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ARTICLES OF INCORPORATION

OF

WALNUT CANYON HILLS I PROPERTY OWNERS ASSOCIATION, INC.

(A NON-PROFIT CORPORATION)

The undersigned, being of the age of eighteen (18) years of age, or more, do hereby make and acknowledge these Articles of Incorporation for the purpose of forming a corporation not for profit pursuant to the General Corporation Statutes of the State of Arizona.

ARTICLE I

NAME

The name of the corporation is WALNUT CANYON HILLS I PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE II

DURATION

The period of duration of the corporation is perpetual.

ARTICLE III

PURPOSES

The purposes for which the corporation is organized are:

(a) To own, operate, manage, lease, maintain, repair and generally administer the affairs of the property of Walnut Canyon Hills I in Coconino County, Arizona, and to have all those powers enumerated in the Declaration of Horizontal Property Regime together with Declaration of Covenants, Conditions & Restrictions, to be recorded in the Office of the Coconino County Recorder, Coconino County, Arizona.

(b) To maintain and operate all Common Area of Walnut Canyon Hills I as defined in the Declaration of Horizontal Property Regime together with Declaration of Covenants, Conditions & Restrictions, and as shall be designated on the recorded plats of Walnut Canyon Hills I.

(c) To administer to all of the affairs of the corporation which may be properly incident to the establishment, promotion and maintenance of civic, social, recreational and cultural purposes within Walnut Canyon Hills I.

(d) To give effect to any valid conditions, covenants, and restrictions of record or which may be put of record affecting Walnut Canyon Hills I and to perform the functions and duties and exercise all powers of the Property Owners Association as described in the Declaration of Horizontal Property Regime together with Declaration of Covenants, Conditions & Restrictions

which are or may be placed of record in the Office of the Coconino County Recorder, Coconino County, Arizona.

(e) To buy, sell, lease, mortgage, pledge, encumber, own, hold, exchange, improve, develop, subdivide, contract regarding or otherwise deal in all kinds of real and personal property, tangible and intangible, and any interest therein, borrow or lend money for the purposes provided in this Article.

(f) To make contracts, incur liabilities, issue notes, bonds and other obligations or evidences of indebtedness for the purposes provided in this Article.

(g) To enter into any partnership, joint venture, trust agreement or any other business arrangement for the purposes provided in this Article.

(h) To apply for, obtain, register, purchase, lease, or otherwise acquire, and to hold, own, use, sell or dispose of any license, franchise, permit or certificate of convenience and necessity for the purposes provided in this Article.

(i) To exercise all powers which may be deemed by its officers and directors to be necessary to its objects and all powers which reasonably may be implied from the foregoing purposes, including, but not limited to the power to solicit, collect, receive, administer and disburse funds in such manner as, in the sole discretion of the Board of Directors, most effectively will operate to further the mutual benefit of the members as provided in this Article.

(j) To engage in any lawful act or activity in which corporations may be organized under the General Corporation Statutes of the State of Arizona.

ARTICLE IV

STATEMENT OF THE CHARACTER OF AFFAIRS

This corporation shall be a non-profit corporation without pecuniary gain or profit to the members thereof, and the general nature of the business of the corporation is the maintenance and operation of a horizontal property regime in or near Flagstaff, Arizona, and to provide for the management, maintenance and preservation of the common areas of the Walnut Canyon Hills I. This disclosure is in compliance with Arizona Statute 10-1029(4), and is not intended to limit the character of the business which the corporation ultimately conducts as set forth in Article III.

ARTICLE V

MEMBERSHIP OF THE CORPORATION

The corporation shall have one class of membership which shall consist of all persons who are owners of a dwelling unit within Walnut Canyon Hills I regardless of whether such persons own a fee simple, equitable dwelling unit, or an equitable interest therein under a Contract to Purchase. Membership automatically shall terminate when such person no longer is the owner of a dwelling unit or of an interest therein.

ARTICLE VI

DIVIDENDS AND DISTRIBUTIONS

There shall be no dividends or profits to any of the members of the corporation, nor shall any part of the income of the corporation be distributed to its Board of Directors, officers or members; provided, however, that the corporation may pay compensation in a reasonable amount to its members, directors or officers for services rendered. In the event the corporation shall have an excess of receipts over disbursements, such excess shall be applied toward future necessary expenditures of the corporation.

Upon final dissolution and liquidation, the corporation may take distribution only in a manner consistent with its nonprofit status, as required by all applicable laws, rules and regulations, whether promulgated by a taxing authority or otherwise.

ARTICLE VII

The address of the intial statutory office of the corporation in the State of Arizona is 3225 N. Central Ave., Phoenix, Arizona 85012. The name of its initial statutory agent at such address is C. T. CORPORATION SYSTEM.

ARTICLE VIII

DIRECTORS

The number of directors of the corporation and the method of their election may be fixed by the Bylaws.

The number of directors constituting the initial Board of Directors shall be three (3), and the names and addresses of the persons who shall serve as directors until the first meeting of members or until successors shall be elected and qualified are as follows:

NAME	ADDRESS
Robert M. Childs, III	1900 Country Club Drive Flagstaff, Arizona 86001
Paul W. Turner	1900 Country Club Drive Flagstaff, Arizona 86001
Arthur W. Vaughan	1900 Country Club Drive Flagstaff, Arizona 86001

Directors may be removed from office with or without cause by the vote of a majority of the members entitled to vote in an election of directors. If any directors are so removed, new directors may be elected at the same or any subsequent meeting of the members. Provided, however, that unless the entire Board of Directors is removed, an individual may not be removed if the number of members voting against the removal would be sufficient to elect a director.

ARTICLE IX

LIMIT OF LIABILITY

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

ARTICLE X

INDEMNIFICATION OF BOARD OF DIRECTORS & OFFICERS

Each officer or member of the Board of Directors shall be indemnified by the owners against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed upon him or her in connection with any proceedings to which he may be a party, or in which he may become involved, by reason of his being or having been a member of the Board of Directors or officer, or any settlement thereof, whether or not he is a member of the Board of Directors or Officer at the time such expenses are incurred, except in such cases wherein the board member or officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided, that in the event of a settlement the indemnification shall apply only if the Board of Directors approves such settlement as being for the best interest of Walnut Canyon Hills I.

ARTICLE XI

INCORPORATOR

The name and address of the incorporator is:

NAME	ADDRESS
Robert M. Childs, III	1900 Country Club Drive Flagstaff, Arizona 86001

IN TESTIMONY WHEREOF, I have hereunto set my hand this 11th day of December, 19 84.

Robert M. Childs, III

STATE OF ARIZONA)
) SS.
County of Coconino)

On this 11th day of December, 19 84, before me, the undersigned officer, personally appeared Robert M. Childs, III, known to me to be the person whose name is subscribed herein, and acknowledged that he executed same for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Charlotte L. Schmidt
Notary Public

My Commission Expires:

February 3, 1985

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