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SECRETARY OF STATE  
STATE OF IDAHO

## ARTICLES OF INCORPORATION

### SANDPOINT VILLAS OWNERS ASSOCIATION, INC.

KNOW ALL MEN BY THESE PRESENTS that, PERRY TAUBMAN, 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:

#### ARTICLE I

##### NAME

The name of the Corporation (hereinafter called the "Association") is SANDPOINT VILLAS OWNERS ASSOCIATION, INC., and it is a nonprofit corporation.

#### ARTICLE II

##### DURATION

The Association shall exist perpetually.

#### ARTICLE 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 residential condominium project located on Pine Street in the City of Sandpoint, Bonner County, Idaho, commonly known as the "Sandpoint Villas Condominiums," and to promote the health, safety and welfare of all owners and tenants using the above-described property, all according to that certain Declaration of Condominium Covenants, Conditions and Restrictions (the "Declaration") recorded or to be recorded with respect to said property in the Office of the Recorder of Bonner 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:

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

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charges levied or imposed against the Association Property;

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. Own, administer, operate, maintain, repair, replace, and improve, for the benefit of the Members, the Common Area described in the Declaration, subject to the obligations of the Owners to maintain some or all elements of the Limited Common Area allocated to the individual Units;

f. 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;

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 Nonprofit Corporation Act of the State of Idaho by law may now or hereafter have or exercise.

## ARTICLE IV

### MEMBERS AND MEMBERSHIP

Section 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.

Section 2. 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.

Section 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 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.

**Section 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 Units other than the Declarant. Each Class A Member shall be entitled to one (1) vote for each Unit owned.

b. **Class B Membership:** Class B membership shall be held by the Declarant, which shall be entitled to three (3) votes for each Unit owned. 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 a Unit 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 Unit shall not be increased by the joint ownership, and the vote of that Unit shall not be split. If the Owners of a particular Unit 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 Unit on that matter.

**Section 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 a quorum of the voting power of the Association (both classes of membership combined).

**Section 6. Limitation of Payment to Dissenting Member.** 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.

## **ARTICLE V**

### **INITIAL REGISTERED OFFICE AND AGENT**

The initial registered office of the Association shall be at the offices of Clearwater Lodging Management, LLC, , 9655 W. Pebble Brook Lane, Boise, Idaho 83714, and the registered agent at such address shall be James Cecil.

## **ARTICLE 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 number of Directors may be increased (but not decreased) to not more than five (5) Directors.

according to or 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>
Perry Taubman	c/o Clearwater Lodging Management, LLC 9655 W. Pebble Brook Lane Boise, Idaho 83714
James Cecil	c/o Clearwater Lodging Management, LLC 9655 W. Pebble Brook Lane Boise, Idaho 83714
Ron Meyer	c/o Clearwater Lodging Management, LLC 753 B Center Blvd Fairfax CA 94930

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

<u>Name</u>	<u>Address</u>
Perry Taubman	c/o Clearwater Lodging Management, LLC 9655 W. Pebble Brook Lane Boise, Idaho 83714

## **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**

#### **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.

#### **ARTICLE IX**

#### **AMENDMENT OF ARTICLES**

These Articles may be amended at any time and in any manner by the vote of sixty-five percent (65%) of the total voting power of each class of membership in the Association; provided, however, that for so long as the Declarant shall own any Unit in the Project, any such amendment shall be approved by the Declarant; and provided further, 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; 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 15<sup>th</sup> 2006.

  
PERRY TAUBMAN

**CONSENT TO SERVE AS REGISTERED AGENT**

I, JAMES CECIL, hereby consent to serve as registered agent in the State of Idaho, for the corporation known as SANDPOINT VILLAS OWNERS 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 7, 2006.

  
JAMES CECIL