

ARTICLES OF INCORPORATION

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VILLAGE AT RIVERSTONE OWNER'S ASSOCIATION, INC. 07 NOV 14 PM 4:20

KNOW ALL MEN BY THESE PRESENTS that, CHRISTOPHER J. BEESON, being over the age of eighteen (18) years, and for the purposes of forming a corporation under the Idaho Nonprofit Corporation Act, hereby certifies and adopts the following Articles of Incorporation:

NAME

The name of the Corporation (hereinafter called the "Association") is VILLAGE AT RIVERSTONE OWNER'S ASSOCIATION, INC., and it is a nonprofit corporation.

DURATION

The Association shall exist perpetually.

PURPOSES AND POWERS OF THE ASSOCIATION

This Association does not contemplate the distribution of gains, profits, or dividends to its Members. The specific primary purposes for which it is formed are to provide for the acquisition, construction, management, operation, administration, maintenance, repair, improvement, preservation, insurance, and architectural control of Common Area managed by the Association within that certain mixed use residential and commercial condominium project located in the Riverstone area of the City of Coeur d'Alene, Kootenai County, Idaho, commonly known as the "Village at Riverstone Condominiums," to represent its Members in dealing with the Riverstone Master Association, Inc. (the "Master Association"), being the overall association governing the entire Riverstone project, and to promote the health, safety and welfare of all owners and tenants using the above-described property and any additions thereto as may hereafter be brought within the jurisdiction of this Association for such purpose, all according to that certain Declaration of Covenants, Conditions and Restrictions of Village at Riverstone Condominiums (the "Declaration") recorded or to be recorded with respect to said property in the Office of the Recorder of Kootenai County and as amended from time to time. Words not otherwise defined herein shall have the meanings provided in the Declaration.

In furtherance of said purposes, and subject to the approval of Members as required by the Declaration and the remaining Governing Documents, this Association shall have power to:

- (a) Perform all of the duties and obligations of the Association as set forth in the Declaration;
- (b) Fix, levy, collect, and enforce Assessments as set forth in the Declaration;
- (c) Pay all expenses and obligations incurred by the Association in the conduct of its business, including, without limitation, all licenses, taxes or governmental charges levied or imposed against the Common Area managed by the Association;

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- (d) Acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, exchange, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association;
- (e) Make contracts and incur liabilities, borrow money and mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;
- (f) Enter into agreements with the Master Association, the Retail Operator and/or the owners of adjacent properties for the coordinated management, maintenance, operation, repair, and replacement of shared facilities, including without limitation utility lines and equipment, parking areas, and landscaped areas;
- (g) Dedicate, sell, transfer, or grant easements over all or any part of the subject property to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Members;
- (h) Participate in mergers and consolidations with other nonprofit corporations organized for the same purposes, or annex additional property to the property managed by the Association;
- (i) Have and exercise any and all powers, rights, and privileges which a corporation organized under the Idaho Nonprofit Corporation Act by law may now or hereafter have or exercise.

MEMBERS AND MEMBERSHIP

Non-stock Corporation. Participation in management and ownership of the Association shall be by membership only. The Association shall issue no stock and shall have no shareholders.

Membership. The Owner of a Unit shall automatically, upon becoming an Owner, be a Member of the Association, and shall remain a Member thereof until such time as its ownership ceases for any reason, at which time its membership in the Association shall automatically cease. Membership shall be in accordance with these Articles of Incorporation and the Bylaws of the Association.

Transferred Membership. Membership in the Association shall not be transferred, pledged, or alienated in any way, except upon the transfer of ownership of the Unit to which it is appurtenant, and then only to the new Owner. Any attempt to make a prohibited transfer is void. In the event the Owner of any Unit should fail or refuse to transfer the membership registered in its name to the purchaser of its Unit, the Association shall have the right to record the transfer upon its books and thereupon the old membership outstanding in the name of the seller shall be null and void.

Classes of Membership. The Association shall have three (3) classes of voting membership as described in the Declaration. Class A Members shall be all Owners, with the exception of Declarant (until the conversion of Declarant's Class B membership to a Class A membership). The Residential Owners shall be entitled to one (1) vote for each Condominium owned, and the Commercial Owners shall be entitled to sixty (60) votes for each Condominium owned. The Class B Member shall be Declarant who shall be entitled to three (3) votes for each Residential Condominium owned and one hundred eighty (180) votes for each Commercial Condominium owned. The Class B membership shall cease and be converted to Class A membership fifteen (15) years from the recordation of this Declaration or upon the conveyance of the last Unit in the Project, whichever last occurs. The Class A and Class B voting rights shall constitute the Voting Power of the Association. The Class C Member shall be Declarant (whether or not Declarant is an Owner). As provided in the Declaration, the Class C membership shall not be considered a part of the Voting Power of the Association and Declarant shall not be entitled to exercise any Class C votes except for the purpose of electing a majority of the members of the Board for a period of fifteen (15) years from the recordation of the Declaration. Notwithstanding the three (3) class voting structure, the right to vote on a particular issue may depend on whether the subject matter of the vote relates to all Units, or only to the Residential Units or the Commercial Units. Special voting provisions are set forth in the Declaration.

