

State of Idaho

Department of State

CERTIFICATE OF INCORPORATION OF

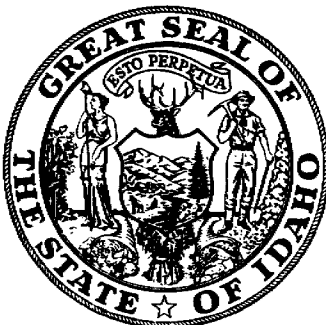
CANDLEWOOD CONDOMINIUMS ASSOCIATION, INC.

File number C 106988

I, PETE T. CENARRUSA, Secretary of State of the State of Idaho, hereby certify that duplicate originals of Articles of Incorporation for the incorporation of CANDLEWOOD CONDOMINIUMS ASSOCIATION, INC. duly signed pursuant to the provisions of the Idaho Nonprofit Corporation Act, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I issue this Certificate of Incorporation and attach hereto a duplicate original of the Articles of Incorporation.

Dated: July 15, 1994



Pete T. Cenarrusa
SECRETARY OF STATE

By *Anna Siebel*

ARTICLES OF INCORPORATION
OF
CANDLEWOOD CONDOMINIUMS ASSOCIATION, INC.

JUL 15 2 08 PM '94
SECRETARY OF STATE

KNOW ALL MEN BY THESE PRESENTS: That we the undersigned, being natural persons of all age and citizens of the United States, in order to form a corporation pursuant to Chapter 3, Title 30, Idaho Code, which corporation shall be a non-profit corporation, for the purposes hereinafter stated, under and pursuant to the provisions of Chapter 3, Title 30, Idaho Code, and the general corporation Laws of the State of Idaho, except where they may be in conflict with the above-referred to Sections, and all the acts amendatory thereof and supplemental thereto, do hereby certify as follows:

ARTICLE I

NAME AND ADDRESS

The name of the corporation shall be Candlewood Condominiums Association, Inc. For convenience, the corporation shall be referred to in this Instrument as the "Association." The business address of the association shall be 809 North 3rd Street, McCall, Idaho 83638.

ARTICLE II

DEFINITIONS

For purposes of these Articles, the following words and terms shall be accorded definitions as follows:

SECTION 2.01

"ARTICLES"

These Articles of Incorporation of the Association which have been filed in the office of the Secretary of State of the State of Idaho.

SECTION 2.02

"ASSOCIATION"

This non-profit corporation, or any successor thereof, formed for the purpose of administering the Condominium Declaration and assuming the duties and obligations set forth therein.

SECTION 2.03

"ASSOCIATION ASSESSMENTS"

Those regular, special and limited assessments to be determined by the Board and levied on owners of condominium units within the project.

SECTION 2.04

"ASSOCIATION PROPERTIES"

All real and personal property in which the association now or hereafter owns an interest or which is leased by the Association for the use of its members.

SECTION 2.05

"ASSOCIATION ROLLS"

The official record of owners/members of units within the Association, regularly keep and maintained under the direction and supervision of the Board.

SECTION 2.06

"BOARD"

The Board of Directors of this corporation.

SECTION 2.07

"BY-LAWS"

The By-laws of this corporation which have been or shall be adopted by the Board.

SECTION 2.08

"COMMON AREA"

Means the entire project excepting all units.

SECTION 2.09

"CONDOMINIUM"

A condominium as defined in Section 55-101b of the Idaho Code, i.e. an estate consisting of (I) an undivided interest in common real property, in an interest or interests in real property, or in any combination thereof, together with (II) a separate interest in real property, in an interest or interests in real property, or in any combination thereof.

SECTION 2.10

"CONDOMINIUM PROJECT"

A project as defined in Section 55-1503(b) of the Condominium Act of the State of Idaho, i.e. the entirety of an area divided or to be divided into condominiums.

SECTION 2.11

"GRANTORS"

James Campbell and Jeanne Campbell and Sarjak Enterprises, Inc.

SECTION 2.12

"DECLARANT"

The Grantors above, who have signed the Condominium Declaration.

