTION

The Association may be dissolved with the assent given in writing and signed by the Association's members representing at least three-quarters (3/4) of the vested votes as determined by the Sewerage Declaration. Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this Association was created. In the event that such dedication is not accepted, such assets shall be granted, conveyed, and assigned to any nonprofit corporation, association, trust or other organization to be devoted to such similar purposes.

ARTICLE VI

REGISTERED OFFICE AND AGENT

The address of the initial registered office of the Association is 4026 Canterwood Drive Northwest, Gig Harbor, Washington 98332, and the name of its registered agent at such address is John Morrison.

ARTICLE VII

MANAGEMENT

The affairs of the Association shall be managed by the Board of Directors, as set forth more fully in the Bylaws of the Association. The right to make, alter or repeal the Bylaws of the Association is reserved exclusively to the members of the Association as set forth in the Bylaws.

ARTICLE VIII

DIRECTORS

The number of directors constituting the initial Board of Directors of the Association is three (3) and the names and address of the persons who are to serve as directors until the first annual meeting of the members or until their successors are elected and qualified are:

1. John Morrison
4026 Canterwood Drive Northwest
Gig Harbor, WA 98332
2. Eva Jacobson
4026 Canterwood Drive Northwest
Gig Harbor, WA 98332
3. Douglas A. Gonyea
4026 Canterwood Drive Northwest
Gig Harbor, WA 98332

ARTICLE IX

LIMITATION OF DIRECTOR LIABILITY

A director of the Association shall not be personally liable to the Association or its members for monetary damages for conduct as a director, except for liability of the director (i) for acts or omissions which involve intentional misconduct by the director or a knowing violation of law by the director, or (ii) for any transaction from which the director will personally receive a benefit in money, property, or services to which the director is not legally entitled. If the Washington Nonprofit Corporation Act is amended to authorize corporate actions further eliminating or limiting the personal liability of directors, then the liability of a director of the Association shall be eliminated or limited to the fullest extent permitted by the Washington Nonprofit Corporation Act, as so amended. Any repeal or modification of the foregoing paragraph by the members of the Association shall not adversely affect any right or protection of a director of the Association existing at the time of such repeal or modification.

ARTICLE X

INDEMNIFICATION OF DIRECTORS & OFFICERS

The Association shall indemnify its directors and officers against all liability, damage, and expenses arising from or in connection with service as directors and

officers with this Association to the maximum extent and under all circumstances permitted by law.

ARTICLE XI

INCORPORATOR

The name and address of the sole incorporator is John Morrison, 4026 Canterwood Drive Northwest, Gig Harbor, Washington 98332.

ARTICLE XII

EARNINGS

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

ARTICLE XIII

MEMBERS

The members of the Association shall be every owner of a dwelling unit which is subject to the Sewerage Declaration and there shall be no other members. Membership in the Association is defined and limited by the Sewerage Declaration.

ARTICLE XIV

VOTING MEMBERSHIP

The Association shall have one (1) class of voting membership, and votes shall be allocated in accordance with Article III of the Sewerage Declaration.

ARTICLE XV

AMENDMENT

These Articles may be amended by the holders of seventy-five percent (75%) of the voting power of the Association. However, the Board of Directors shall have the authority to appoint a new Registered Agent, and the directors shall be appointed as stated in the Sewerage Declaration.

ARTICLE XVI

DEFINITIONS

The terms used in these Articles of Incorporation shall have the same meaning as in the Sewerage Declaration.

IN WITNESS WHEREOF, for the purpose of forming this Association under the laws of the State of Washington, the undersigned, constituting the incorporator of this corporation, has executed these Articles of Incorporation this 16 day of June, 1994.

By: John Morrison
JOHN MORRISON
Incorporator

CANTERWOOD STEP SYSTEM ASSOCIATION

BYLAWS

Dated JUNE 16, 1994

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for
BYLAWS
OF
CANTERWOOD STEP SYSTEM ASSOCIATION

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BYLAWS
OF
CANTERWOOD STEP SYSTEM ASSOCIATION

ARTICLE I

Name and Location

The name of the corporation is CANTERWOOD STEP SYSTEM ASSOCIATION, hereinafter referred to as the "Association." The principal office of the Association shall be located at 4026 Canterwood Drive Northwest, Gig Harbor, Washington 98332, but meetings of Members and Directors may be held at such places within the State of Washington, County of Pierce, as may be designated by the Board of Directors.