Voting Requirements. Except where otherwise expressly provided in the Governing Documents, any action by the Association which must have the approval of the Association membership before being undertaken, shall require the vote or written assent of the prescribed percentage of a quorum of the total voting power of the Association or a quorum of the voting power having the right to vote on a particular issue.

Limitation of Payment to Dissenting Member. Class A and Class B Membership in the Association is appurtenant to and cannot be segregated from ownership of a Unit within the jurisdiction of the Association. Except upon dissolution of the Association, a dissenting Member shall not be entitled to any return of any contribution or other interest in the Association.

Declaration Controlling. Members of the Association by acceptance of a deed to a Condominium are deemed to have agreed that the Declaration is the controlling governing document and in the event of any inconsistency between the Articles, Bylaws or Declaration, the Declaration shall control.

INITIAL REGISTERED OFFICE AND AGENT

The initial registered office of the Association is 1859 Lakewood Drive, Suite 300, Coeur d'Alene, Idaho 83814. The initial registered agent is Christopher J. Beeson of Givens Pursley LLP, 601 W. Bannock Street, P.O. Box 2720, Boise, Idaho 83701.

BOARD OF DIRECTORS; INCORPORATOR

Prior to the first election of Board members, the affairs of this Association shall be managed by a Board of three (3) Directors, appointed by the Declarant. After the first election of Board members, the number of Board members shall be expanded to include five (5) directors, elected as provided in the Bylaws of the Association and consistent with the Declaration. At all times, at least three (3) Directors shall represent the Commercial Owners. The number of Directors may be changed by the amendment of the Bylaws of the Association. The names and addresses of the initial three (3) Directors of the Association until the selection of their successors are:

| <u>Name</u> | <u>Address</u> |
|----------------|---|
| John M. Stone | SRM Development, LLC 104 South Division Spokane, Washington 99202 |
| Bryan P. Stone | SRM Development, LLC 104 South Division Spokane, Washington 99202 |
| Mike Erickson | SRM Development, LLC 104 South Division Spokane, Washington 99202 |

INDEMNIFICATION

A Director of the Association shall not be personally liable to the Association for monetary damages arising from any conduct as a Director, except this limitation on liability shall not apply to (i) acts or omissions involving intentional misconduct by the Director or a knowing violation of law by the Director; or (ii) 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 Idaho Business Corporation Act and/or the Idaho Nonprofit Corporation Act is amended to authorize corporate action further eliminating or limiting the personal liability of corporate Directors, then the liability of a Director of this Association shall be eliminated or limited to the fullest extent permitted by such law or laws, as so amended.

Any repeal or modification of the foregoing paragraph shall not adversely affect any right or protection of a Director of the Association existing at the time of such repeal or modification.

The Association has the power to indemnify, and to purchase and maintain insurance for, its Directors, officers, trustees, employees, and other persons and agents. Without limiting the generality of the foregoing, the Association shall indemnify its Directors against all liability, damages, and costs or expenses (including attorneys fees) arising from or in any way connected with service for, employment by, or other affiliation with this Association to the maximum extent and under all circumstances permitted by law.

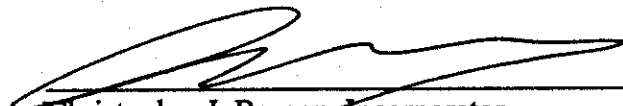
DISSOLUTION

In the event of the dissolution, liquidation, or winding up of the Association, after paying or adequately providing for the debts and obligations of the Association, the Directors or person in charge of the liquidation shall divide the remaining assets among the Members in accordance with their respective rights thereto as established in the Declaration.

AMENDMENT OF ARTICLES

These Articles may be amended at any time and in any manner by the vote of sixty-seven percent (67%) of the total Voting Power allocated to the Residential Units and sixty-seven percent (67%) of the total Voting Power allocated to the Commercial Units, or by the unanimous consent of the Members; provided, however, that the percentage of the voting power necessary to amend a specific clause or provision herein shall not be less than the percentage of affirmative votes prescribed for action to be taken under said clause or provision herein or under any related provision of the Declaration; and provided further, that any such amendment shall not be inconsistent with the law.

For the purpose of forming this Association under the laws of the State of Idaho, the undersigned, being the incorporator of this Association, has executed these Articles of Incorporation on November 13, 2007.

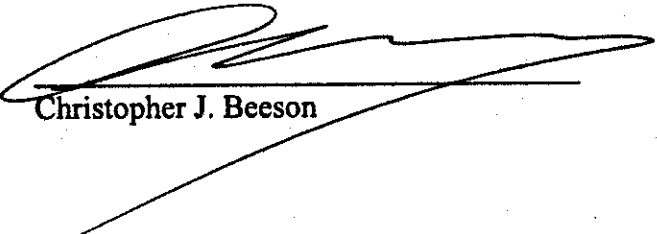


Christopher J. Beeson, Incorporator

CONSENT TO SERVE AS REGISTERED AGENT

I, Christopher J. Beeson, of Givens Pursley LLP hereby consent to serve as registered agent in the State of Idaho, for the corporation known as the VILLAGE AT RIVERSTONE OWNER'S ASSOCIATION, INC. I understand that as agent for the Association, it will be my responsibility to receive service of process in the name of the Association; to forward all mail to the Association; 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 Association for which I am agent.

DATED: November 13, 2007



Christopher J. Beeson