SECTION 2.13

"DEVELOPMENT"

The project to be carried out by grantors, (or that process) resulting in the improvement of the condominium project, including landscaping, construction of roadways, utility services, construction of dwelling units, facilities to be used in connection with the project and other improvements.

SECTION 2.14

"LIMITED COMMON AREAS"

Those common areas and facilities designated in the Declaration for use of a certain condominium owner or owners to the exclusion, limitation or restriction of others.

SECTION 2.15

"MANAGEMENT BODY"

Any person or persons managing a project, and includes the condominium owners acting themselves, a corporation or association of which the owners are members or stockholders, a board of governors or Directors elected by the owners, or a management agent selected by the owners, by the corporation or Association, or by the Board, or named in the Declaration.

SECTION 2.16

"OWNER"

The record owner, whether one or more persons or entities, of a fee simple title to any real property in the project, including contract sellers; provided, however, that prior to any conveyance of any part or portion of an area subject to the Declaration the owner of such area shall be the Grantors.

SECTION 2.17

"OWNER-PURCHASER"

A person other than the grantor who has purchased a unit and is presently the record owner.

SECTION 2.18

"PERSON"

Any individual or any corporation, joint venture, limited partnership, partnership, firm, association, trustee or other similar entity or organization.

SECTION 2.19

"PROPERTY"

The land described in the Declaration recorded pursuant to Section 55-1505 of the Idaho Code, together with every building, improvement or structure thereon, and every easement or right appurtenant thereto, and all personal property intended for use in connection therewith or for the use, benefit, or enjoyment of the condominium owners.

SECTION 2.20

"RULES AND REGULATIONS"

Those rules and regulations promulgated by the Association Board relating to governing conduct upon and use of the property of the Association owners/members and Association properties, the imposition of fines and forfeitures for violation of Association rules and regulations, and procedural matters for use in the conduct of the business of the Association.

SECTION 2.21

"UNIT"

The separate interest in a condominium.

ARTICLE III

PURPOSES AND OBJECTIVES

The purposes and objectives for which this corporation is formed are:

SECTION 3.01

To provide an entity whose members shall be all the owners of those (units) located in that parcel of real property in Valley County, Idaho, commonly known and referred to as Candlewood Condominiums;

SECTION 3.02

To satisfy those duties and requirements set forth in that certain Condominium Declaration of Covenants Conditions and Restrictions for Candlewood Condominiums;

SECTION 3.03

To be an administrative, managerial, rule making and enforcement body for the condominium project;

SECTION 3.04

To provide for maintenance, utilities, gardening and other services benefiting the Association; to employ personnel and contractors necessary for operation of the project;

SECTION 3.05

To purchase materials and supplies required for the Association;

SECTION 3.06

To do such other acts and perform such other functions as may be required for government, maintenance, preservation and architectural control of the project described above in accordance with the Declaration and applicable Law;

SECTION 3.07

To maintain fire, casualty, liability, workmen's compensation and other insurance, and if required, for a fidelity bond or bonds;

SECTION 3.08

To act in the capacity of principal, agent, joint venture, or partner, or otherwise;

SECTION 3.09

To assess, levy, collect and enforce payment by any lawful means, of all assessments pursuant to the terms of the Declaration, and to levy, collect and enforce payment by any lawful means of all assessments certified;

SECTION 3.10

To perform any and all acts which are necessary and proper for or incidental to the carrying out of the duties, either express or implied, accorded to the Association under the terms of the Declaration, and these Articles, the By-Laws of this corporation, and the laws of the State of Idaho;

SECTION 3.11

To buy, sell, acquire, hold, own dispose of, convey, mortgage, pledge, lease, assign, transfer, trade and deal in and with all kinds of personal property, franchises, privileges, rights, goods, wares and merchandise of every kind, nature and description;

SECTION 3.12

To borrow money, to draw, make, accept, endorse, transfer, assign, execute and issue bonds, debentures, promissory notes, and other evidences of indebtedness, and for the purpose of securing any of its obligations or contracts to convey, transfer, assign, deliver, mortgage and/or pledge all or any part of the property or assets, real or personal, at any time owned or held by this corporation, upon such terms and conditions as the Board shall authorize, and as may be permitted by laws subject to the provisions of the Declaration;

