

FILED EFFECTIVE

ORIGINAL

ARTICLES OF INCORPORATION
OF
BEAR PAW QUILTING, INC.

The undersigned persons, acting as the incorporators of a corporation organized under the Corporation Laws of the State of Idaho, adopt the following Articles of Incorporation:

ARTICLE 1

Name

1.01. **Name.** The name of the Corporation is Bear Paw Quilting, Inc.

ARTICLE 2

Registered Office and Agent

2.01. **Registered Office.** The street address of the initial registered office of the Corporation is 924 Sherman Ave., Coeur d'Alene, ID 83814.

2.02. **Registered Agent.** The name of the initial registered agent of the Corporation at the above office is Cameron Phillips, Attorney at Law.

ARTICLE 3

Capital Stock

3.01. **Number of Authorized Shares and Par Value.** The aggregate number of shares that the Corporation shall have authority to issue is 100,000 shares of common stock, which stock shall be without par value.

3.02. **Preemptive Rights of Shareholders.** The Corporation elects to have preemptive rights. The shareholders of the corporation shall have a preemptive right to purchase, at equitable prices, terms, and conditions fixed by the Board of Directors, the shares of capital stock of the Corporation or securities convertible into or carrying options or warrants to purchase such shares, as may be issued from time to time, after the issuance of the first 10,000 shares of capital stock. This preemptive right shall apply to all shares issued by the Corporation after the first 10,000 shares, including shares presently or subsequently authorized, shares held in the treasury of the Corporation, and shares issued for services or property. Shares issued to employees of the Corporation under a plan approved by the holders of seventy-five percent of the issued and outstanding voting shares of the Corporation shall not be subject to preemptive rights.

ARTICLES OF INCORPORATION
OF BEAR PAW QUILTING, INC. - 1

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3.03. **Cumulative Voting.** All shareholders are entitled to cumulate their votes for directors. At each election for directors, every shareholder shall have the right to vote, in person or by proxy, the number of shares held by the shareholder for as many persons as there are directors to be elected and for whose election the shareholder has the right to vote, or to cumulate such votes by giving one candidate as many votes as there are directors to be elected multiplied by the number of shares held by the shareholder, or by distributing the votes on the same principle among any number of candidates.

3.04. **Classes of Stock.** The capital stock of the Corporation shall not be divided into classes.

3.05. **Issuance of Stock.** Shares of capital stock of the corporation shall not be issued except on the affirmative vote or written consent of at least seventy-five percent of the directors, which vote or consent shall appear in the written minutes of the Board of Directors' meeting in which the issuance was authorized.

3.06. **Restriction on Transfer of Stock.** No shareholder shall pledge, mortgage, sell, or otherwise transfer all or any portion of the shareholder's stock unless it shall first be offered to the corporation at a price no greater than a bona fide offer by any third person, which offer shall be open to the corporation for a period of thirty days. In the event that any of the said stock is not purchased by the corporation during such period, it shall be offered to the remaining shareholders of the same class of stock in the same proportion as their respective stock interests in said class of stock, for a like price and for a similar period of time. Should any of the remaining shareholders decline to purchase his or her proportionate share of the stock during that period, that stock shall be offered to the then remaining shareholders for a like price and for a similar period of time. In the event that any of said stock is not purchased by the corporation or the shareholders, the remaining stock may then be sold by the shareholder without restriction. Notice of this restriction shall appear on all stock certificates issued by the corporation.

ARTICLE 4

Incorporators

4.01. The name and address of each incorporator of the Corporation are:

Kathryn Boss, 328 Military Drive, Coeur d'Alene ID 83814

Sandra Goedde, 3959 Jonquil Court, Coeur d'Alene ID 83815

ARTICLE 5

Director

5.01. **Number of Directors.** The Board of Directors of the Corporation shall consist of two members, who need not be a resident of any particular state or shareholder of the Corporation. The number of directors may be increased or decreased from time to time by amendment of this Section of these Articles of Incorporation, but no decrease shall have the effect of shortening the term of any incumbent director. The affirmative vote of the holders of seventy-five percent of the issued and outstanding voting shares of the Corporation shall be required to amend this Section of these Articles of Incorporation.

