

**ARTICLES OF INCORPORATION
OF
METHOW FOREST OWNERS COOPERATIVE**

This Corporation shall be formed, organized and governed under the Mutual and Miscellaneous Corporations Act, Chapter 24.06, Title 24, Revised Code of Washington, or any applicable revision or amendment thereto.

Article I--Name

The name of the corporation shall be Methow Forest Owners' Cooperative

Article II—Duration

The duration of the Corporation shall be perpetual.

Article III—Purpose

The nature of the business of the Corporation and the objects and purposes for which, or for any of which, this Corporation is formed are:

(a) To associate its members together for their mutual benefit and to provide any lawful cooperative service to its members

(b) For their mutual benefit and to purchase, receive, lease as lessee, or in any other manner acquire, own, hold, maintain, use, sell, convey, exchange, mortgage, pledge or otherwise dispose of any and all real and personal property or any interest therein necessary, useful or appropriate to enable this Corporation to accomplish any and all of its purposes;

(c) To acquire, own, hold, use, exercise, and to the extent permitted by law, to sell, mortgage, pledge, hypothecate and in any manner dispose of franchises, rights, privileges, licenses, rights of way and easements necessary, useful or appropriate to accomplish any or all of the purposes of this Corporation;

(d) To borrow money and otherwise contract indebtedness, and give any form of obligation or security therefore and without limiting the generality of the foregoing, to issue notes, bonds and other evidences of indebtedness, and to mortgage or pledge any of its property, assets, franchises and income;

(e) To make advances to or for account of members and take any form of obligation or security therefore, to acquire, hold, transfer or pledge any obligation, and to make any contract, endorsement or guaranty deemed desirable incident to the transfer or pledge of any such obligation or security.

(f) To do and perform, either for itself or its members, any and all assets and things, and to have and exercise any and all powers, as may be necessary or convenient to accomplish any or all of the foregoing purposes; and to exercise any of its powers anywhere, but not for profit.

(g) That the foregoing shall be construed both as objects and powers, and the enumeration thereof shall not be held to limit or restrict in any manner the general powers conferred on this Corporation by the laws of the State of Washington, all of which are hereby expressly claimed.

Article IV--Membership

Section 1. The initial membership shall consist of the incorporators and founding members of the Cooperative. To be eligible for subsequent consideration for membership, any natural or legal person, organization, association, trust, governmental unit, or other party must submit an application for membership conforming to these Articles, the Cooperative's Bylaws and to Cooperative policy as established from time to time. Under terms and conditions prescribed in the Corporation's Bylaws, this Corporation shall thereafter admit as members such applicants who meet the requirements for membership set forth in the Bylaws as originally adopted or thereafter amended.

Section 2. The Board of Directors shall receive all applications for membership together with appropriate stock subscriptions, and shall act on all applications, exercising its exclusive judgement in the interest of the Cooperative. No applicant shall be entitled to membership as a matter of right, and the decision of the Board of Directors shall not be subject to review.

Section 3. The paid up purchase of one share of Membership Stock as provided in Article V shall constitute payment of the membership fee. The voting power and property rights and interest of each member whose Membership Stock purchase price is fully paid and who is in good standing shall be equal and each member shall be entitled to one vote only. Voting may be by proxy and/or by mail as provided in the Bylaws. Members shall be entitled to one vote and to share in the property of the Corporation equally with the old members.

Section 4. Each Member that is not an individual shall designate a person to act on the member's behalf in conducting the affairs of this Cooperative. In the event a member withdraws such designation from a person serving as an Officer or Director of the Cooperative, the office held by that person will be deemed vacant and the vacancy will be filled as provided in the Bylaws. In the event a member cannot agree on the identity of a designated representative, the right of that member to participate in the affairs of the Cooperative shall be suspended until a properly designated representative can be selected.

Section 5. Termination of membership in the Corporation may be voluntary or involuntary.

