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708 Superior Street, Ste B  
Sandpoint ID 83864

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SECRETARY OF STATE  
STATE OF IDAHO

## **ARTICLES OF INCORPORATION OF CANYON CREEK HOA, INC.**

The undersigned, in order to form a nonprofit corporation under the provisions of Idaho Nonprofit Corporation Act, Title 30, Chapter 3, Idaho Code, submits the following articles of incorporation to the Idaho Secretary of State.

### **ARTICLE I**

#### **NAME OF CORPORATION, OFFICE, REGISTERED AGENT**

- 1.1 **Corporate Name.** The name of the corporation shall be Canyon Creek HOA, Inc. (hereinafter "Association").
- 1.2 **Corporate Office.** The Association shall maintain an Association office in Bonner County, Idaho. The initial office of the Association shall be located at 202 S. First Avenue, Sandpoint ID 83864.
- 1.3 **Registered Agent.** The Association, acting through its Board of Directors (hereinafter "Board"), shall designate a registered agent. The initial registered agent shall be WILLIAM M. BERG, whose address (registered office) is 708 Superior Street, Sandpoint ID 83864.

### **ARTICLE II**

#### **PURPOSE AND POWERS OF ASSOCIATION**

- 2.1 **Purpose.** The purpose of the Association shall be to (a) enforce and carry out the provisions of the Declaration of Covenants, Conditions, Easements and Restrictions of Canyon Creek (hereinafter "Declaration"), (b) the Bylaws, Rules and Regulations of the Association; and (c) maintain and protect the real property described in the Declaration (hereinafter "Property").
- 2.2 **General Authority.** The Association shall have and shall exercise all other rights and powers necessary and convenient to carry out its purpose including, without limitation, those general powers set forth in the Idaho Nonprofit Corporation Act.
- 2.3 **Bylaws.** The Association shall adopt and maintain Bylaws.

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- 2.4 **Duties.** The Association through its Board of Directors, shall have the authority to: (a) enforce the Declaration; (b) make improvements to the Property; (c) levy and collect assessments from the Members; (d) enter into contracts as may be necessary or desirable to carry out the provisions of the Declaration, these Articles of Incorporation and Bylaws; (e) open and close bank accounts in the Association's name; (f) establish procedures and policies necessary or deemed desirable to provide for the general welfare, in accordance with the spirit and letter of this Declaration; (g) enforce and carry out the development requirements as set forth in Bonner County Planning Department files C836-05 and S1283-05; and (h) place liens on the real property of Lot Owners who fail to pay dues and assessments, and to enforce such liens through judgment and foreclosure.
- 2.5 **Recordation.** This instrument and the Bylaws shall be recorded in the records of Bonner County, Idaho.

### **ARTICLE III MEMBERSHIP AND VOTING RIGHTS**

- 3.1 **Voting Members.** The Association shall consist of voting members.
- 3.2 **Membership Rights.** Membership shall be exclusive to Lot Owners in Canyon Creek.
- 3.3 **Transfer of Membership.** A Member shall not transfer, pledge, convey or alienate the Association membership except to a bona fide successor in interest of the ownership of the lot. A sale of a lot by real estate contract shall constitute a valid transfer of membership to the buyer. A prohibited transfer is void.
- 3.4 **Voting Rights.** There shall be two classes of membership: Class A and Class B. The Declarant, Grouse Mountain Ranch, Inc., or its successor in interest, shall hold Class B membership for each Lot it owns. All other Members shall hold Class A memberships.
- 3.4.1 **Class A Membership.** Class A members shall have one (1) vote in the Association for each Lot owned, such vote to be cast by the Lot Owner. Where co-owners exist, they shall designate in writing, with the Secretary, who shall cast the vote of the Lot Owner. A designation shall remain of record until revoked. Any co-owner may revoke a designation in a writing submitted to the Secretary. The Secretary shall not accept a vote by co-owners who fail to properly designate authority to cast the vote. Fractional votes are not permitted. All co-owners may attend and otherwise participate in Association meetings.
- 3.4.2 **Class B Membership.** The Class B member (the Declarant) shall have two (2) votes in the Association for each Lot owned. The Declarant may designate an agent or agent(s) to cast its votes. Class B membership shall automatically convert to Class A membership upon the earlier of the following: (a) the voting power of Class A members exceeding that of Class B members; (b) the recordation of notice by the Declarant of voluntary conversion, or (c) at 11:59 p.m. on December 31, 2015.