ARTICLE II

Definitions

The terms used in these Bylaws shall have the same meaning as in the Declaration of Covenants, Conditions, and Restrictions for a STEP Sewerage System (the "Sewerage Declaration"), recorded on the _____ day of _____, 19__, under Pierce County Auditor's No. _____.

ARTICLE III

Meetings of Members

Section 1. Annual Meetings. The first annual meeting of the Members shall be held at the discretion of the original Directors within one (1) year from the date of incorporation of the Association. Thereafter, annual meetings shall be held on the anniversary of such date in each succeeding year or on such other date as may be approved by a majority of the membership. If the day for the annual meeting of the Members is a Saturday, Sunday, or legal holiday, the meeting will be held at the same hour on the first day following which is not a Saturday, Sunday, or legal holiday.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the President, a majority of the Board of Directors, or on written request of the Members who are entitled to vote, in the aggregate, one-quarter (¼) of the votes.

Section 3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the Secretary or person authorized to call

the meeting, by hand delivery or by mailing a copy of such notice, postage prepaid, at least fifteen (15) days before such meeting to each Member entitled to vote, addressed to the Member's address last appearing on the books of the Association, or supplied in writing by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and in the case of a special meeting, the purpose of the meeting.

Section 4. Quorum. The presence at the beginning of any meeting of Members entitled to cast one-third (1/3) of the votes shall constitute a quorum throughout that meeting for any action. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented. At each subsequent meeting, the number of votes required for a quorum shall be reduced by one-half (1/2) until a quorum is achieved.

Section 5. Manner of Voting. At all meetings of Members, each Member may vote in person, by mail, or by proxy. A proxy is void if it is not dated or purports to be revocable without notice. Unless stated otherwise in the proxy, a proxy terminates eleven (11) months after its date of issuance.

Section 6. Voting Without A Meeting. Any matter which is required to be submitted to a vote of the Members may be submitted to a vote without a meeting. If so submitted, at least a quorum as defined in Section 4 of this Article III must cast votes and the matter must be approved by the appropriate percentage of such quorum.

Section 7. Members Voting Rights.

(a) Each Member shall have one vote for each single-family home, residential condominium, cooperative unit, apartment or other lawfully established residential unit occupied or suitable for occupancy ("Dwelling Unit"). The Association rules shall provide that an Member's voting rights cease during any period in which the Member's assessments are in default.

(b) When more than one person shares ownership of a Dwelling Unit, the votes for such Dwelling Unit shall be exercised as they determine among themselves. In the event they cannot agree, their vote will not be counted on a vote of the Association membership, even though those Owners may be counted for purposes of a quorum (as if abstaining). In no event shall more votes be cast with respect to any Dwelling Unit than the total amount permitted under this Article.

(c) A Member's right to vote shall vest immediately upon the date the Dwelling Unit is connected to the Sewerage System.

(d) The voting rights for any Dwelling Unit shall automatically be suspended during any period in which Assessments against the Dwelling Unit are delinquent. The Board shall have the right to suspend the voting rights for any Dwelling Unit during any period in which there is a material violation of the Articles of Incorporation, Bylaws or Declaration of Covenants, Conditions and Restrictions for a STEP Sewerage System with respect to the use of that Dwelling Unit.

(e) A Member's right to vote may be assigned to a tenant or other party by written notice submitted to the Association. Such assignment shall not be effective until ten (10) days after receipt by the Association.

(f) A Member's right to vote automatically transfers with any change in the ownership interest required for membership.

ARTICLE IV

Board of Directors; Selection; Term of Office

Section 1. Number. The affairs of the Association shall be managed by the Board of Directors. The initial Board shall have three (3) Directors, all of whom shall be selected by Declarant. The number of Directors which shall constitute the whole Board shall be no less than three (3) and no more than seven (7). However, at all times the number shall be an uneven number of either three (3), five (5), or seven (7) Directors. The number of Directors may be increased to five (5) or seven (7) Directors by a majority vote of the Association membership at any meeting where a quorum is present and for which proper notice has been given to all Members. The Declarant shall have the power to select and replace any Director subject to the provisions of this Article IV and subject to the provisions of Article III of the Declaration of Covenants, Conditions & Restrictions for a STEP Sewerage System.