(a) A Member may voluntarily resign from membership by delivering a written notice of resignation together with the certificate of Membership Stock to the Secretary of the Cooperative. Upon receipt of such resignation, the

Secretary shall inform the Board of Directors, which shall redeem the Membership Stock so surrendered at par value.

(b) Involuntary termination for cause may be had under such terms and conditions and procedures as may be prescribed in the Bylaws for members who fail to meet their duties and responsibilities under these Articles or the Bylaws or the rules and regulations as prescribed by the Board of Directors. Whenever any Member shall have ceased to be eligible to hold Membership Stock, or shall have intentionally or repeatedly violated any Bylaw, or shall have violated the principles of Sustainable Forestry as defined by the Forest Stewardship Council and other standards as determined by the Board of Directors and announced at annual membership meetings, or shall have remained indebted to this Cooperative for more than one year after such indebtedness became payable, or otherwise shall have breached any contract between him/her and this association, or shall have willfully obstructed any purpose or proper activity of this Cooperative, then in any such event the Board of Directors may require such member to surrender all Membership Stock owned by him/her and shall refund to him/her the par value or the book value or such stock, whichever is lesser; and such refund may be made wither in cash or by issuing revolving capital credits at the principle amount thereof, as the Board of Directors may determine in each case; and such refund may be made to any such former Member whether by delivering to him/her in person or by mailing to him/her at his address according to the records of this Cooperative either this Cooperative's check or written notice of its issuance of a revolving capital credit.

ARTICLE V—Capital Stock

Section 1. Classes and Authorized Amounts. The capital stock of the Corporation shall initially consist of Four Thousand (4,000) shares, divided into two classes of stock consisting of (3,000) shares of Membership Stock with a par value of (\$100) per share, and One Thousand (1,000) shares of Preferred Community Stock with a par value of (\$50) per share. Additional Membership Stock and additional classes of non-voting Capital Stock in the Corporation may be authorized on such terms and conditions and as may determined by the Board of Directors to be in the interest of the Corporation and not contrary to law.

Section 2. Membership Stock. The Membership stock of this Corporation may be purchased, owned, or held only by members who (1) patronize the Corporation in accordance with terms and conditions prescribed in the Bylaws, and (2) who have been approved for membership by the Board of Directors.

(a) Only one share of Membership Stock shall be issued to each person who applies for and is approved for membership in the organization. Each holder of a share of Membership Stock shall be entitled to only one vote in any meeting of the members upon each matter subject to a vote at a meeting of the members.

(b) In the event the Board of Directors of the Corporation shall find, following a hearing, that any of the Membership Stock of this Corporation has come into the hands of any person who is not eligible for membership; or that the holder thereof has ceased to be an eligible member; such holder shall have no rights or privileges on account of such stock, or vote or voice in the management or affairs of the Corporation other than the right to participate in accordance with law in case of dissolution. The Corporation shall have the right, at its option, to purchase such stock at par value, or to require the transfer of any such stock at par value to any person eligible to hold it.

(c) In exercising its right to purchase or to require transfer of Membership Stock to the Corporation, if the holder fails to deliver the certificate evidencing the stock, the Corporation may cancel such Membership Stock on its books. The canceled share of Membership Stock shall thereby null and void.

(d) The Membership Stock of this Corporation may be transferred only with the consent of the Board of Directors of the Corporation and on the books of the Corporation, and then only to persons eligible to hold it. No purported assignment or transfer of Membership Stock shall pass to any person not eligible to hold it, nor the rights or privileges on account of such stock, nor a vote or voice in the management of the affairs of the Corporation.

(e) This Corporation shall have a lien on all of its issued Membership Stock for all indebtedness of the holders thereof to the Corporation. No interest-dividends shall be paid on the Membership Stock.

