

**ARTICLES OF INCORPORATION
OF
SADDLEBACK LODGE HOMEOWNERS ASSOCIATION**

In compliance with the requirements of Article XVI, Title 10, Arizona Revised Statutes, the undersigned, all of whom are residents of the State of Arizona and all of whom are of full age, have this date voluntarily associated themselves together for the purpose of forming a corporation not for profit and do hereby certify:

ARTICLE I.

The name of the corporation is SADDLEBACK LODGE HOMEOWNERS' ASSOCIATION, hereinafter called the "Association".

ARTICLE II.

The principal office of the Association is located in the County of Coconino, State of Arizona, and more specifically at 2201 North Fox Hill Road, Flagstaff, Arizona 86001.

ARTICLE III.

The names and addresses of the incorporators are as follows:

- (a) E. H. Melcher, 5102 North 7th Street, Phoenix, Arizona 85014;
- (b) George Steinhilber, 2101 E. Solano Drive, Phoenix, Arizona 85016.

ARTICLE IV.

This Association does not contemplate pecuniary gain or profit to the members thereof and the specific purposes for which it is formed are to provide for maintenance, preservation and architectural control of the residents' lots and common area on the real property described in the attached Exhibit "A" which by this reference is made a part hereof.

To promote the health, safety and welfare of the residents within the described property and any additions thereto as may hereinafter be brought within the jurisdiction of this Association, and for this purpose, to:

(a) exercise all of the powers and privileges and to perform all the duties and obligations of the Association as set forth in that certain Declaration of Covenants, Conditions and Restrictions, hereinafter called the "Declaration", applicable to the property and recorded or to be recorded in the office of the County Recorder of Coconino County, State of Arizona, as the same may be amended from time to time as therein provided, said Declaration being incorporated herein as if set forth at length.

(b) fix, levy, collect and enforce payment by any lawful means, all charges or assessments pursuant to the terms of the Declaration; to pay all expenses incident to the conduct of the business of the Association, including all licenses, taxes, or Governmental charges levied or imposed against the property of the Association.

(c) acquire (by gift, purchase, or otherwise), own, hold, improve, 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 Association.

(d) borrow money, and with the assent of two-thirds (2/3) of each class of members, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

(e) have and to exercise any and all powers, rights, and privileges which a corporation organized as a nonprofit corporation of the State of Arizona by law may now or hereafter have or exercise, and to do and perform any and all acts and things to transact any business not inconsistent with law, which may be necessary, incident to or convenient to carrying out any of the business of the corporation.

(f) act in the capacity of principal, agent, joint venture, partner, or otherwise.

(g) make contracts of all kinds and descriptions with third parties, firms and corporations.

(h) enter into, perform and carry out contracts of any kind necessary to, in connection with, or incidental to the accomplishment of the purposes of the corporation.

(i) dedicate, sell or transfer all or any part of the common area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to 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 of members agreeing to such dedication, sale or transfer.

(j) participate in mergers and consolidations with other nonprofit corporations organized for the same purposes or annex additional residential property and common area, provided that any such merger, consolidation, or annexation, except such annexation as provided for in Article XI of the Declaration of Covenants, Conditions and Restrictions shall have the assent of two-thirds (2/3) of each class of members.

The foregoing statement of purposes shall be construed as a statement both of purposes and of power in each class and shall be in no way limited or restricted by reference to or inference from the terms or provisions of any other clauses, but shall be broadly construed as independent purposes and powers.

Notwithstanding any of the above statements of powers and purposes, the Association shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the primary purposes of the Association.

ARTICLE V.

This Association is organized pursuant to the laws of the State of Arizona governing nonprofit corporations.

ARTICLE VI.

Every person or entity who is a record owner of a fee or undivided fee interest in any lot, which is subject by covenants of record to assessment by the Association, including contract sellers, shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any lot which is subject to assessment by the Association.

The corporation shall be a nonstock corporation and shall be owned by its members, who shall be collectively called the members of the Association, and no dividends or pecuniary profits shall be paid to its members. Membership in the Association, except for membership of the incorporators and the first Board of Directors, shall be limited to record owners of equitable title (or legal title if the equitable title is merged) of the dwellings constructed or planned to be constructed and fee title on the property described herein and any addition thereto as may hereafter be brought within the jurisdiction of this Association by annexation. An owner of a dwelling shall automatically, upon becoming the owner of the dwelling, be a member of the Association and shall remain a member of the Association until such time as his ownership ceases for any reason, at which time his membership in said Association shall automatically cease. No certificates of membership shall be issued and membership shall be evidenced by an official list of said members, which list shall be kept by the Secretary of the Association. No membership shall be issued to any other person or persons except as they may be issued in substitution for outstanding memberships assigned to the new record owners of equitable title (or legal title if equitable title has merged).