- 3.5 Majority Vote.** Except as otherwise set forth herein, or in the Declaration, a majority of votes of the Members, at a duly called meeting of the Members, shall be the action of the Association.
- 3.6 Proxy Voting.** A Member may give his or her proxy to another Member. Such proxy shall be (a) in writing; (b) signed by the giver; (c) defining the particular meeting or time period in which the proxy may be exercised; and (d) delivered to the Secretary prior to the membership meeting. "Proxy" means an authorization for a person to vote another person's membership shares.
- 3.7 Quorum.** A quorum shall consist of no less than ten (10%) of the voting power of the Association in attendance at the start of a membership meeting. Once a quorum has been established it shall be deemed to continue until adjournment.
- 3.8 Actions Reserved to the Members.** The following actions are reserved to the Members, voting at a duly noticed meeting of the Association:
- 3.8.1 Elect and Remove Directors.** The Members shall have the exclusive authority to elect and remove directors. A majority of members at a duly called membership meeting may elect a Director. A Director or Directors, as applicable, shall be elected at the Annual Meeting. Members may remove a Director for any reason, or no reason, by a sixty percent (60%) majority vote at a duly called meeting of the Members.
- 3.8.2 Approve Budget.** Upon presentation by the Board, the Members shall adopt an annual budget and any supplemental budgets of the Association. The Members may amend the budget presented by the Board. The Association shall not make expenditures, except emergency expenditures, absent an approved budget.
- 3.8.3 Resolve a Deadlock of the Board.** If the Board refers a matter to the Members because of a deadlock on the Board or otherwise, the Members shall have the right and duty to resolve the matter by majority vote.
- 3.8.4 Amend the Bylaws and Articles of Incorporation.** The Members may, by a sixty percent (60%) majority vote at a duly called meeting, amend the Bylaws and Articles of Incorporation.
- 3.9 Limitation of Action.** Except as otherwise set forth in this Article III, the Members shall take no action except upon resolution of the Board presented to the Members at a duly called meeting of the Members. The Members may amend any resolution presented by the Board.

**ARTICLE IV.  
BOARD OF DIRECTORS**

- 4.1 **Management Vested in the Board of Directors.** The Board shall govern the Association, manage the Association's property, recommend an annual budget to the Members, establish and collect assessments, enforce the Rules and Regulations, and take any other lawful action to advance the interests of the Association. Board may, but is not required to seek the approval of the Members before taking an action other than those actions reserved to the Members in Article 3.8. The Board shall present an annual budget to the Members at least 14 days prior to an annual or special meeting of the Members.
- 4.2 **Board of Directors.** The Board shall consist of no less than three (3) Directors, nor more than five (5) Directors, who shall serve staggered three year terms. Directors shall be elected by the Members at an annual meeting or at a special meeting called for the purpose of electing Directors. Directors shall be Lot Owners, except a non-Lot Owner may be elected if nominated by the Declarant. Co-owners may serve as Directors. The final number of Directors shall be determined by resolution of the Board. The Board may appoint a Lot Owner to serve for the balance of the term of a Director who resigns, is removed, or is unable to serve due to death, incapacity, or ineligibility. If the Board, by resolution, increases the number of Board positions, it shall call a special meeting of the members for the purpose of electing a Director(s) for the newly created Board position(s). The Board, by resolution, may decrease the number of Directors but only upon the expiration of the term of the Director whose position is to be eliminated. The Board shall maintain a staggered election system that insures at least one Director is elected each year EXCEPT the initial Directors shall each serve three (3) year terms.
- 4.3 **Initial Directors.** The initial Directors shall be:
- Donald J. McCanlies, 202 S. First Ave., Sandpoint ID 83864.
- Fred E. Martin, 42520 Morningside Court, Hemet, California 92544.
- John W. Arnold, PO Box 78207, Corona, California 92877.
- 4.4 **Officers.** The Board shall annually elect its officers. There shall be a President, Vice President, Secretary and Treasurer. One person may serve as both Secretary and Treasurer. Officers shall be elected by a majority of Directors voting at a duly called meeting of the Directors. An officer may be removed from office at any time, for any reason, by a majority of the elected Directors. Such removal shall be evidenced by a resolution, executed by a majority of the Directors and delivered to the Secretary and the officer being removed. The officer's authority shall terminate upon delivery of said resolution to the Secretary.
- 4.5 **Action of the Board.** The action of the Board shall be the action of the Association.