(f) This Corporation is organized on a non-profit basis for the mutual benefit of its members and consequently, will not have profits from which to pay dividends on Membership Stock. After all expenses of the Corporation have been paid and reasonable reserves, as determined by the Board of Directors, set aside, the net earnings of the Corporation shall be accumulated in a surplus fund for the purpose of replacing, enlarging, extending and repairing this Corporation and for such other purposes as the Board of Directors may determine may be for the best interest of the Corporation. The said surplus fund, or any portion thereof, may from time to time, at the discretion of the Board of Directors, after payment of current dividends on Preferred Community Stock, be distributed to the members as provided in the Bylaws, on the basis of the patronage of such members during the year.

Section 3. Preferred Community Stock. This Association may issue preferred stock (called Preferred Community Stock) to members and non members.

(a) Preferred Community Stock shall be issued in series and shall carry no voting rights. Interest-dividends may be paid on Preferred Community Stock, when, if, and as declared by the Board of Directors and shall not exceed the current annual Consumer Price Index percentage increase, or eight percent (8%) per annum. Interest-dividends will not be cumulative.

(b) Preferred Community Shares may be transferred only on the books of the Corporation. Such shares may be redeemed in whole or in part on a pro

rata basis at par, plus any interest-dividends declared and unpaid, at any time on thirty (30) days' notice by the Corporation, provided said stock is redeemed in the same order as originally issued by years. If the owner fails to deliver any certificate evidencing such stock, the Corporation may cancel the stock on its books. Stock which has been redeemed may, in the discretion of the Board of Directors, be reissued or retired. All such Preferred Community Stock so redeemed shall be paid for in cash at the par value thereof, plus any interest-dividends declared thereon and unpaid; and such stock shall not bear interest-dividends after it has been called for redemption.

(c) This Corporation shall have a lien on all of its issued Preferred Community Stock for all indebtedness of the holders thereof to the Association.

(d) The Corporation shall have the right to confiscate all interest-dividends not claimed within six months after the notice of the distribution has been made by either mail to the holder's address of record.

(e) Notwithstanding any of the foregoing provisions, the Board of Directors shall have the power, from time to time and at any time, to pay off or retire or secure a release or satisfaction of any Preferred Community Stock certificates to compromise or settle a dispute between a holder thereof and the Corporation, to settle an estate of a deceased or bankrupt stockholder, or to close out a stockholder's interest when he has moved from the geographic area served by the Corporation.

(f) Upon dissolution or distribution of the assets of the Corporation, the holders of all Preferred Community Stock shall be entitled to receive the par value of their stock, plus any interest-dividend declared and unpaid, before any distribution is made on the Membership Stock.

Section 4. No Member or stockholder shall have a preemptive right to acquire additional shares or equity interests.

ARTICLE VI—Dissolution & Liquidation

In the event of dissolution or final liquidation the assets of the Corporation shall first be applied to satisfy and discharge necessary expenses of liquidation and all liabilities and obligations of the Corporation: Next, such assets held by the Corporation upon condition requiring return, transferor conveyance which condition occurs by reason of dissolution shall be returned, transferred, or conveyed in accordance with such requirements; Next, the redemption of Preferred Community Stock. Next the return or payment of allocated and allotted capital credit contributions by members; The remaining assets, if any, shall be distributed to the members equally.

ARTICLE VII—Principal Place of Business

The principal place of business of the Corporation is _____, Twisp, Washington and the registered agent will be _____, at _____, _____, Washington 9 _____.

ARTICLE VIII—Board of Directors

The management of the Corporation will be vested in a Board of Directors. The number of such Directors shall be not less than three (3), and the number, qualifications, terms of office, manner of election, time and place of meeting, and powers and duties of said Directors shall be such as are prescribed by the Bylaws of the Corporation.

ARTICLE IX--Bylaws

The Bylaws of the corporation may contain any provisions for the regulation and management of the affairs of the corporation not inconsistent with law or these Articles of Incorporation. The power to alter, amend, rescind or repeal the Bylaws or adopt new Bylaws shall be vested in the Board of Directors by affirmative vote of a majority of all the members of the board.