In the event said dwelling is owned by two (2) or more persons whether by joint tenancy, tenancy in common, community property or otherwise, the membership as to each dwelling unit shall be joint and a single membership for such dwelling shall be issued in the names of all and they shall designate to the Association, in writing, at the time of issuance, one of their number who shall hold the membership and have the power to vote said membership, and in the absence of such designation and until such designation is made, the Board of Directors of the Association shall make such designation.

ARTICLE VII.

The Association shall have two (2) classes of voting membership:

CLASS A: The Class A members shall be all owners with the exception of the Declarant and shall be entitled to one (1) vote for each lot owned. When more than one (1) person owns an interest in any lot, all such persons shall be members. The vote for such lot shall be exercised as they, among themselves, determine, but in no event shall more than one (1) vote be cast with respect to any lot.

CLASS B: The Class B membership shall be the Declarant, as defined in the Declaration, or its successor in interest, and shall be entitled to three (3) votes for each lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

- (a) when the total vote outstanding in the Class A membership equals the total vote outstanding in the Class B membership; or
- (b) on the 1st day of January, 1997.

ARTICLE VIII.

Amendment of these Articles shall require the assent of the members representing at least seventy-five percent (75%) of the voting interest then entitled to vote as provided in the By-Laws. The Board of Directors, by majority vote, shall adopt, amend or repeal By-Laws of the corporation.

ARTICLE IX.

The affairs of the corporation shall be conducted by a Board of Directors consisting of an odd number of not less than three (3) nor more than five (5) members, except for the initial Directors as provided below, and such officers as the Board of Directors may select from time to time, including a President, a Vice-President, a Secretary and a Treasurer. The office of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Article VIII, Section 4, of the By-Laws.

A meeting was held at 10:00 o'clock a.m. on the 16th day of December, 1981, at the law offices of GARBARINO & LEE, 121 East Birch Street, Suite 207, Flagstaff, Arizona, by the incorporators and an election of officers was held; said officers to serve until such time as there is an election by the members of the Association at the first annual meeting of the corporation as provided for in the By-Laws. The following persons were elected and shall serve as Directors of the corporation:

- (a) E. H. Melcher, 5102 North 7th Street, Phoenix, Arizona, 85014;
- (b) George Steinhilber, 2101 East Solano Drive, Phoenix, Arizona, 85016.

The Directors shall be elected by the members of the Association at the first and each subsequent annual meeting thereof, as provided for in the By-Laws of the corporation. The Directors, other than those named above, must be members of the Association. In addition to those eligible to be a Director, as indicated above, any Director officer or employee of a corporation which is a member of the Association, shall be eligible to be a Director of the corporation upon being so authorized by said member corporation.

ARTICLE X.

Any indebtedness or liability, direct or contingent, must be authorized by an affirmative vote of a majority of the votes cast by the members of the Board of Directors at a lawfully held meeting, and approved by the Arizona Corporation Commission, to the extent required by the laws of the State of Arizona. The highest amount of indebtedness or liability, direct or contingent, to which this corporation may be subject at any one time shall not exceed ONE HUNDRED FIFTY PERCENT (150%) of its income from the previous fiscal year, except that additional amounts may be authorized by an affirmative vote of two-thirds (2/3) of the members of the Association.

ARTICLE XI.

The private property of each and every officer, Director, and member of the Association of this corporation shall, at all times, be exempt from all debts and liabilities of the corporation.

ARTICLE XII.

The corporation hereby appoints E. H. Melcher, 5102 North 7th Street, Phoenix, Arizona 85014, who is now and has been for more than three (3) years last past, a bona fide resident of the State of Arizona, as its lawful Statutory Agent upon whom all notices and processes, including service of summons, may be served, and which when served, shall be a lawful, personal service upon this corporation. The Directors may, at any time, appoint another agent for such use and the filling of such other appointment shall revoke this or any other previous appointment of such agent.

ARTICLE XIII.

The corporation shall not execute, file or record any documents which impose a restriction upon the sale, lease or occupancy of property solely on the basis of race, color, or creed.

ARTICLE XIV.

The Association may be dissolved with the assent given in writing and signed by not less than seventy-five percent (75%) of the membership of the Association. Upon dissolution of the Association, the assets, both real and personal, of the Association shall be dedicated to an appropriate public agency to be devoted to purposes as nearly practicable to which they were required to be devoted by the Association. In the event such dedication is refused acceptance, such assets shall be granted, conveyed, and assigned to a nonprofit corporation, association, trust or other organization devoted to the purposes and uses that would most nearly reflect the purposes and uses to which they were required to be devoted by the Association.

