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ARTICLES OF INCORPORATION OF
AVALON CONDOMINIUM HOMEOWNERS ASSOCIATION, INC.
an Idaho Non-profit Corporation

2006 APR 20 PM 2:09

The undersigned natural person acting as incorporator of a corporation, hereinafter referred to as "Corporation" under the provisions of Title 30, Chapter 3, Idaho Code, known as the Idaho Non-Profit Corporation Act, (this Code as amended from time to time is referred to herein as the "Code"), adopts and certifies in duplicate the following Articles of Incorporation:

SECRETARY OF STATE
STATE OF IDAHO

ARTICLE 1

NAME

The name of the Corporation is:

AVALON CONDOMINIUM HOMEOWNERS ASSOCIATION, INC.

ARTICLE 2

PERIOD OF DURATION

The period of duration of the Corporation is perpetual.

ARTICLE 3

STATUS

This Corporation is organized pursuant to the Idaho Non-profit Corporation Act and is a non-profit corporation.

ARTICLE 4

PURPOSES AND POWERS

Section 4.01. PURPOSES. The purposes for which this Corporation is organized are as follows:

CLAUSE (a)

This Corporation does not contemplate the distribution of gains, profits, or dividends to its members, and its specific and primary purposes for which it is formed are to provide for the acquisition, construction, management, operation, administration, maintenance,

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repair, improvement, preservation and architectural control of the association property within the certain tract of property situate in Kootenai County, Idaho, and to be known as AVALON CONDOMINIUMS and any and all additions thereto as may hereinafter be brought within the jurisdiction of this corporation for this purpose, according to a Declaration of Covenants, Conditions and Restrictions (the "Declaration") which will be recorded with respect to said property in the Office of the Recorder of Kootenai County, Idaho. This Corporation will operate in the manner and shall have the power, responsibilities and be subject to the limitations provided by the laws of the State of Idaho and the laws of the United States Government.

CLAUSE (b) In furtherance of said purposes, this corporation shall have power to:

(a). Perform all the duties and obligations of the Association as set forth in the Declaration;

(b). Fix, levy, collect and enforce assessments and fines 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 governmental charges levied or imposed against the association property;

(d). Acquire (by gift, purchased or otherwise), own, hold, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Corporation;

(e). Borrow money and, only with the consent (by vote or written consent) of 2/3rds of each class and members, mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;

(f). Dedicate, sell or transfer all or any part of the project owned by the Corporation to any agency, authority or utility for such purposes and subject to such conditions as may be agreed upon by the members. No such dedication or transfer shall be effective unless an instrument has been signed by two-thirds (2/3) of each class and members, agreeing to such dedication, sale or transfer.

(g). Participate in mergers and consolidations with other non-profit corporations organized for the same purposes, or annex additional residential property to the project, provided that any merger, consolidation or annexation (other than an annexation of additional phases, which shall be allowed according to the Declaration) shall have the assent by vote or written consent of two-thirds (2/3) of the voting power of members other than the declarant;

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(h). Have and exercise any and all powers, rights and privileges which the Corporation organized under the Idaho Non-profit Corporation Act may now or hereafter have or exercise.

CLAUSE (c). AUXILIARY PURPOSES. To do everything necessary, proper, advisable, or convenient, for the accomplishment of the foregoing purposes, and to do all other things incidental to them or connected with them that are not forbidden by the Code, by other law, or by these ARTICLES OF INCORPORATION.

SECTION 4.02 POWERS. The Corporation CLAUSE (a). STATUTORY POWERS. To have and exercise all the powers specified in the Code.

CLAUSE (b). NON-PROFIT PRECLUSIONS. No part of the net earning of the Corporation shall inure to the benefit of or be distributed either to its members, directors, officers of other private persons except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein. No part of the activities of the Corporation shall be the carrying on of propaganda or otherwise attempting to influence legislation, and the organization shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate of public office. Nothing contained herein however, shall forbid the Corporation from publicly stating its position on any issue or question of legitimate concern to or relevant to the purpose for which the Corporation has been organized. Notwithstanding any provision to the contrary in the Articles, the Corporation shall not carry on any activities not permitted to be carried on (a) by the corporation exempt from federal tax under Section 501(c)(3) of the Internal Revenue code of 1986 as amended, or any corresponding provisions of any future United States Internal Revenue law; or (b) by a corporation, contributions to which are deductible under Section 170(c)(3) of the Internal Revenue Code of 1986 as amended or the corresponding provision of any future United States Internal Revenue law.

