

**FILED/EFFECTIVE**

**ARTICLES OF INCORPORATION**

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SECRETARY OF STATE  
STATE OF IDAHO

**MERRITT BROTHERS COMMERCIAL ASSOCIATION, INC.**

KNOW ALL MEN BY THESE PRESENTS that WILBUR F. MERRITT, 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:

**SECTION I.  
NAME**

The name of the Corporation (hereinafter called the "Association") is MERRITT BROTHERS COMMERCIAL ASSOCIATION, INC., and it is a nonprofit corporation.

**SECTION II.  
DURATION**

The Association shall exist perpetually.

**SECTION III.  
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 property either owned by, or within the jurisdiction of, the Association (the "Association Property"), within that certain commercial subdivision development project located along and east of Government Way, and between Prairie Avenue and Honeysuckle Avenue, in the City of Dalton Gardens, Kootenai County Idaho, commonly known as "Merritt Brothers Commercial Center," 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 (the "Declaration") recorded or to be recorded with respect to said property in the Office of the Recorder of Kootenai County.

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

3.1 Perform all of the duties and obligations of the Association as set forth in the Declaration;

3.2 Fix, levy, collect, and enforce Assessments as set forth in the Declaration;

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3.3 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 Property;

3.4 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;

3.5 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;

3.6 Dedicate, sell, transfer, or grant easements over all or any part of the Association Property to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members;

3.7 Participate in mergers and consolidations with other nonprofit corporations organized for the same purposes, annex additional property to the property managed by the Association, and/or de-annex property from the jurisdiction of the Association;

3.8 Have and exercise any and all powers, rights, and privileges which a corporation organized under the Nonprofit Corporation Act of the State of Idaho by law may now or hereafter have or exercise.

#### SECTION 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. The Owner of a Lot within the Project, as defined in the Declaration, shall automatically, upon becoming an Owner, be a Member of the Association, and shall remain a Member thereof until such time as his or her ownership ceases for any reason, at which time his or her membership in the Association shall automatically cease. Membership shall be in accordance with these Articles of Incorporation and the Bylaws of the Association. Ownership of a Lot shall be the sole qualification for membership in 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 his or her name to the purchaser of his or her 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 have the following two (2) classes of voting membership:

(a) Class A Membership: Class A membership shall include all Owners of Lots other than the Declarant. Each Class A member shall be entitled to one (1) vote per Lot owned.

(b) Class B Membership: Class B membership shall be held by the Declarant, which shall be entitled to three (3) votes per Lot owned by the Declarant. However, Class B membership shall cease and be converted to Class A membership upon the earlier of the following to occur:

When the total voting power outstanding in Class A membership shall equal the total voting power outstanding in the Class B membership; or

Fifteen (15) years from the date of recordation of the Declaration.

If the Class B membership shall be converted to Class A membership based upon equalization of voting power, it may be reinstated as Class B membership upon the annexation of an additional Phase or Phases as permitted by rights reserved to the Declarant under the Declaration.

If a Lot is owned by more than one (1) person, each such person shall be a Member of the Association, but the voting power attributable to that Lot shall not be increased by the joint ownership, and the vote of that Lot shall not be split. If the Owners of a particular Lot present at a meeting, in person or by proxy, cannot agree on how to vote on a specific matter, no vote shall be exercised by the Lot on that matter.

4.5 Voting Requirements. Except where otherwise expressly provided in the Declaration, 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 a majority of the total voting power of the Association (both classes of membership combined).

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.

#### SECTION V. INITIAL REGISTERED OFFICE AND AGENT

The initial registered office of the Association shall be at Coldwell Banker/Schneidmiller Realty, Inc., 1924 Northwest Blvd., Coeur d'Alene, Idaho 83814, and the registered agent at such address shall be John D. Beebe, Jr.

SECTION VI.  
BOARD OF DIRECTORS; INCORPORATOR

The affairs of this Association shall initially be managed by a Board of three (3) Directors, who shall be Members of the Association, or agents of a corporate Member. The Declarant shall retain the right to control the Board of the Association by appointing a majority of the Directors, for so long as the Declarant holds a substantial ownership interest in the Project, according to the Bylaws. 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>
Wilbur F. Merritt	C/o Merritt Brothers Lumber Co., Inc. P.O. Box 190 Athol, Idaho 83801-0190
John D. Beebe, Jr.	C/o Coldwell Banker/Schneidmiller Realty 1924 Northwest Blvd. Coeur d'Alene, Idaho 83814
Richard V. McKernan	C/o Coldwell Banker/Schneidmiller Realty 1924 Northwest Blvd. Coeur d'Alene, Idaho 83814

The name and address of the incorporator of this Association is as follows:

<u>Name</u>	<u>Address</u>
Wilbur F. Merritt	C/o Merritt Brothers Lumber Co., Inc. P.O. Box 190 Athol, Idaho 83801-0190

SECTION 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.

#### SECTION VIII. 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 distribute the remaining assets to a nonprofit corporation or other entity charged with the administration of the Project. If the Project is terminated or if there is no such entity formed to take over administration of the Project, then the remaining assets shall be distributed among the Members in accordance with their respective rights thereto as established in the Declaration.

#### SECTION IX. 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 of the Association (both classes combined), or by the unanimous consent of the Members; provided that: (a) so long as Class B membership shall exist, any amendment shall be approved by the Declarant; (b) 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; and (c) any such amendment shall not be inconsistent with the law.

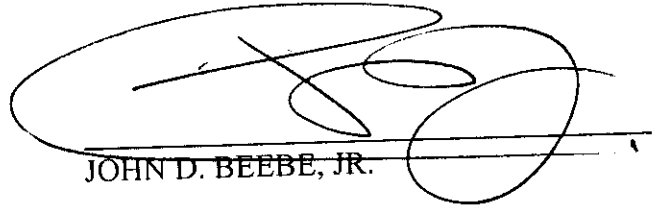
For the purpose of forming this Association under the laws of the State of Idaho, the undersigned, being the incorporator of this Association, has executed these Articles of Incorporation on 6/18, 2002.

  
WILBUR F. MERRITT

CONSENT TO SERVE AS REGISTERED AGENT

I, JOHN D. BEEBE, JR., hereby consent to serve as registered agent in the state of Idaho, for the corporation known as MERRITT BROTHERS COMMERCIAL 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: 6 / 18, 2002



JOHN D. BEEBE, JR.