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ARTICLES OF INCORPORATION

of

LAKWOOD VILLAGE HOMEOWNER'S ASSOCIATION

129052

The undersigned, for the purpose of forming a corporation not for profit under and pursuant to the laws of the State of Arizona, hereby certify:

1. Name: The name of this corporation shall be LAKWOOD VILLAGE HOMEOWNER'S ASSOCIATION, hereinafter called the "Association".

2. Purpose: The purpose for which the corporation is organized is to conduct any or all lawful affairs for which the corporation may be incorporated under the laws of the State of Arizona, as they may be amended from time to time.

3. Initial Business: The Association does not contemplate pecuniary gain or profit to the members hereof and the corporation initially intends to provide maintenance, preservation and architectural control of the residence lots and common area on the following real property located in the City of Flagstaff, County of Coconino, State of Arizona, which is more particularly described as follows:

"All of Tract "B" as recorded as on Sunridge in Case 3, Maps 139A, 139B, 139C, 139D, and 139E, records of Coconino County, Arizona, EXCEPT that portion thereof described as follows:

BEGINNING at the Northwest corner of said Tract "B" said point being on the southerly right-of-way of Continental Drive; thence N57° 52' 40"E, along said right-of-way 187.56 feet to a point of curvature; thence 336.36 feet along a curve to the right, concave to the South, having a central angle of 48° 54' 47" and radius

of 394.00 feet to a point of non-tangency; thence leaving the said right-of-way S09° 07' 45"W, 305.44 feet; thence S52° 15' 48"W, 350.14 feet; thence N69° 46' 56"W, 117.67 feet to a point on the Westerly boundary of said Tract "B"; thence along the Westerly Boundary of Tract "B", N25° 35' 59"E, 233.99 feet; thence continue along the Westerly boundary of Tract "B", N50° 38' 55"W, 190.73 feet to the point of beginning, said exception containing 3.5 299 Acres",

and to promote the health, safety and welfare of residents within the above-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 the 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 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 in carrying out any of the business purposes of the corporation.

(f) act in the capacity of principal agent, joint venture, partner, firms and corporations.

(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 non-profit corporations organized for the same purposes or annex additional residential property and common area, provided that any such merger consolidation, or annexation, except such annexa-

tion as provided for in Article X 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 clause 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.

4. Membership: 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 non-stock 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 above 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 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.

5. Voting: The Association shall have two (2) classes of 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 (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 August 1, 1983.

6. Amendment to Articles: 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.

7. Board of Directors: 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 above, and such other officers as the Board of Directors may select from time to time, including a President, a Vice-President, a Secretary, and a Treasurer. The names and addresses of the Board of Directors are as follows:

JAMES E. STEVES	ALBERT C. TELLIS
2304-1/2 N. 4th Stre.	2233 E. Cedar
Flagstaff, Arizona 86001	Flagstaff, Arizona 86001

MARK SPENCER
2304-1/2 N. 4th Street
Flagstaff, Arizona 86001

The Directors shall be elected by the members of the Association at the first and subsequent annual meeting thereof, as provided for in the By-Laws of this 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.

8. Incorporators: The names and addresses of the Incorporators are as follows:

JAMES E STEVES	ALBERT C. TELLIS
2304-1/2 N. 4th Str.	2233 E. Cedar
Flagstaff, Arizona 86001	Flagstaff, Arizona 86001

9. 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. 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.

10. 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.

11. Statutory Agent: The corporation hereby appoints TONY S. CULLUM, 403 N. Agassiz, P.O. Drawer X, Flagstaff, Arizona 86002, 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 lawful, personal service upon this corporation. The Directors may, at any time, appoint another agent for such purpose and the filling of such other appointment shall revoke this or any other previous appointment of such agent.

12. 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.

13. Dissolution of Corporation: The Association may be dissolved with the assent given in writing and signed by not less than seventy-five (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

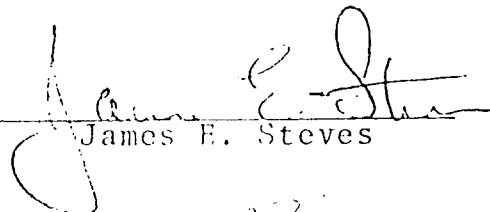
public agency to be devoted to purposes as nearly practicable to which they were required to be devoted by the Association. In the event such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to a nonprofit corporation, association, trust or other organization devoted 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.

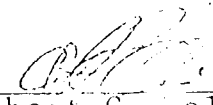
14. As long as there is a Class B membership, the following actions will, where and if applicable require the prior approval of the Federal Housing Administration or the Veterans Administration: annexation of additional properties, mergers and consolidations, mortgaging of common area, dedication of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

15. 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 A 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 this 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 28 day of Feb, 1980.


James E. Steves


Albert C. Tellis

STATE OF ARIZONA)
)
County of COCONINO) ss

The foregoing instrument was acknowledged before me this 28th day of February, 1980, by JAMES E. STEVES and ALBERT C. TELLIS.


Notary Publ

My Commission Expires:
November 3, 1982