CLAUSE (c). TERMINATION OR LIQUIDATION. Upon termination, liquidation, dissolution or abandonment of the Corporation for any purpose, the Board of Directors shall, after paying or making provisions for the payment of all lawful liabilities of the Corporation, as required by Idaho Code §30-3-1 *et seq.*, dispose of all the remaining assets of the Corporation to such organization or organizations organized and operated exclusively for non-profit purposes that shall at the time qualify as an exempt organization or organizations under Section 501(c) of the Internal Revenue Code of 1986, as amended, or corresponding provisions of any future United States Internal Revenue Code, as the Board of Directors may determine.

CLAUSE (d). CONSTRUCTION OF POWERS. Each of the foregoing clauses of this section shall be construed as independent powers and the matters expressed in each

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clause shall not unless otherwise expressly provided, be limited by reference to, or inference from, the terms of any other clause. The enumeration of specific powers shall not be construed as limiting or restricting in any manner either the meaning of general terms used in any of these clauses, or the scope of the general powers of the Corporation created by them; nor shall the expression of one thing in any of these clauses be deemed to exclude another not expressed, although it be of like nature.

SECTION 4.03. CARRYING OUT OF PURPOSES AND EXERCISE OF POWERS IN ANY JURISDICTION. The Corporation may 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 extent that these purposes and powers are not forbidden by the law of the State, territory, district, or possession of the United States, or by the foreign country and it may limit the purpose or purposes that it proposes to carry out or the powers it proposes to exercise in any application to do business in any State, territory, district, or possession of the United States, or foreign country.

SECTION 4.04. DIRECTION OF PURPOSES AND EXERCISE OF POWERS BY DIRECTORS. The Board of Directors, subject to any specific written limitations or restrictions imposed by the Code or by these **ARTICLES OF INCORPORATION**, shall direct the carrying out of the purposes and exercise the powers of the Corporation without previous authorization or subsequent approval by the members of the Corporation.

SECTION 4.05. LIMITING PROVISION. Nothing contained in this Article shall be construed to authorize the Corporation to engage in the business of banking or insurance

ARTICLE 5

MEMBERSHIP AND VOTING RIGHTS

SECTION 5.01. MEMBERSHIP. The owner of a lot within **AVALON CONDOMINIUMS** shall automatically, upon becoming owner of the same, be a member of the Corporation, and shall remain a member thereof until such time as his ownership ceases for any reason, at which time his membership in the association shall automatically cease.

SECTION 5.02. TRANSFER OF MEMBERSHIP. Membership in the Association shall not be transfer, pledged, or alienated in any way, except upon the transfer of ownership of the lot and then only to the new owner. Any attempt to make a prohibited transfer is void. In the event the owner of any lot shall fail or refuse to transfer the membership registered in his name to the purchaser of his lot, the Corporation shall have the right to record the transfer on the books and thereupon the old membership outstanding in the name of the seller shall be null and void.

SECTION 5.03. CLASSES OF MEMBERSHIP. The Association shall have two classes of voting membership established according to the following provisions:

(a). Class A Membership. Class A membership shall be that held by each owner of a unit other than the developer of the AVALON CONDOMINIUMS project, and each Class A member shall be entitled to one (1) vote for each lot owned. If a lot is owned by more than one person, each such person shall be a member of the Corporation, but there shall be no more than one (1) vote for each lot;

(b). Class B Membership. Class B membership shall be that held by the developer (or its successor in interest) who shall be entitled to one (1) votes for each unit owned by the developer, provided that Class B membership shall be converted to Class A membership on the occurrence of whichever the following is first in time:

(1). the total outstanding votes held by Class A members equal the total outstanding votes (triple as above) held by the Class B member for the project; provided; however, that Class B membership shall thus terminate only with respect to that particular project; or,

(2). the fifth anniversary of the recordation of the most recently recorded Declaration of Annexation for a phase of the project; or,

(3). the tenth anniversary of the recordation of the Declaration;

(c). Voting by Phase. Notwithstanding anything to the contrary set forth in the Declaration or elsewhere in the project documents, no owner of a lot in any phase shall be permitted to vote on any matter (including without limitation, assessments and allocation expenses) which directly pertains only to lots in another phase, it being the developer's express intention to permit self government of each phase to the extent practicable.