Section 2. Term. Approximately one-half (1/2) of the terms of the Directors shall expire annually. Directors' terms on the Board shall be for two (2) years with Directors alternating years so that two (2) Directors' terms terminate the first year and the other Directors' terms terminate the following year. If there are five (5) Directors, rather than three (3), three (3) terms shall terminate the first year and the other two (2) terms shall terminate the following year. If there are seven (7) Directors, then four (4) terms terminate the first year and three (3) terms terminate the following year. (The purpose is to hopefully never have an all new Board.) In any event, each Director shall hold office until such time as the Director's successor has been elected.

Section 3. Board Elections.

3.1 Time. Elections of Directors (other than those selected by Declarant) shall be held in January of each year at a date and time fixed by the Board.

3.2 Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nomination Committee shall consist of a Chairperson, who shall be a member of the Board of Directors, and one (1) or more Members of the Association who shall serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nomination Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

3.3 Election. Election to the Board of Directors shall be by secret written ballot. At such election the Members may vote in person, by proxy, or by mail in response to each vacancy, as many votes as they are entitled to exercise under the provisions of the Sewerage Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

Section 4. Removal. Any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association, except that no Director appointed by Declarant may be removed without the consent of Declarant. In the event of death, resignation or removal of a Director, the successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of the predecessor.

Section 5. Compensation. No Director shall receive compensation from the Association for any service rendered as a Director of the Association. However, any Director may be reimbursed for actual expenses incurred in the performance of duties.

ARTICLE V

Meetings of Directors

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held no less than one (1) time a year at such place and hour as may be fixed by the Board of Directors. Notice shall be given annually to the Members of the next year's meetings times.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by any two (2) Directors, after not less than one (1) day notice to each Director.

Section 3. Action Taken Without a Meeting. The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

Section 4. Quorum. A quorum is deemed present throughout any meeting of the Board of Directors if persons entitled to cast fifty percent (50%) of the votes on the Board of Directors are present at the beginning of the meeting. Members present through use of telephone shall be deemed present for purposes of a quorum and may vote by telephone. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as an act of the Board.

ARTICLE VI

Powers and Duties of Board of Directors

Section 1. Powers. The Board of Directors shall have power to:

- (a) Suspend the voting rights of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association.
- (b) Exercise for the Association all powers, duties, and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Sewerage Declaration.
- (c) Declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent without approval from three (3) consecutive regular meetings of the Board of Directors. The successor shall be appointed pursuant to Article IV, Section 4 of these Bylaws.
- (d) As necessary to pursue the Association responsibilities, employ an independent contractor, or such other employees as they deem necessary, and to prescribe their duties.
- (e) Adopt reasonable rules and regulations for the maintenance, operation, and use of the system.

Section 2. Duties. It shall be the duty of the Board of Directors to:

- (a) Keep a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by one-fourth ($\frac{1}{4}$) of the Members who are entitled to vote.

(b) Hire and supervise all agents and employees of this Association, and see that their duties are properly performed.

(c) As more fully provided in the Sewerage Declaration, to:

(1) Adjust the amount of the monthly, bi-monthly or annual assessments against each Lot at least thirty (30) days in advance of each assessment period.

(2) Send written notice of each assessment to every Owner subject thereto at least fourteen (14) days in advance of each assessment period. The written notice shall also include the time when the payment of the assessment is due.

(3) File a lien if the assessment is not paid within fifteen (15) days of its due date.

(4) When deemed necessary, may foreclose upon the lien after fifteen (15) days but prior to ten (10) years from date of assessment.

(d) Issue, or to cause an appropriate officer to issue, upon demand by any person, a statement signed by the Treasurer setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of such statement. If a statement states an assessment has been paid, such statement shall be conclusive evidence of such payment.

(e) Maintain any Association Property.

(f) Perform any and all other functions which are necessary for maintenance and continuance of the Association.

