

FILED EFFECTIVE

ARTICLES OF INCORPORATION
OF
EAGLE RIDGE WATER SYSTEM & ROAD MAINTENANCE ASSOCIATION, INC.

2007 JAN 18 PM 3:24
SECRETARY OF STATE
STATE OF IDAHO

ARTICLE I
NAME

The name of the corporation (hereafter called the "Association") is **EAGLE RIDGE WATER SYSTEM & ROAD MAINTENANCE ASSOCIATION, INC.**, and is a nonprofit corporation.

ARTICLE II
DURATION

The duration of the Association shall be perpetual.

ARTICLE III
PURPOSES AND POWERS OF THE ASSOCIATION

This Association is not organized for profit and does not contemplate the distribution of gains, profits, or dividends to its members. This Association is organized, without limitation, for the following purposes:

3.1 To provide for the acquisition, construction, management, operation, administration, maintenance, repair, improvement, preservation and general control of a water system and roads within a portion of the City of Sandpoint, Bonner County, Idaho, as set forth in that certain **AGREEMENT ESTABLISHING ROAD AND WATER SYSTEM MAINTENANCE OBLIGATIONS**

3.2 To engage in any other lawful purpose pursuant to the laws of the State of Idaho and consistent with the foregoing;

3.3 Fix, levy, collect and enforce assessments fees and fines in a fair equitable fashion and secure the payment of assessments through liens upon real property, as allowed by Idaho law;

3.4 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 Association's property;

3.5 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;

IDAHO SECRETARY OF STATE
01/18/2007 05:00
CR: 2377 CT: 192252 BH: 1027137
1 @ 30.00 = 30.00 INC NONP # 2

C171003

3.6 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;

3.7 Dedicate, sell, transfer or grant easements over all or part of any of the Association's property to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the members;

3.8 Participate in mergers and consolidations with other nonprofit corporations organized for the same purposes, or annex additional service to the management of the Association;

3.9 Convey all or substantially all, Association assets to a public entity which would serve water to and/or maintain the roads for the members of this Association;

3.10 Litigate, mediate, and arbitrate any and/or all Association rights and obligations. This Association in addition to other provisions, may provide for the qualification of members, the terms and conditions of admission, the time, mode, conditions and effect of expulsion or withdrawal from membership, admission fees, charges and assessments; and for reimbursement for services rendered to and expenses incurred on behalf of the Association by any member or officer of the Association, and such other rules and regulations as are not repugnant to the laws of the state of Idaho; and

3.11 To exercise all powers granted by law necessary and proper to carry out the foregoing purposes, including, but not limited to, the power to accept donations of money, property, whether real or personal, or any other things of value. Nothing herein contained shall be deemed to authorize or permit the Association to carry on any business for profit, to exercise any power, or to do any act that a corporation formed under the Act, or any amendment thereto or substitute therefore, may not at that time lawfully carry on or do.

ARTICLE IV

MEMBERS AND MEMBERSHIP

4.1 **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.

4.2 **Membership.** Any person or entity ("Person") owning a lot within the Property, and any other Person who has submitted an application for membership, and such application has been approved by the Association, which approval shall be at the sole discretion of the Association and under such terms and conditions as the Association may impose, shall be members of the Association.

4.3 **Transferred Membership.** Membership in the Association shall not be transferred, pledged, or alienated in any way, except upon the transfer of ownership of the lot 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 Lot should fail or refuse to transfer the membership registered in its name to the purchaser of its Lot, 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.

4.4 **Classes of Membership.** The Association shall initially have two classes of Members as described below:

4.4.1 **Class A Members.** Class "A" membership shall be held by each Person owning real property within the Property and each Person who has submitted an application for membership along with the requisite fee, excepting the Originating Member. Each Class "A" Member shall be entitled to one (1) vote for lot or parcel eligible for water service or road maintenance ("Lot"). If the Lot is owned by more than one Person, each such Person shall be a Member of the Association, but there shall be no more than one (1) vote for each Lot. Multiple owners shall have joint rights and obligations hereunder. No class A member shall have the right to vote until all one or both class B memberships cease to exist.