ARTICLE 6

REGISTERED AGENT AND OFFICE

The initial registered agent of the corporation shall be:

Dwight E. Dirkmaat

and the street address of the initial registered agent shall be:

14070 Peony Ct.
Hayden Lake, Idaho 83835

ARTICLE 7

BOARD OF DIRECTORS; INCORPORATORS

The affairs of this Corporation shall initially be managed by a Board of three (3) Directors who need not be a member of the Corporation, until conversion of Class B memberships to Class A, after which time all Directors must be members of the Corporation. Commencing with the first meeting of the corporation, the number of Directors shall be determined as provided in the By-laws of the Corporation. The name and address of the Incorporator and the person who is to act in the capacity of Director until the selection of his successor is:

Dwight E. Dirkmaat
14070 Peony Ct.
Hayden Lake, ID 83835

The names and addresses of the two remaining Directors are and the persons who are to act in the capacity of Director until the selection of their successors are:

Renee J. Dirkmaat
14070 Peony Ct.
Hayden Lake, ID 83835

Heidi Threadgill
P O Box 1047
Coeur d'Alene, ID 83816-1047

ARTICLE 8

CORPORATE OFFICERS AND THEIR FUNCTIONS

SECTION 8.01. GENERAL OFFICERS. The general officers of the Corporation shall be the President, Vice President(s), Secretary and Treasurer. the Directors may appoint various Vice Presidents to serve distinct and defined functions.

SECTION 8.02. DUTIES OF THE PRESIDENT. The principal duties of the President shall be to preside at all meetings of the members and Board of directors and to have general supervision of the affairs of the Corporation.

SECTION 8.03. DUTIES OF THE VICE PRESIDENT. The principal duties of the Vice President shall be to discharge the duties of the President in the event of absence or disability for any cause whatsoever of the President. Various Vice Presidents may be

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appointed for specific functions other than as the first Vice President.

SECTION 8.04. DUTIES OF THE SECRETARY. The principal duties of the Secretary shall be to countersign all deeds, leases and conveyances executed by the Corporation, affix the seal of the Corporation thereto, and to such other papers as shall be required and directed to be sealed, to keep a record of the proceedings of the Board of Directors and the Members, and to safely and systematically keep all books, papers, records and documents belonging to the corporation, or in any way pertaining to the business thereof, except the books and records incidental to the duties of the Treasurer.

SECTION 8.05. DUTIES OF THE TREASURER. The principal duties of the Treasurer shall be to keep an account of all monies, credits and property of any and every nature of the Corporation which shall come into his/her hands and to keep an accurate account of all monies received and disbursed and of money and property on hand and generally of all matters pertaining to his/her office, as shall be required by the Board of Directors.

SECTION 8.06. APPOINTMENT OF ADDITIONAL OFFICERS. The Board of Directors may provide for the appointment of such additional officers as they deem in the best interest of the Corporation.

SECTION 8.07. Whenever the Board of Directors may so order any two officers, the duties of which do not conflict, may be held by one person, except the office of President and Secretary.

SECTION 8.08. The officers shall perform such additional or different duties as shall, from time to time, be imposed or required by the Board of Directors or as may be prescribed, from time to time, by the By-Laws.

ARTICLE 9

APPOINTMENT OF OFFICERS

SECTION 9.01. APPOINTMENT. The officers shall be appointed by the Directors, and shall serve at the leisure of the Directors, until they are removed, resign, or replaced by the Directors. The Directors shall first be elected by the Members of the Corporation. There will be no term limits on the terms of the officers except and to the extent an officer either resigns or is replaced by action of the Board of Directors.

ARTICLE 10

PROVISIONS FOR REGULATION OF THE INTERNAL AFFAIRS OF THE CORPORATION

SECTION 10.01 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 Board of Directors and the Members. The Bylaws may contain any provisions for the regulation and management of the affairs of the corporation not inconsistent with the Code or these ARTICLES OF INCORPORATION.

SECTION 10.02. TRANSACTIONS IN WHICH DIRECTORS HAVE AN INTEREST. Any contract or other transaction between the Corporation and any firm of which one or more of its directors are members or employees, or in which they are interested, or between the Corporation and any Corporation or association of which one or more of its directors are shareholders, members, directors, officers or employees, or in which they are interested, shall be valid for all purposes, notwithstanding the presence of the director or directors at the meeting of the Board of Directors of the Corporation that acts upon, or in reference to, the contract or transaction, and notwithstanding his or their participation in the action, if the fact of such interest shall be disclosed or known to the Board of Directors and the Board of Directors shall, nevertheless, authorize or ratify the contract or transaction, the interested director or directors to be counted in determining whether a quorum is present and to be entitled to vote on such authorization or ratification. This section shall not be construed to invalidate any contract or other transaction that would otherwise be valid under the common and statutory law applicable to it.