ARTICLE VII

Officers and Their Duties

Section 1. Enumeration of Officers. The officers of this Association shall be a president, vice president, secretary, and treasurer, who shall at all times be members of the Board of Directors, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

Section 3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year, or until that officer's successor is

elected, unless the officer sooner resigns, or shall be removed, or otherwise is disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the president, or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer who is replaced.

Section 7. Multiple Offices. The offices of secretary and treasurer may be held by the same person.

Section 8. Duties. The duties of the officers are as follows:

- (a) **President.** The president shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; and shall sign all written instruments and promissory notes.
- (b) **Vice President.** The vice president shall act in the place and stead of the president in the event of absence, inability, or refusal to act, and shall exercise and discharge such other duties as may be required by the Board.
- (c) **Secretary.** The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association together with their addresses; prepare, execute, certify and record

Amendments to the Sewerage Declaration on behalf of the Association; and, perform such other duties as required by the Board.

- (d) Treasurer. The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall: disburse such funds as directed by resolution of the Board of Directors; sign all checks and promissory notes of the Association; keep proper books of accounts; cause an annual audit of the Association books to be made by a public accountant whenever requested by the Board or by one of the Members; and, prepare an annual budget and a statement of income and expenditures. The desired time for preparation shall be just prior to the regular annual meeting so that the budget and statement can be presented to the membership at its regular annual meeting.

ARTICLE VIII

Committees

The Board of Directors shall appoint such committees as it deems appropriate in carrying out its purpose.

ARTICLE IX

Books and Records

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member. These documents shall be available for inspection by any Member at the principal office of the Association, 4026 Canterwood Drive Northwest, Gig Harbor, Washington 98332, where copies may be purchased at a reasonable cost.

ARTICLE X

Assessments

As more fully provided in the Sewerage Declaration, each Member is obligated to pay to the Association monthly, bi-monthly or special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within fifteen (15) days after the due date, the assessment shall bear interest from the date of delinquency at the highest rate provided by law, and the Association may bring an action at law against the Member personally obligated to pay the same and/or foreclose the lien against the property as provided for in the Sewerage Declaration, and interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment, including those for appeals. Any assessment shall be a personal obligation of the Member

and no Member may waive or otherwise escape liability for the assessments provided for herein by nonuse or abandonment of the property subject to such assessment.

ARTICLE XI

Indemnification of Employees and Agents

Section 1. Right of Indemnification. The Association shall indemnify its Directors and Officers against all liability, damage, or expense resulting from the fact that such person is or was a Director or Officer, to the maximum extent and under all circumstances permitted by law.

Section 2. Effect on Other Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Articles of Incorporation, Sewerage Declaration, agreement, vote of shareholders or disinterested Directors or otherwise.

Section 3. Insurance. The Association may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Association or another association, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Association would have the power to indemnify such person against such expense, liability or loss under the Washington Non-Profit Corporation Act. The Association may enter into contracts with any Director of the Association in furtherance of the provisions of this Article and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article.

Section 4. Advance Payment. The Association may, by action of its Board of Directors from time to time, provide indemnification and pay expenses in advance of the final disposition of a proceeding to employees and agents of the Association with the same scope and effect as the provisions of this Article with respect to the indemnification and advancement of expenses of Directors and officers of the Association or pursuant to rights granted pursuant to, or provided by, Washington Nonprofit Corporation Act or otherwise.

ARTICLE XII

Amendments

Section 1. These Bylaws may be amended, at a regular or special meeting of the Members, by a vote of the Members representing a majority of vested votes, as provided for in the Sewerage Declaration, present in person, by mail, or by proxy, but subject to certain restrictions as set forth in the Sewerage Declaration.

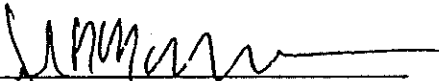
Section 2. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Sewerage Declaration and these Bylaws, the Sewerage Declaration shall control.

ARTICLE XIII

Fiscal Year

The fiscal year of the Association shall be a calendar year, unless determined otherwise by the Board of Directors.