4.4.2 **Class B Members.** Class "B" membership shall be that held by the record owners of the real property, or their assignees, encumbered by the road maintenance agreement referenced above as of the date of the execution of this agreement. There shall be only two Class B members, one for the Rancourt property and one for the Eagleview property as that term is defined in the road maintenance agreement mentioned above. Each class B member shall be entitled to one vote. At such time as one or both of the Class B members no longer owns any real property within the real property subject to the above referenced road maintenance agreement, then the remaining Class B

membership shall be converted to a Class A membership and the Class B member shall be entitled to as many votes as lots then owned by the Class B member. The Bylaws may set forth additional classifications of membership from time to time, except no additional classifications shall be created while Class B Membership exists unless Class B Members agree in writing to any new or different class.

4.5 **Voting Requirements.** Except where otherwise expressly provided in the Rules and Regulations of the Association, these Articles of Incorporation, or the Bylaws, 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.

4.6 **Limitation of Payment to Dissenting Member.** Membership in the Association is appurtenant to and cannot be segregated from ownership of a Lot 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.

ARTICLE V ASSESSMENTS

5.1 The Association may levy assessments on its membership as fully set forth in the Rules and Regulations and the Bylaws of the Association.

5.2 The Board of Directors is authorized to fix the amount of assessments, from time to time, as fully set forth in the Rules and Regulations and the Bylaws of the Association.

5.3 Assessments shall be payable at such times and intervals, and upon such notice and by such methods as the Board of Directors may prescribe in accordance with the provisions of the Rules and Regulations and the Bylaws of the Association.

5.4 Assessments may be enforceable by civil action and shall be secured by a lien upon the property to which the membership rights are appurtenant as fully set forth in the Rules and Regulations and the Bylaws of the Association.

ARTICLE VI BOARD OF DIRECTORS

6.1 Number of Directors. The initial Board of Directors of this Association shall consist of three (3) directors and shall be Michael Rancourt, Kent Wick and Teague Mullen. Thereafter, the number of Directors may be changed in accordance with the Bylaws of the Association. The Directors need not be Members of the Association until conversion of Class "B" memberships to Class "A" after which time all Directors must be Members of the Association.

ARTICLE VII 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.

ARTICLE VIII INITIAL REGISTERED AGENT AND OFFICE

The initial registered office of the Association shall be 110 Wallace Avenue, Coeur d'Alene, Idaho 83814, and the initial registered agent at such address shall be Arthur M. Bistline.

**ARTICLE IX
INCORPORATOR**

The name and address of the incorporator of this Association is Arthur M. Bistline, 110 Wallace Avenue, Coeur d'Alene, Idaho 83814.

**ARTICLE X
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 persons in charge of the liquidation shall divide the remaining assets equally among the members of the Association.

**ARTICLE XI
AMENDMENT OF ARTICLES**

This Association reserves the right to amend, alter, change, or repeal any provision contained in these Articles of Incorporation pursuant to the provisions for such amendment as set forth in the Bylaws of the Association.

DATED this 18 day of Jan., 2007.




Arthur M. Bistline, Incorporator

CONSENT OF REGISTERED AGENT

The undersigned, by signature hereto, hereby consents to serve as registered agent in the State of Idaho for this Association, and understands that as Agent for this Association, it will be the responsibility of said agent 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 Idaho Secretary of State in the event of the resignation of said agent, or of any change in the registered office of this Association.

DATED this 27th day of ~~May~~ Dec, 2006.

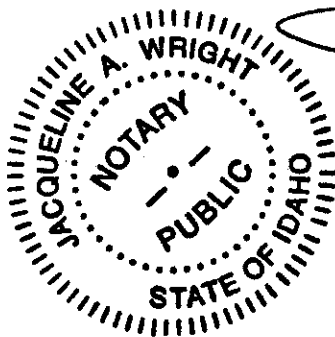


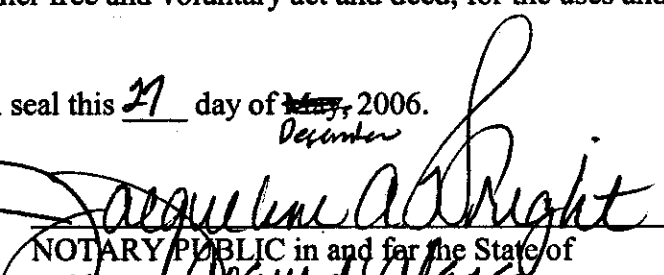
Arthur M. Bistline, Registered Agent

STATE OF)
)ss.
County of)

On this day personally appeared before me ARTHUR M. BISTLINE, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that she signed the same as her free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 27 day of ~~May~~ December, 2006.





NOTARY PUBLIC in and for the State of
residing at Grand Prairie
My commission expires: 5-22-07
JACQUELINE A. WRIGHT
Printed Name