5.02. **Names and Addresses of Initial Directors.** The name and address of the persons who are to serve as the initial Board of Directors of the Corporation until the first annual meeting of shareholders and until their successors shall have been elected and qualified, are:

Kathryn Boss, 328 Military Drive, Coeur d'Alene ID 83814
Sandra Goedde, 3959 Jonquil Court, Coeur d'Alene ID 83815

5.03. **Transactions with Directors.** Any contract or other transaction between the Corporation and a director, or between the Corporation and any firm, organization or corporation of which a director is a member, employee, shareholder, director, or officer, or in which the director has an interest, shall be valid for all purposes, if the fact of such interest was disclosed or known to the Board of Directors and if the Board of Directors authorizes or ratifies the contract or transaction or if the contract or transaction was disclosed to and ratified by the shareholders, or if the contract or transaction is fair to the corporation. This section shall not be construed to invalidate any contract or other transaction that would otherwise be valid under applicable law.

5.04. **Indemnification.** The corporation, acting through its Board of Directors, shall have the authority to indemnify or advance expenses to any director, officer, employee, or agent of the corporation, when the said director, officer, employee, or agent has incurred expenses or liabilities (including attorneys' fees), which, in the absolute discretion of the Board of Directors, are considered to have been incurred on behalf of the Corporation. The rights set forth in this Section shall be in addition to any rights for indemnification provided by applicable law.

The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Corporation, or who is or was serving at the request of the Corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise against any liability asserted against and incurred by that person in any such capacity or arising out of that person's status as such, whether or not the Corporation could indemnify that person against such liability under the provisions of this Section.

5.05. **Removal of Directors.** One or more of the directors or the entire Board of Directors may be removed, with or without cause, by a vote of the holders of a majority of the shares then entitled to vote for the election of directors. No director may be removed if the votes cast against the director's removal would be sufficient to elect the director if cumulatively voted at an election of the entire Board of Directors. A director shall be entitled to receive notice of, and a hearing with respect to, his or her removal for cause.

ARTICLE 6

Purposes, Foreign Business, and Duration

6.01. **Purposes.** The purpose or purposes for which the Corporation is organized is to engage in the sale of quilting supplies, fabric, sewing machines, to provide quilting classes, and to do everything necessary, proper, advisable, or convenient for the accomplishment of its lawful purposes.

6.02. **Conducting Business in Other Jurisdictions.** The Corporation may conduct business and otherwise carry out its purposes and exercise its powers in any state, territory, district, or possession of the United States, or in any foreign country, to the full extent permitted by the laws of the state, territory, district, or possession of the United States, or by the foreign country; and it may limit its purpose or purposes in any state, territory, district, or possession of the United States, or foreign country.

6.03. **Period of Duration.** The period of duration of the Corporation shall be perpetual.

ARTICLE 7

Amendment and Fundamental Changes

7.01. **Amendment.** These Articles of Incorporation may be amended only by the written consent or affirmative vote of the holders of a majority of the issued and outstanding voting shares, except that any section of these Articles of Incorporation that provide for a greater vote of the shareholders may be amended only upon the written consent or affirmative vote of the shareholders provided for in that section.

7.02. **Fundamental Changes.** The affirmative vote or written consent of the holders of seventy-five percent of the issued and outstanding voting shares of the Corporation shall be necessary for the following corporate acts:

- (a) The adoption by the Corporation of a plan of merger, consolidation, or share exchange.


(b) The sale, lease, exchange, or transfer by the Corporation of all or substantially all of its property or assets other than in the regular course of business.

(c) The voluntary dissolution of the Corporation by its Board of Directors and shareholders.

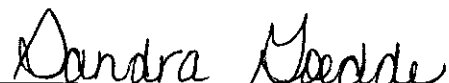
7.03. **Bylaws.** The initial Bylaws shall be adopted by the Board of Directors. The power to alter, amend, or repeal the Bylaws or to adopt new Bylaws shall be vested in the shareholders and the Board of Directors, except that the shareholders in amending or repealing a particular bylaw may provide that the Board of Directors may not amend or repeal that bylaw. The Bylaws may contain any provision for the regulation and management of the affairs of the Corporation that is not inconsistent with the law or these Articles of Incorporation.

IN WITNESS WHEREOF, the incorporators, by their signatures below, affirm under penalty of perjury the truth of the matters set forth above.

DATED this 22 day of July, 2002.


KATHRYN BOSS
Incorporator

DATED this 19 day of July, 2002.


SANDRA GOEDDE
Incorporator

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