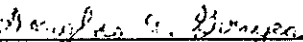
IN WITNESS WHEREOF, we, being all of the directors of CANTERWOOD STEP SYSTEM ASSOCIATION, have hereunto set our hands this 16th day of JULNE, 1994.



John Morrison



Eva Jacobson



Douglas A. Gonyea

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR A STEP SEWERAGE SYSTEM

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR A STEP SEWERAGE SYSTEM is made on the ___ day of _____, 1994, by Lorigon Corporation, a Washington corporation, hereinafter referred to as "Declarant."

I. BACKGROUND

A. Declarant was originally the owner of certain property in Pierce County, Washington, which it is developing into a community called Canterwood. The Declarant has sold certain lots within that property to others, and Declarant has retained ownership of the balance of the property, which is described in Exhibit "A," and attached to this Declaration and incorporated by this reference.

B. Declarant has contracted with the City of Gig Harbor to provide to Canterwood sewer utility service for connection to Canterwood's STEP Sewerage System, which serves lots within Canterwood that are not served by individual or community on-site sewerage systems.

C. Declarant has incorporated the Canterwood STEP System Association to provide a means for operating and managing said systems, meeting the purposes of this Declaration, the requirements of Pierce County Health Department, and the provisions of WAC 248-272.

II. DECLARATION

A. Declarant hereby declares that the property described in Exhibit "A," and such additions as may be made pursuant to Article II, is, are and shall be held, transferred, sold, conveyed and occupied subject to the covenants, conditions, restrictions, easements, charges and liens set forth in this Declaration.

B. Further, Declarant delegates and assigns to the Canterwood STEP System Association the power of maintaining and administering the STEP system, administering and enforcing the covenants and conditions,

and collecting and disbursing the assessments and charges created in this Declaration.

ARTICLE I

Definitions

Section 1.1. "Approval" shall mean the issuance of written approval, the approval at any meeting, any written waiver of approval rights, or the issuance of a letter of "no objection."

Section 1.2. "Association" shall mean the Canterwood STEP System Association, a Washington non-profit corporation, its successors and assigns.

Section 1.3. "Board" or "Board of Directors" shall mean the Board of Directors of the Association.

Section 1.4. "Community System" shall mean a subsurface sewage disposal system that serves more than one residence.

Section 1.5. "Declarant" shall mean Lorigon Corporation, a Washington corporation, and its successors and assigns; provided, however, that no successor or assignee of Declarant shall have any rights or obligations of Declarant under the Declaration unless such rights and obligations are specifically set forth in the instrument of succession or assignment. Notwithstanding this provision, the obligations of Declarant under this instrument shall be binding upon any successor or assign who acquires all or substantially all of the remaining property in the Canterwood development.

Section 1.6. "Declarant Control" shall mean the right of Declarant or persons designated by the Declarant to appoint and remove officers and members of the Board of Directors.

Section 1.7. "Declaration" shall mean the covenants, conditions and restrictions and all other provisions set forth in this Declaration, as they may from time to time be amended.

Section 1.8. "Dwelling Unit" shall mean any portion of a building on the property, which portion is designed and intended as a residence for one

family, and which is connected to a STEP System or Community System as defined below. Without limiting the foregoing, the term shall include single-family houses, townhouses, and condominium units. The term "Dwelling Unit" shall encompass the Lot upon which a Dwelling Unit is located.

Section 1.9. "Lot" shall mean any numbered parcel of land shown upon any recorded subdivision map of the Properties, with the exception of common areas or other areas set aside for non-residential use.

Section 1.10. "Member" shall mean every person or entity who holds membership in the Association.

Section 1.11. "Notice" shall mean written notice delivered personally or mailed to the last known address of the intended recipient.

Section 1.12. "Owner" shall mean every person or entity, including Declarant, which is a record Owner of the fee simple title to any Dwelling Unit, or if any Dwelling Unit is sold under real estate contract, the vendee or vendees under that contract; provided, however, that the term "Owner" shall not include those having such interest merely as security for the performance of an obligation.

Section 1.13. "Properties" shall mean the real property described on Exhibit "A," together with such other property as may be annexed thereto under the provisions of Article II from and after the time such other property is actually annexed.