SECTION 3.13

To have one or more offices to carry on all or any part of its operations and business, and to do all and everything necessary, suitable, convenient or proper for the accomplishment of any of the purposes or the attainment of any one or more of the objects herein named, or which shall at any time appear conducive or expedient for the protection or benefit of the Association, and which now or hereafter may be authorized by law, and this to the same extent and as fully as natural persons might or could do, as principals, agents, contractors, trustees, or otherwise, and either alone or in connection with any person, firm, association, or corporation;

SECTION 3.14

To have and to exercise any and all powers and privileges now or hereafter conferred by the Laws of the State of Idaho upon corporations formed under the general corporation laws of said State so long as they are not in conflict with Title 30, Chapter 10, Idaho Code, or under any act amendatory thereof or supplemental thereto or substituted therefor;

SECTION 3.15

To promulgate Association Rules and Regulations for the regulations, control, management and government of the project, all in accordance with the provisions of the Declaration;

SECTION 3.16

To procure and employ a professional manager for the purpose of assuming and carrying out the general management duties of the Association and to delegate sufficient powers and duties to said manager to efficiently and competently carry out his duties subject to the ultimate control of the Board.

The foregoing sections are to be construed both as objectives and powers; and it is hereby expressly provided that enumeration herein of specific objectives and powers shall not be held to limit or restrict in any manner the general powers of the corporation; provided, however, that nothing contained herein shall be deemed to authorize or permit the corporation to carry on any business or to exercise any power or to do any act which a corporation formed under the act hereinbefore referred to, or any amendment thereof or supplement thereto, or substitute therefor, may not at the time lawfully carry on or do. It is the intention that the purposes, objectives and powers specified in each of the Sections 3.01 to 3.16 inclusive, of these Articles of Incorporation shall except as otherwise expressly provided, in no wise be limited or restricted by reference to, or inference from, the terms of any other section, clause or paragraph of these Articles of Incorporation.

SECTION 3.17

This corporation may only make distributions upon dissolution not inconsistent with law regarding the distribution of assets on dissolution, including in conformity with Section 30-3-114 or 30-3-115, Idaho Code.

ARTICLE IV

EXISTENCE

The corporation is to have perpetual existence.

ARTICLE V

PRINCIPAL PLACE OF BUSINESS

The location and post office address of the registered office and principal place of business of the corporation is 809 N. 3rd Street, McCall, Idaho 83638 or Box 946, McCall, Idaho 83638. The registered agent of the corporation in the State of Idaho is John Hanks.

ARTICLE VI

CONDOMINIUM PROJECT

This Association shall be deemed a domestic corporation to serve as a management body and to administer the condominium project, pursuant to the provisions of the Condominium Property Act, Title 55, Chapter 15, Idaho Code, and insofar as the provisions of the act conflict with these Articles of Incorporation, the provisions of the Condominium Property Act shall prevail with respect to the application of these Articles to the condominium project and the provisions of these Articles shall be interpreted to be consistent therewith.

ARTICLE VII

MEMBERSHIP

Every person or entity who is a record owner of a fee or undivided fee interest in any unit within the condominium project, including contract sellers, shall be a member of the Association. The foregoing is not intended to include persons or entities who hold any such interest merely as security for the performance of any obligations. Membership shall be appurtenant to and may not be separated from ownership of any such unit. Membership in the Association shall be evidenced by a Certificate of Membership issued in the form and manner provided for in the By-Laws of the Association.

ARTICLE VIII

VOTING RIGHTS

A.

NUMBER OF VOTES.

The Association shall have two classes of voting membership:

Class A.

Class A members shall originally be all Owners with the exception of Grantor, and shall be entitled to one vote for each Condominium owned. Grantor shall become a Class A member with regard to Condominiums owned by Grantor in the Condominium Project upon the conversion with Grantor's Class B membership to Class A membership with regard to the Condominium Project as provided hereinbelow. The Owner of each Condominium may, by notice to the Association, designate a person (who need not be an Owner) to exercise the vote for such Condominium. Said designation shall be revocable at any time by notice to the Association by the Owner. Such powers of designation and revocation may be exercised by the guardian of an Owner's estate or by his conservator, or in the case of a minor having no guardian, by the parent entitled to his custody, or during the administration of an Owner's estate, by his executor or administrator where the latter's interest in said property is subject to administration in his Estate.