SECTION 10.03. INDEMNIFICATION AND RELATED MATTERS.

CLAUSE (a). POWER TO INDEMNIFY-THIRD PARTY ACTIONS. The Corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee, or 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 expenses, (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith, and in a manner which he reasonably believed to be in or not opposed to the best interest of the Corporation, and, with respect to any criminal action or proceeding, or had reasonable cause to believe that his conduct was unlawful.

CLAUSE (b). POWER TO INDEMNIFY-ACTION BROUGHT IN THE RIGHT OF THE CORPORATION. The Corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or com-

pleted action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee, or agent of the Corporation, or 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 expenses, (including attorneys fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the Court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such Court shall deem proper.

CLAUSE (c). RIGHT OF INDEMNIFICATION. To the extent that a director, officer or employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in Clauses (a) and (b), or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys fees) actually and reasonably incurred by him in connection therewith.

CLAUSE (d). DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION. Any indemnification under Clauses (a) and (b) (unless ordered by a Court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee, or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in clauses (a) and (b). Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the members.

CLAUSE (e). ADVANCEMENT OF EXPENSES. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized in the manner provided in Clause (d) upon receipt of an undertaking by or on behalf of the director, officer, employee, or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized in this section.

CLAUSE (f). SAVINGS CLAUSE. The indemnification provided by this section shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any Bylaw, Agreement, vote of the members or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer,

employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of such a person.

CLAUSE (g). INSURANCE. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Corporation or 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 him and incurred by him in any such capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this section.

SECTION 10.04. AMENDMENT OF ARTICLES OF INCORPORATION. The Corporation reserves the right to amend the ARTICLES OF INCORPORATION in any manner now or hereafter permitted by the Code.

ARTICLE 11 AMENDMENTS

These Articles of Incorporation may be amended as follows:

The Board of Directors shall adopt a resolution setting forth the proposed amendment and directing that it be submitted to a vote at a meeting of the members having voting rights, which may be either annual or special meeting. Written or printed notice setting forth the proposed amendment or summary of the changes to be effected thereby shall be given to each member entitled to a vote at such meeting within the time and the manner provided in the Idaho Non-profit Corporation Act for the giving of notice of meetings of members. The proposed amendment shall be adopted upon receiving at least a majority of the votes which members present at such meeting, in person or by proxy, are entitled to cast, unless any class of members is entitled to vote as a class thereon by the terms of the By-laws, in which event, the proposed amendment shall not be adopted unless it is so received at least a majority of the votes which the members of each who are present at such meeting, in person or by proxy, are entitled to cast.

For the purpose of forming this corporation under the laws of the State of Idaho, the undersigned constituting the Incorporator of this Corporation, has executed these Articles of Incorporation on the 19 day of April, 2006.

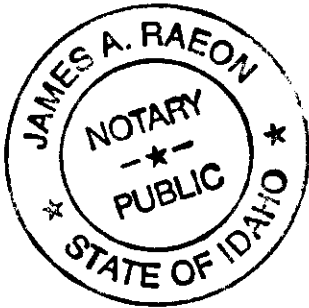

DWIGHT E. DIRKMAAT

10-ARTICLES OF INCORPORATION OF AVALON CONDOMINIUM HOMEOWNERS
ASSOCIATION, INC.

STATE OF IDAHO)
) ss.
County of Kootenai)

I, the undersigned, a Notary Public, duly commissioned to take acknowledgment in the State of Idaho, do hereby certify that on this day, personally appeared before me, DWIGHT E. DIRKMAAT, who, being by me first duly sworn, declares that he is the Incorporator referred to in Article VII., of the foregoing Articles of Incorporation, and that he signed these Articles as such and that the statements contained therein are true.

WITNESS MY HAND AND NOTARIAL SEAL THIS 19 DAY OF April, 2006.



NOTARY PUBLIC FOR IDAHO
RESIDING AT: COE CLARKES, ID
MY COMMISSION EXPIRES: 8/14/04

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