## **ARTICLE V. ASSESSMENTS**

- 5.1 **Purpose of Assessments.** The Association shall levy assessments on its members. The assessments levied by the Association shall be used exclusively for the purpose of carrying out the general duties and powers of the Association, including but not limited to operation, maintenance, repair, reconstruction, restoration, replacement, or alteration of the Property.
- 5.2 **Equal Burden.** Each Lot, regardless of size, shall bear an equal burden for the general expenses of the Association.
- 5.3 **Special Assessments.** The Association, acting through its Board, may levy a special assessment from time to time when the current assessment is deemed insufficient for the Association to carry out its obligations under this instrument and the Bylaws.

## **ARTICLE VI. AMENDMENTS**

- 6.1 **Declarant's Right to Amend.** Until such time as the Declarant conveys a Lot, it shall have the right to amend these Articles and require the Board to submit such amendment to the Secretary of State.
- 6.2 **Members' Right to Amend.** Thereafter, these Articles may be amended upon the consent of sixty percent (60%) of the Members voting at a duly called meeting of the Members.
- 6.3 **Effectiveness.** An amendment shall be effective upon the later of its (a) filing with the Idaho Secretary of State and (b) recordation of a certified copy thereof in the records of Bonner County, Idaho.

## **ARTICLE VII. DISSOLUTION**

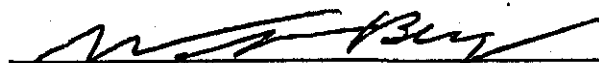
- 7.1 **Requirements for Dissolution.** The Association may be dissolved upon modification of the Declaration to permit dissolution and the consent of seventy-five percent (75%) of the Members, each member signing and acknowledging by law a resolution of dissolution.
- 7.2 **Distribution of Assets.** Upon dissolution, the assets of the Association shall be divided pro rata among the Members.
- 7.3 **Statutory Provisions.** Dissolution shall otherwise be accomplished in compliance with Title 30, Chapter 3-110 et. seq.

**ARTICLE VIII.  
MISCELLANEOUS**

- 8.1 **Indemnification.** The Association shall indemnify and hold harmless its directors, officers, and employees from personal liability for monetary damages for breach of fiduciary duty in accordance with the powers granted in Title 30, Chapter 3-88, Idaho Code.
- 8.2 **Relationship to Declaration.** These Articles are intended to comply with the Declaration. In the event of ambiguity, the Declaration shall be given greater weight.

**ARTICLE IX.  
INCORPORATOR**

The incorporator is WILLIAM M. BERG whose address is 708 Superior Street, Ste B, Sandpoint ID 83864.

  
\_\_\_\_\_  
William M. Berg  
Incorporator

STATE OF IDAHO  
COUNTY OF BONNER

} ss.

On this 30 day of October, in the year of 2007, before me, a Notary Public for the state of Idaho, personally appeared William M. Berg, known or identified to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he/she executed the same.

(Sign) 

NOTARY PUBLIC

Residing at 708 Superior Street

My commission expires: 7/31/2012

