

STATE of WASHINGTON



SECRETARY of STATE

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

CERTIFICATE OF INCORPORATION

to

QUALCHAN L.I.D. HOMEOWNERS
ASSOCIATION

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

UBI Number: 601 918 826

Date: December 03, 1998



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

A handwritten signature in black ink, appearing to read "Ralph Munro".

Ralph Munro, Secretary of State
2-594409-1

ARTICLES OF INCORPORATION

OF

QUALCHAN L.I.D. HOMEOWNERS ASSOCIATION

A Washington Nonprofit Corporation

FILED
STATE OF WASHINGTON

DEC 3 1998

RALPH MUNRO
SECRETARY OF STATE

601918824

The undersigned, for the purpose of forming a Corporation under the non-profit laws of the State of Washington (RCW 24.03), states the following:

ARTICLE I

Name. The name of this Corporation shall be Qualchan L.I.D. Homeowners Association

ARTICLE II

Duration. The term of existence shall be perpetual.

Upon dissolution of the Corporation, the Board of Directors shall, after paying or making provision for the payment of all of the liabilities of the Corporation, dispose of all the assets of the Corporation exclusively for the purposes of the Corporation in such manner, or to such organization or organizations organized and operated exclusively for charitable, educational, religious, or scientific purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law) as the Board of Directors shall determine. In the event the Board of Directors fails to dispose of all assets, any remaining assets shall be disposed of by the Superior Court for the State of Washington, for the county in which the principal office of the Corporation is then located, exclusively for such purposes or to such organization or organizations, as said court shall determine, which are organized and operated exclusively for such purposes.

ARTICLE III

Section 1. Purposes. The purpose for which this Corporation is organized is to provide for the acquisition, construction, management, maintenance and care of association property..

Section 2. Intent. This Corporation is intended to be an organization which is exempt from federal income tax under Sections 528(c)(1) and 528(c)(3) of the Internal Revenue Code.

ARTICLES OF INCORPORATION OF
QUALCHAN L.I.D. HOMEOWNERS ASSOCIATION INC.

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Said Corporation is organized exclusively as a homeowners association that qualifies as an exempt organization under Sections 528(c)(1) and 528(c)(3) of the Internal Revenue Code (or the corresponding provision of any future United States Internal Revenue Law). All terms and provisions of these Articles and all operations of the Corporation shall be constructed, applied, and carried out in accordance with such intent.

ARTICLE IV

Section 1. Members. The members shall be CLS MORTGAGE, INC., HERSHEL E. and SHARON M. BRAZINGTON, DAVID R. BLACK, H.R.H. HOLDINGS, INC., and INLAND ASPHALT COMPANY.

Section 2. Limitation of Distribution of Earnings. No part of the net earnings of the Corporation shall inure to the benefit of or be distributable to its directors, officers or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article III. No substantial part of the activities of the Corporation shall be the carrying on of propaganda or otherwise attempting to influence legislation, and the Corporation shall not participate in or intervene (including publishing or distribution of statements) in any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of these Articles, the Corporation shall not carry on any other activities not permitted to be carried on (a) by a Corporation exempt from federal income tax under Sections 528(c)(1) and 528(c)(3) of the Internal Revenue Code (or the corresponding provision of any future United States Internal Revenue Law) or (b) by a Corporation, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law).

ARTICLE V

Registered Agent. The name of the registered agent of the Corporation is HERSHEL E. BRAZINGTON. The registered office address, which is also the address of the registered agent, is 12904 East Nora, Spokane, WA 99216.

ARTICLE VI

Board. The Board of Directors shall consist of not more than two (2) directors. The names and address of the initial directors are as follows:

Hershel E. Brazington
Mike Murphy

12904 East Nora, Spokane, WA 99216
5111 East Broadway Ave., Spokane, WA 99212

ARTICLE VII

Section 1. Indemnification and Liability to Corporation. 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 an action by or in the right of the Corporation) by reason of the fact that he or she is or was a director, trustee, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other entity, against expenses (including attorneys' fees), judgments, fines and 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 interest of the Corporation, and with respect to any criminal action or proceedings, had no reasonable cause to believe his or her conduct was unlawful. The termination of any reasonable action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not of itself create presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interest of the Corporation and, with respect to any criminal action or proceedings, had reasonable cause to believe that his or her conduct was unlawful.

Section 2. 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 or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, trustee, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other entity against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense of settlement of such action or suit 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 interest of the Corporation and except that no indemnification shall be made in respect of 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 or her 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, that, despite the adjudication of liability, but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expense which such court shall deem proper.

Section 3. To the extent that a director, trustee, officer, employee or agent of a Corporation has been successful on the merits or otherwise in defense of any action, suit or proceedings referred to in Paragraph 1 and 2 above, or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

Section 4. Any indemnification under Paragraphs 1 and 2 above (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, trustee, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Paragraphs 1 and 2 above. Such determination shall be made (a) by the Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceedings; or (b) 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 (c) by the shareholders.

Section 5. Expenses 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 proceeding as authorized in a manner provided in Paragraph 4 upon receipt of an undertaking by or on behalf of the director, trustee, officer, employee or other 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 by this Article.

Section 6. The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any by-laws, agreement, vote of members or disinterest directors or otherwise, both as to action in his or her official capacity while holding such office, and shall continue as to a person who had ceased to be director, trustee, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 7. The Corporation may purchase and maintain insurance on behalf of any person who is or was a directors, trustee, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in such capacity or arising out of his or status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this section.

Section 8. No director or officer shall be liable to this Corporation for monetary damages for conduct as a director or officer provided that this provision shall not eliminate or limit the liability of a director or officer for acts or omissions that involve intentional misconduct by a director or officer, or a knowing violation of law by a director or officer, or for any transaction from which the director or officer will personally receive a benefit in money, property or services to which this director or officer is not legally entitled.

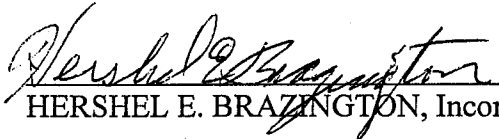
ARTICLE VIII

Incorporator. The name and address of the incorporator is as follows: Hershel E. Brazington, 12904 East Nora, Spokane, WA 99216

ARTICLE IX

Distribution of Assets. The name of any person or corporation to whom net assets are to be distributed in the event the corporation is dissolved: upon disability, the net assets of the corporation shall be distributed to any persons and/or corporations who own lots in Qualchan L.I.D. on a pro-rata basis in relation to the number of lots owned at the time of the dissolution.

Executed in duplicate this 30 day of Nov, 1998.


HERSHEL E. BRAZINGTON, Incorporator

CONSENT TO APPOINTMENT AS REGISTERED AGENT

I, HERSHEL E. BRAZINGTON, do hereby consent to serve as registered agent of the foregoing Corporation.


HERSHEL E. BRAZINGTON

DATED: November 30, 1998