Class B.

The Class B member shall be Grantor. Upon the first sale of a Lot or Condominium to an Owner in the Condominium Project, Grantor shall thereupon be entitled to three (3) votes for each Condominium owned by Grantor. As to the Condominium Project, the Class B membership shall cease and be converted to Class A membership on the happening of any of the following events, whichever occurs earlier:

(1) When the total votes outstanding in the Class A membership for the Condominium Project equal the total votes outstanding of the Class B membership, or

(2) Five (5) years from the first sale to an Owner of a Condominium to an Owner.

B.

JOINT OWNER DISPUTES.

The vote for each Condominium shall, if at all, be cast as a unit, and fractional votes shall not be allowed. In the event that joint Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any Owner casts a vote representing a certain Condominium, it will thereafter be conclusively presumed for all purposes that he or they were acting with the authority and consent of all other Owners of the same Condominium.

C.

MEETINGS OF OWNERS.

There shall be a meeting of the Owners on the 20th day of June, or at such other reasonable place or time (not more than thirty (30) days before or after such date) as may be designated by notice of the Board given to the Owners not less than (7) nor more than sixty (60) days prior to the date fixed for said meeting. A special meeting of the Owners may be called at any reasonable time and place by notice of the Board or by the Owners having one-fifth ($1/5$) of the total votes and delivered to all other Owners not less than fifteen (15) days prior to the date fixed for said meeting. The presence at any meeting, in person or by proxy, of the Owners entitled to vote at least a majority of the total votes shall constitute a quorum. If any meeting cannot be held because a quorum is not present, the Owners present, either in person or by proxy, may as otherwise provided by law, adjourn the meeting to a time not less than forty-eight (48) hours nor more than thirty (30) days from the time the original meeting was called, at which meeting the quorum requirement shall be the Owners entitled to vote at least twenty-five percent (25%) of the total votes. The president of the Association (or the vice president in his absence) shall act as chairman of all meetings of the Owners and the secretary of the Association (or an assistant secretary thereof in his absence) shall act as secretary of all such meetings. Except as otherwise provided herein, any action may be taken at any meeting of the Owners upon the affirmative vote of the Owners having a majority of the total votes present at such meeting in person or by proxy; provided, however, that the members of the Board may be elected

by cumulative voting as provided in Section 6.03D. At each annual meeting, the Board shall present a written statement of the Candlewood Maintenance Fund, itemizing receipts and disbursements for the preceding calendar year and the allocation thereof to each Owner. Within ten (10) days after the date set for each annual meeting, the assessment statement shall be delivered to the Owners not present at said meeting.

D.

CUMULATIVE VOTING.

In any election of the members of the Board, every Owner (including Grantor) entitled to vote at such an election shall have the right to cumulate his votes and give one candidate, or divide among any number of the candidates, a number of votes equal to the number of votes to which that Owner is entitled in voting upon other matters multiplied by the number of directors to be elected. The candidate receiving by the highest number of votes, up to the number of the Board members to be elected, shall be deemed elected.

E.

TRANSFER OF VOTING RIGHT.

The right to vote may not be severed or separated from the ownership of the Condominium to which it is appurtenant, except that any Owner may give a revocable proxy, or may assign his right to vote to a lessee or Beneficiary of the Condominium concerned, for the term of the lease or Deed of Trust, and any sale, transfer or conveyance of such Condominium to a new Owner or Owners shall operate automatically to transfer the appurtenant vote to the new Owner, subject to any assignment of the right to vote to a lessee or Beneficiary as provided herein.

ARTICLE IX

DIRECTORS

SECTION 9.01

The affairs of the Association will be managed by a Board consisting of the number of Directors determined by the By-Laws. Directors of the Association shall be elected at the annual meeting of the members in the manner determined by the By-Laws. Directors shall be filed in the a manner provided by the By-Laws.