ARTICLE X—Incorporators; Initial Officers & Directors

The following persons have consented to serve as incorporators and initial directors as of the date of filing of these Articles of Incorporation:

Kathleen Hirschstein, President	2111 Highway 153 Carlton, Washington 98814
Thomas Gehring, Vice President	317 S. Glover Street Twisp, WA 98856
Rebecca Harwood, Secretary	188 Vintin Road Twisp, WA 98814
Lorah Waters, Director	166 Jason Lucas Road Methow, WA 98834
Dr. Donald Johnston, Director	176 Libby Creek Road Carlton, WA 98045

ARTICLE XI--Indemnification

Section 1. Each person who was, or is threatened to be made a party to or is otherwise involved (including, without limitation, as a witness) in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a Director or officer or a member of any Committee of the Corporation or, while a Director or officer or Committee member, he or she is or was serving at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation or partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a Director, trustee, officer, Committee member, employee or agent or in any other capacity while serving as a Director, trustee, officer, Committee member, employee or

agent, shall be indemnified and held harmless by the Corporation, to the full extent permitted by applicable law as then in effect, against all expense, liability and loss (including attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts to be paid in settlement) actually and reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a Director, trustee, officer, Committee member, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided however, that except as provided in Section 2 of this Article with respect to proceedings seeking solely to enforce rights to indemnification, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Section 1 shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, that the payment of such expenses in advance of the final disposition shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such Director, officer, or Committee member, to repay all amounts so advanced if it shall ultimately be determined that such Director, officer or Committee member is not entitled to be indemnified under this Section 1 or otherwise.

Section 2. If a claim for which indemnification is required under Section 1 of this Article is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for expenses incurred in defending a proceeding in advance of its final disposition, in which case the applicable period shall be twenty (20) days, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, to the extent successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. The claimant shall be presumed to be entitled to indemnification under this Article upon submission of a written claim (and, in an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition, where the required undertaking has been tendered to the Corporation), and thereafter the Corporation shall have the burden of proof to overcome the presumption that the claimant is not so entitled. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or its members) to have made a determination prior to the commencement of such action that indemnification or of reimbursement or advancement of expenses of the claimant is proper in the circumstances nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or its members) that the claimant is not entitled to indemnification or to the reimbursement or advancement of expenses shall be a defense to the action to create a presumption that the claimant is not so entitled.

Section 3. 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, bylaws, agreement, vote of members or disinterested Directors or otherwise.

Section 4. The Corporation may maintain insurance at its expense to protect itself and any Director, officer, Committee member, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such persons against such expense, liability or loss under the Washington Mutual Corporation Act or any other law that may be applicable to Washington cooperative corporations. The Corporation may, without further membership action, enter into contracts with any Director or officer of the Corporation in furtherance of the provisions of this Article and may create a trust fund, grant a security interest or use other means, including a letter of credit, to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article.

Section 5. The Corporation 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 Corporation with the same scope and effect as the provisions of this Article with respect to the indemnification and advancement of expenses of Directors, officers or Committee members of the Corporation or pursuant to rights granted pursuant to, or provided by, the Washington Non-profit Corporation act or any other law that may be applicable to Washington nonprofit corporations.

Each of the undersigned declares that they hereby execute the foregoing Articles of Incorporation of the Methow Forest Owner’s Cooperative for the uses and purposes stated therein and under penalty of perjury, that it is to the best of their knowledge true and correct.

Signature of Incorporator	Printed Name	Title	Date

Consent of Registered Agent

I, _____, do hereby consent to serve as Registered Agent in the State of Washington for Methow Forest Owners Cooperative (the “Corporation”). I understand that as agent for the Corporation, it will be my responsibility to receive service of process in the name of the Corporation to forward all mail to the Corporation, and to immediately notify the office of the Secretary of State in the event of my resignation, or of any changes in the registered office address of the Corporation for which I am the agent.

_____ (print name)