Section 1.13. "STEP System" (Septic Tank Effluent Pumping System) shall mean a system which pumps effluent from the septic tank into either a community or individual subsurface sewage disposal system, or into a sewer system.

ARTICLE II

Property Subject To This Declaration And Additions Thereto

Section 2.1. The Properties. The real property which is subject to this Declaration is described on Exhibit "A."

Section 2.2. Additions to the Property. Additional property may become subject to this Declaration in the following manner:

(a) **Automatic Additions.** Additional properties shall automatically become subject to this Declaration upon connection to a STEP System or Community System and satisfaction of all other conditions set forth in this Declaration.

(b) **Other Additions.** Additional properties, other than those described in Section 2.2(a) above, may be annexed to the Properties by Declarant, in Declarant's sole discretion, during the period of Declarant control and thereafter upon the approval of two-thirds (2/3) of the Members at a meeting called for this purpose.

The additions authorized under this subsection shall be made by complying with the applicable ordinances of Gig Harbor and Pierce County, by recording one or more supplementary Declarations of Covenants and Restrictions with respect to the additional property, by filing with the Association the site plan and septic design for such additions, and by payment of all costs of connection, including any extensions of the system, by the Owner of the property to be added.

ARTICLE III

Association

Section 3.1. Membership. Every Owner of a Dwelling Unit which is connected to a STEP System or a Community System shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Dwelling Unit which is connected to a STEP System or Community System.

Section 3.2. Voting Rights. Each Member shall be entitled to one vote for each Dwelling Unit owned. When more than one person holds an interest in any Dwelling Unit, all such persons shall be Members. The vote for such Dwelling Unit shall be divisible and exercised as the Owners determine, but in no event shall more than one vote be cast with respect to any Dwelling Unit.

Section 3.3. Commencement of Voting Rights. The right of a Member to vote shall commence on the date a Dwelling Unit is connected to a STEP System or Community System.

Section 3.4. Declarant Control. The Declarant shall have the right to select all of the Directors and such Directors need not be Owners, and to add additional property to this Declaration, until the earliest of the following events happens:

- (a) Declarant ceases to control the Canterwood Homeowners Association pursuant to Article IV, Section 4.2(b)(i), of the Amended and Restated Declaration of Covenants, Conditions and Restrictions recorded under Pierce County Auditor's No. 8803180143;
- (b) on June 1, 1998; or,
- (c) Declarant elects to permanently relinquish its authority under this provision by written notice to all Owners.

ARTICLE IV

Easements

Section 4.1. Location of Easements. Declarant reserves for the Association, pursuant to Article V of the Canterwood Amended and Restated Declaration of Covenants, Conditions, and Restrictions recorded under Pierce County Auditor's File No. 8803180143, an easement over those portions of the Properties where Community Systems or STEP Systems are located, together with areas set aside for reserves. The exact location of the constructed systems and reserve areas are shown on drawings filed for record in the office of the Tacoma/Pierce County Health Department and in the office of the Canterwood STEP System Association.

Section 4.2. Purpose of Easements. The Association and its agents shall have an easement for access to the exterior of any Dwelling Unit during reasonable hours as may be necessary to maintain, repair, replace, operate and improve any sewerage system covered by this Declaration, including but not limited to all lines, pumps, electrical equipment, and electrical service. The Association shall take reasonable steps to see that its activities on the Properties are performed in such a way as to minimize

adverse effects on Owners. All improvements installed or constructed by the Declarant or the Association on the Properties shall remain the property of the Association. No Owner shall undertake to alter the installed system or cover or obstruct access to the pump basin, clean-outs, or the lock-outs, without the prior approval of the Association. Any damage caused by the Owner or the Owner's agents or invitees shall be repaired by the Association at the Owner's expense. All costs of such damage shall be a lien against the Owner's property in the same manner as the assessments described below.

ARTICLE IV **Assessments**

Section 5.1. Covenants for Maintenance Assessments.