SECTION 9.02

All the initial Directors shall be designees, and nominees of Declarant, subject nevertheless to the following; when unit owners, other than the Declarant, own twenty-five percent (25%) or more of the condominium units, the voting owners other than Declarant shall be entitled to elect not less than one-third (1/3) of the members of the Board of Directors. The remaining members of the Board of Directors shall be elected by Declarant. When sales by Declarant have been closed on seventy-five percent (75%) of the condominium units, voting owners other than Declarant shall be entitled

to elect not less than a majority of the members of the Board of Directors. Notwithstanding anything to the contrary, Declarant shall be entitled to elect not less than one (1) member of the Board of Directors so long as Declarant holds for sale in the ordinary course of business any unit.

SECTION 9.03

Declarant at all times reserves the right to relinquish control of the Association at any time, notwithstanding the foregoing. In the event that Declarant does so terminate control of the Association, Declarant may require that specified actions of the Association or Board as described in an instrument executed by Declarant and recorded in the office of the recorder of Valley County, Idaho, be approved by Declarant before they become effective.

SECTION 9.04

Whenever Declarant shall be entitled to designate and select any person or persons to serve on the Board of Directors of the Association, the manner in which such person or persons shall be designated shall be as provided in the By-Laws of the Association, and Declarant shall have the right to remove any person or persons selected by them to act and serve on said Board of Directors, and to replace such person or persons with any person or persons to act and serve in place of any Director or Directors so removed for the remainder of the unexpired term of any Director or Directors so removed. A Director designated and selected by Declarant need not be a unit owner. Any representative of Declarant serving on the Board of Directors shall not be required to disqualify himself upon any vote or other matters between Declarant and the Association where Declarant may have a pecuniary or other interest.

SECTION 9.05

The names and addresses of the members of the first Board of Directors who shall hold office until their successors are elected and have qualified, or until removed, are as follows:

James Campbell	809 N 3RD STREET	MCCALL ID	83638
Richard Franco	"	"	"
Jeanne Campbell	"	"	"

ARTICLE X

The affairs of the Association shall be administered by the officers designated in the By-Laws. The officers shall be elected by the Board of Directors at its first meeting following the annual meeting of the members of the Association and shall serve at the pleasure of the Board of Directors. The names and addresses of the officers who shall serve until their successors are designated by the Board of Directors are as follows:

President:	James Campbell
Vice President:	Richard Franco
Secretary:	Jeanne Campbell
Treasurer:	Jeanne Campbell

ARTICLE XI

Members shall be individually liable for the assessments of the Association assessed and levied upon their lot, or unit, whether for fines, penalties, recovery of costs, or regular, special or limited assessments. Members shall be responsible for the payment of all real property taxes which are lien upon said member's individual units and only the member's pro-rata share of real share of real property taxes levied on the Association property, unless the property is part of a condominium project, in which case the member shall be responsible for payment of his proportionate share of real property taxes levied on the common area.

ARTICLE XII

INDEMNIFICATION

Every Director and every officer of the Association shall be indemnified by the Association against all expenses and liabilities, including counsel fees, reasonably incurred or imposed upon him in connection with any proceeding or any settlement of any proceeding to which he may be a party or in which he may become involved by reason of his being or having been a Director or officer of the Association, whether or not he is a Director or officer at the time such expenses are incurred, except whether the Director or officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duty; provided, that in the event of a settlement, the indemnification shall apply only when the Board of Directors approves such a settlement and reimbursement as being for the best interest of the Association. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such Director or officer may be entitled.

ARTICLE XIII

BY-LAWS

The first By-laws of the Association shall be adopted by the Board of Directors and may be altered, amended or rescinded in the manner provided by the By-Laws. Provided, that prior to the time that the Declaration of Condominium for the project is filed for Public record, said first Board of Directors shall have full power to amend, alter or rescind said By-Laws by a majority vote.

ARTICLE XIV

AMENDMENTS

Amendments to these Articles of Incorporation shall be composed and adopted in the following manner:

SECTION 14.01

Notice of the subject matter of the proposed amendment shall be included in the notice of any meeting at which a proposed amendment is considered.