ARTICLE XV.

As long as there is a Class B membership, the following actions will, where and if applicable, require the prior approval of the Federal Housing Administration or the Veterans Administration: annexation of additional properties, mergers and consolidations, mortgage of common area, dedication of common area, dissolution and amendment of the Articles.

ARTICLE XVI.

For those actions which by the provisions of preceding Articles require a vote of the members, there must be a duly held meeting. Written notice, setting forth the purpose of the meeting shall be given to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. The presence of the members or of proxies entitled to cast sixty percent (60%) of the votes of each class of membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called, subject to the notice requirements set forth above, and the required quorum at subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting. In the event that two-thirds (2/3) of the Class B membership, if any, are not present in person or by proxy, members not present may give their written assent to the action taken thereat.

IN WITNESS WHEREOF, for the purpose of forming a corporation under the laws of the State of Arizona, we, the undersigned, constituting the incorporators of this Association, have executed these Articles of Incorporation this 16th day of December, 1981.

E. H. MELCHER

GEORGE STEINHILBER

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

The foregoing was acknowledged before me this 17th day of December, 1981, by E. H. Melcher, who stated that he executed the same for the purposes therein contained.

Ida Mae Wilson, Notary Public

My Commission expires: June 5, 1983

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

The foregoing was acknowledged before me this 17th day of December, 1981, by George Steinhilber, who stated that he executed the same for the purposes therein contained.

Ida Mae Wilson, Notary Public

My commission expires: June 5, 1983.

EXHIBIT "A"

Parcel No. 1

A portion of Tract "C" as recorded on Coconino Country Club Estates Unit One, in Case 1, Map 8, Records of Coconino County, Arizona, more particularly described as follows:

COMMENCING at the Northwest corner of Tract "F" as recorded on said Coconino Country Club Estates Unit One; thence 159.09 feet along the Northerly Right-of-Way of Oakmont Drive, also being along a curve to the left, concave to the West, having a central angle of $53^{\circ} 21' 20''$ and a radius of 170.84 feet to a point of Tangency; thence North $48^{\circ} 11' 20''$ West, continuing along said Right-of-Way 139.63 feet to a point of curvature; thence 24.18 feet along said Right-of-Way, also being along a curve to the left, concave to the Southeast, having a central angle of $2^{\circ} 02' 11''$ and a radius of 680.33 feet to a point on curve, said point also being the Point of Beginning;

Thence continuing along said Right-of-Way, 292.29 feet along a curve to the left, concave to the Southwest, having a central angle of $24^{\circ} 36' 57''$ and a radius of 680.33 feet to a point on curve, said point also being the Southeast corner of Lot 10 of said Coconino Country Club Estates, Unit One; thence North $15^{\circ} 09' 30''$ East along the East Line of said Lot 10, a distance of 95.58 feet to a point of curvature; thence 48.25 feet along a curve to the left, concave to the Southwest, having a central angle of $92^{\circ} 13' 00''$ and a radius of 30.00 feet to a point of compound curvature; thence 181.90 feet continuing along the Northerly line of said Lot 10 and 11, also being along a curve to the left, concave to the South, having a central angle of $12^{\circ} 56' 30''$ and a radius of 805.33 feet to a point of Reverse Curvature; thence 139.23 feet continuing along the Northerly, Northeasterly, and Easterly line of Lot 11, 12, and 13, respectively, also being a curve to the right, concave to the Northeast, having a central angle of $86^{\circ} 58' 00''$ and a calculated radius of 91.73 feet, record being 96.73 feet, to a Point of Tangency; thence North $3^{\circ} 02' 00''$ West along the Easterly lines of lots 13 and 14, a distance of 204.62 feet, to the Northeasterly corner of said Lot 14; thence North $74^{\circ} 59' 44''$ East 568.32 feet; thence North $55^{\circ} 51' 31''$ East 460.00 feet; thence South $10^{\circ} 00' 00''$ East 250.00 feet thence South $39^{\circ} 52' 54''$ West, 76.14 feet to a point of curvature; thence 782.43 feet along curve to the left, concave to the Southeast, having a central angle of $20^{\circ} 09' 33''$ and a radius of 2223.80 feet to the Point of Beginning.

I hereon certify that this legal is the same parcel as shown on that map stamped by me dated March 30, 1979, project 8979, and entitled Saddleback Lodge Topo & Boundary Survey.