- (a) Declarant, for each Dwelling Unit owned by it, agrees, and each Owner of a Dwelling Unit by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed or other conveyance, is deemed to agree to pay to the Association (i) monthly assessments or charges for connection, maintenance, operation, repairs, replacements, emergency work, or modifications to the sewerage system, and (ii) special assessments for capital improvements.
- (b) The monthly and special assessments, together with interest, costs and reasonable attorneys' fees shall be a charge and a continuing lien upon the Dwelling Unit against which each such assessment is made. Such lien may be foreclosed by the Association in like manner as a mortgage on real property.
- (c) Each assessment, together with interest, costs, and reasonable attorneys' fees shall also be the personal obligation of the person who was the Owner of the Dwelling Unit assessed at the time the assessment fell due. The personal obligation shall not pass to the Owner's successors in interest unless expressly assumed by them. The new Owner shall be personally liable for

assessments which become due on and after the date of sale or transfer.

Section 5.2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for the purpose of maintenance, repairs, replacements, operation, emergency work, modifications or capital improvements of the sewerage systems and for such other purposes as the Association may deem consistent with this Declaration.

Section 5.3. Rate of Assessments. Both monthly and special assessments shall be fixed at a uniform rate for all Dwelling Units; provided, however, that connection fees and all other "one time only" charges shall be on a site-by-site basis. The monthly and special assessments shall be based upon metered water usage.

Section 5.4. Effect of Non-Payment of Assessments; Remedies of Association. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within fifteen (15) days after the due date, the assessment shall bear interest from the date of delinquency at the highest rate provided by law, and the Association may bring an action at law against the Owner obligated to pay the assessment, or may foreclose the lien against the property, and in either event, interest, costs, and reasonable attorneys' fees shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for monthly or special assessments by non-use or abandonment of the Owner's Dwelling Unit.

Section 5.5. Subordination of Lien to Mortgages. The lien of the assessments provided for in this Declaration shall be subordinate to the lien of any first mortgage. Sale or transfer of any Dwelling Unit shall not affect the assessment lien. However, where the mortgagee of a mortgage of record or other purchaser of a Dwelling Unit obtains possession of the Dwelling Unit as the result of foreclosure of a mortgage, or by deed or assignment in lieu of foreclosure, such possessor, his successors and assigns, shall not be liable for the share of the common expenses or assessments by the Association chargeable to such Dwelling Unit which became due prior to such possession. Such unpaid share of common expenses or assessments shall be deemed to be a common expense collectible from all of the Owners, including such possessor, his successors and assigns.

ARTICLE VI

General Provisions

Section 6.1. Binding Effect. All present and future Owners or occupants of Dwelling Units shall be subject to and shall comply with the provisions of this Declaration, and the Bylaws of the Association, as they may be amended from time to time. The acceptance of a deed or conveyance, or the entering into occupancy of any Dwelling Unit shall constitute an agreement that the provisions of this Declaration, and the Bylaws of the Association, as they may be amended from time to time, are accepted and ratified by such Owner or occupant, and all such provisions shall be deemed and taken to be covenants running with the land and shall bind any person having at any time any interest or estate in such Dwelling Unit, as though such provisions were recited and stipulated at length in each and every deed and conveyance, or lease thereof.

Section 6.2. Enforcement. The Association and any Owner shall have the right to enforce, by proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens, and charges now or hereafter imposed by the provisions of this Declaration. Should the Association or any Owner employ counsel to enforce any of the foregoing restrictions, conditions, covenants, reservations, liens or charges, all costs incurred in such enforcement, including reasonable attorneys' fees, shall be paid by the Owner found to be in violation of said restriction, condition, covenant or reservation, or found to be delinquent in the payment of said lien or charge.

Section 6.3. Failure to Enforce. No delay or omission on the part of the Declarant or the Owners of Dwelling Units in exercising any rights, power, or remedy provided in this Declaration shall be construed as a waiver of or acquiescence in any breach of the covenants, conditions, reservations, or restrictions set forth in the Declaration. No action shall be brought or maintained by anyone whatsoever against the Declarant for or on account of its failure to bring any action for any breach of these restrictions, conditions, covenants or reservations, or for imposing restrictions which may be unenforceable.

Section 6.4. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall not affect any other provisions which shall remain in full force and effect.

Section 6.5. Interpretation. In interpreting this Declaration, the term "person" may include natural persons, partnerships, corporations, associations, and personal representatives. The singular may also include the plural and the masculine may include the feminine, or vice versa, where the context so admits or requires.

