ARTICLES OF INCORPORATION

OF

THE ORCHARDS NO. 2 PROPERTY OWNERS' ASSOCIATION, INC.

The undersigned, being of the age of eighteen years or older, hereby make and acknowledge these Articles of Incorporation for the purpose of forming a corporation not-for-profit pursuant to the laws of the State of Arizona.

ARTICLE I. NAME: The name of the corporation is "THE ORCHARDS NO. 2 PROPERTY OWNERS' ASSOCIATION, INC.", hereafter called the "Association".

ARTICLE II. DURATION: The date of commencement for this Corporation shall be the date upon which these Articles are filed with the Arizona Corporation Commission, and the duration of the Corporation shall be perpetual unless and until the Declaration of Restrictions for THE ORCHARDS NO. 2 which Declaration as originally recorded in the records of the Coconino County Recorder at Docket 509 pages 299-304 on the 12th day of June, 1974, are revoked. Hereafter, the aforementioned Declaration as amended shall be referred to as the "Declaration".

ARTICLE III. PURPOSE: The Association shall be a not-for-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 improvement of Common Elements of the subdivision if and when acquired, and to provide for the preservation, enhancement and architectural control of the Property as set forth in the Declaration, and to promote the health, recreation, safety and welfare of the Owners of the above described property. The foregoing is in compliance with Arizona Revised Statutes Section 10-1029(4) and is not intended to limit the business Association ultimately conducts as set forth further herein.

ARTICLE IV. INITIAL BUSINESS: In furtherance of the general purposes, the Association shall have the power:

(a) To perform all the duties and obligations of the Association set forth in the Declaration.

(b) To fix, levy, collect and enforce payment by any lawful means of all charges or assessments for operating, repair, or capital improvements as may be provided for in the Declaration; to pay all expenses in connection therewith and all office and other expenses incidental 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) To acquire by gift, purchase or otherwise, to own, hold, improve, build upon, operate, maintain, convey, sell,

lease, transfer, dedicate for public use, contract regarding, deal in and otherwise dispose of real or personal property in connection with the affairs of the Association, subject to the limitations set forth in the Declaration.

(d) To dedicate, sell, or transfer all or any part of any Common Elements to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Association and subject to the limitations set forth in the Declaration.

(e) To make contracts, incur liabilities, issue notes, bonds and other obligations of indebtedness for the purposes provided in these Articles.

(f) To enter into any partnership, joint venture, trust agreement, to participate in mergers and consolidations with other non-profit corporations organized for the same purposes as the Association, provided that any merger or consolidation shall have the consent by vote of more than seventy-five percent (75%) of the votes entitled to be cast.

(g) To have and exercise any and all powers, rights and privileges which the officers and directors of the Corporation may deem necessary to the objects and purposes set forth herein and to generally have all rights, powers and privileges which a corporation organized under the laws of Arizona may now or hereafter have or exercise.

ARTICLE V. STATUTORY AGENT:

The initial statutory agent for the Association is Fred R. Esser whose address is 2155 W. Hwy 89A, Suite 205, Sedona, Arizona 86336.

ARTICLE VI. PLACE OF BUSINESS:

The place of business of the Association is

Sedona, Coconino County, Arizona.

ARTICLE VII. MEMBERSHIP:

Every person or entity who is a record owner of a fee or undivided fee interest in any lot within the subdivision shall be a member of the Association. A Member may also be referred to herein as an "Owner". The foregoing does not include persons or entities who hold an interest in a lot as security for performance of an obligation. Membership shall be appurtenant to and may not be severed from ownership of a lot.

ARTICLE VIII. DIVIDENDS AND DISTRIBUTIONS:

There shall be no dividends or profits to any of the Members of the Association, nor shall any part of the income of the Associa-

tion be distributed to its Board of Directors, Officers or Members; provided, however, that the Association may pay compensation in a reasonable amount to its Members, Directors or Officers for services rendered. In the event the Association shall have an excess of receipts over disbursements, such excess shall be applied toward future necessary expenditures of the Association.

ARTICLE IX. VOTING RIGHTS:

All members of the Association shall be entitled to the number of votes provided for in the Declaration, as such Declaration may be amended or supplemented from time to time. When more than one person holds an interest in any lot all such persons shall be members, but shall be entitled to only one vote. The vote or votes for each lot shall be exercised as such co-Owners may determine among themselves. The vote for each lot or interest in any lot shall not be split or voted in fractions. Any split or fractional vote shall not be counted.

ARTICLE X. INCORPORATORS:

The names and addresses of the Incorporators are:

Oscar Keyes
80 Elberta Drive
Sedona, AZ 86336

Carl M. Fliessbach
60 Elberta Drive
Sedona, AZ 86336

ARTICLE XI. BOARD OF DIRECTORS AND OFFICERS:

Pursuant to the Declaration, the affairs of this Corporation shall be managed by a Board of not less than seven (7) Directors, and such officers as the Board of Directors may select from their membership from time to time, including a President, a Secretary and a Treasurer. The same person may hold two offices, except the President may not at the same time hold the office of Secretary.

ARTICLE XII. INITIAL DIRECTORS:

The number of Directors of this Corporation to serve initially shall be three (3). The following persons have been chosen to serve as Directors of the Association until the election and qualification of their successors:

Adrian Tate
Carl M. Fliessbach
Oscar Keyes

ARTICLE XIII. LIMITATION OF LIABILITY:

The private property of each and every Officer, Director and

Member of the Association shall at all times be exempt from all debts and liabilities of the Corporation.

ARTICLE XIV. INDEMNIFICATION OF BOARD OF DIRECTORS AND OFFICERS:

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

ARTICLE XV. DISSOLUTION:

Upon dissolution and liquidation of the Association, the assets of the Association shall be distributed to an appropriate public agency to be used for purposes similar to those for which this corporation was created. In the event that such distribution is refused by such public agency, the assets of the Association shall be conveyed or assigned to any non-profit corporation, association, trust or other organization organized and operated for such similar purposes. Notwithstanding the foregoing, distribution shall be made only in a manner consistent with the Association's not-for-profit status as required by all applicable laws, rules and regulations, whether promulgated by a taxing authority or otherwise.

ARTICLE XVI. AMENDMENT:

Amendment of these Articles shall require the assent (by vote or written consent) of 75 percent of the Members entitled to vote except that the number of Directors, the known place of business and the statutory agent may be changed as provided in the Bylaws of the Association.

IN WITNESS WHEREOF, the undersigned have executed these Articles of Incorporation this ____ day of _____, 1986.

_____
Oscar Keyes, Incorporator

_____
Carl M. Fliessbach, Incorporator