SECTION 14.02

A resolution for the adoption of a proposed amendment may be proposed either by the Board of Directors or by the voting owners. Voting owners not present in person may express their approval by proxy executed in the customary corporate manner, provided such approval is delivered to the Secretary at or prior to the meeting. Except as elsewhere provided, approval of the amendment must be either by:

SECTION 14.02(a)

Not less than two-thirds of the entire membership of the Board of Directors and not less than sixty percent (60%) of the voting power of the Association; or

SECTION 14.02(b)

If the proposed change to the Articles of Incorporation has received unanimous approval of the Board of Directors, a majority vote of the voting owners; or

SECTION 14.02(c)

Until the first election of the Directors by the unit owners entitled to vote, all of the Directors; or

SECTION 14.02(d)

Not less than eighty percent (80%) of the voting power of the Association.

SECTION 14.03

Provided, however, that no amendment shall make any changes in the qualifications for membership nor the voting rights of members, nor changes in Section 5 of Article 9 without approval in writing of all unit owners and no amendment shall be made that is in conflict with the Condominium Property Act or the Declaration.

ARTICLE XV

EXEMPTION

This Association is a corporation intended to be classified as a "Home Owners Association" which, pursuant to Section 528 (a) of the Internal Revenue Code of 1954, as amended, is considered an organization exempt from income taxes for the purpose of any law which refers to organizations exempt from income taxes. Further, this Association is an organization which is a Condominium Management Association and a Residential Real Estate Management Association organized and operated to provide for the acquisitions, construction, management, maintenance and care of Association property, where 60% or more of the gross income of this Association for any taxable year shall consist solely of amounts received as membership dues, fees or assessments from owners of residential units in the case of condominium management and from owners of residences or residential lots in the case of residential real estate management. Further, 90% or more of the expenditures of this Association for any taxable year shall be expenditures of this Association for any

taxable year shall be expenditures for the acquisition, construction, management, maintenance and care of Association property.

Further, no part of the net earnings of this Association shall inure to the benefit of any member or individual.

All provisions of these Articles of Incorporation of the Association shall be interpreted in accordance with the provisions of Section 528 (c) of the Internal Revenue Code of 1954, as amended, and in case of conflict between that or other applicable sections, any provision within these Articles so in conflict will either be interpreted to be consistent with that provision of the Internal Revenue Code or shall be determined null and void and of no force and effect.

ARTICLE XVI

CONFLICT OF PROVISIONS

The provisions contained in these Articles of Incorporation of the Association are subject and subservient to the terms and provisions of the Declaration and in any conflict between the terms and provisions of these documents, the terms and provisions of the Declaration shall prevail.

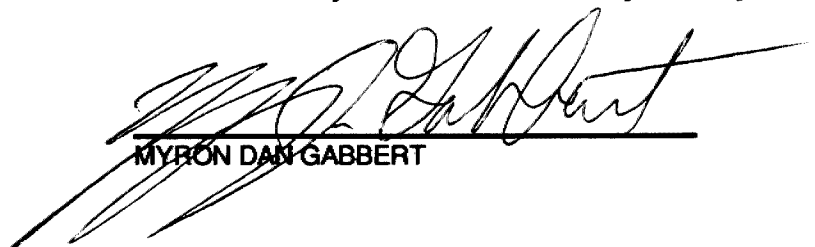
ARTICLE XVII

SUBSCRIBERS

The name and address of the subscriber to these Articles of Incorporation is as follows:

Myron Dan Gabbert
Yacht Club Building
McCall, Idaho 83638

IN WITNESS WHEREOF, I have hereunto set my hand this 15th day of July, 1994.



MYRON DAN GABBERT

STATE OF IDAHO)
 : ss.
County of Ada)

On this 15th day of July, 1994, before me, a notary public in and for said county and state, personally appeared MYRON DAN GABBERT, known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Valerie R. Atty
Notary Public for Idaho
Residing at Nampa, Idaho
My Commission Expires 1-6-2000