Section 6.6. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of twenty (20) years from the date this Declaration is recorded, after which time it shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended by vote of seventy-five percent (75%) of the Members. Any amendment must be in writing and signed by the approving Members or Owners, and must be recorded.

IN WITNESS WHEREOF, the undersigned has caused this Declaration to be executed this 16 day of June, 1994.

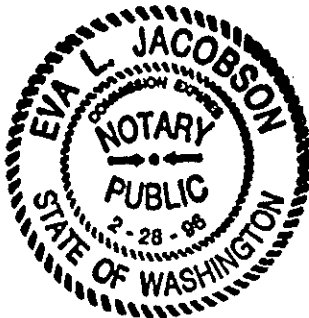
LORIGON CORPORATION,
a Washington corporation

By: Douglas A. Gonyea
DOUGLAS A. GONYEA
Its President

STATE OF WASHINGTON)
) ss.
COUNTY OF PIERCE)

On this day personally appeared before me Douglas A. Gonyea, to me known to be the President of LORIGON CORPORATION, the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

WITNESS my hand and official seal hereto affixed on this 16th day of JUNE, 1994.



Eva L. Jacobson
EVA L. JACOBSON
(Type/Print Name)

NOTARY PUBLIC in and for the State
of Washington, residing at 919 Harbor
My Commission Expires: 2-28-98.

LEGAL DESCRIPTION FOR

CANTERWOOD (LORIGON)

LOTS 1 THROUGH 8, INCLUSIVE OF CANTERWOOD REPLAT A OF CANTERWOOD REPLAT A & B, RECORDED JULY 30, 1990 UNDER RECORDING NUMBER 9007300358, WHICH IS A REPLAT OF LOT 22 OF CANTERWOOD DIVISION FIVE UNDER RECORDING NUMBER 8905170206, IN PIERCE COUNTY, WASHINGTON.

Canterwood Division 10

THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 30, TOWNSHIP 22 NORTH, RANGE 2 EAST, W.M.

AND

THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 30, TOWNSHIP 22 NORTH, RANGE 2 EAST OF THE W.M., SITUATE IN PIERCE COUNTY, STATE OF WASHINGTON.

TOGETHER WITH:

LOT 24 OF DIVISION 5 CANTERWOOD SUBDIVISION RECORDED PLAT UNDER PIERCE COUNTY AUDITOR'S NO. 8905170206.

EXCEPT LOTS 22, 42 AND 46 CANTERWOOD DIVISION 10 PHASE "A", CANTERWOOD SUBDIVISION RECORDED PLAT UNDER PIERCE COUNTY AUDITOR'S NO. 9311090619.

APPROX. 83 ACRES - 136 LOTS TOTAL.

Canterwood Division 11

SOUTHEAST QUARTER OF THE NORTHEAST QUARTER OF SECTION 25, TOWNSHIP 22 NORTH, RANGE 1 EAST OF THE W.M., RECORDS OF PIERCE COUNTY.

EXCEPT THAT PORTION CONVEYED TO THE CITY OF TACOMA, FOR TRANSMISSION RIGHT OF WAY, BY DEED RECORDED UNDER PIERCE COUNTY AUDITOR'S NO. 677886.

EXHIBIT A

ALSO EXCEPT THAT PORTION CONVEYED TO THE STATE OF WASHINGTON BY DEED RECORDED AUGUST 17, 1971 UNDER PIERCE COUNTY AUDITOR'S NO. 2406340.

ALSO EXCEPT LOTS 25, 26, 27 & 28 DIVISION 11 CANTERWOOD SUBDIVISION PLAT RECORDED UNDER PIERCE COUNTY AUDITOR'S NO. 9306020522.

APPROX. 37 ACRES - 52 LOTS TOTAL.

Canterwood Division 12

SOUTHEAST QUARTER OF THE NORTHWEST QUARTER OF SECTION 19, TOWNSHIP 22 NORTH, RANGE 2 EAST OF THE W.M., IN PIERCE COUNTY, WASHINGTON.

APPROX. 40 ACRES - 50 LOTS TOTAL.

EXHIBIT A