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DATE 12-8-03

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ARTICLES OF INCORPORATION  
OF  
SANALINA HOMEOWNERS ASSOCIATION

ARTICLE I

NAME

The name of the Corporation is SANALINA HOMEOWNERS ASSOCIATION (the "Association").

ARTICLE II

DURATION

The Association shall exist perpetually.

ARTICLE III

PURPOSE OF THE ASSOCIATION

The object and purpose for which this Association is organized is to perform the duties and obligations of the Association as set forth in the Declaration of Covenants, Conditions and Restrictions for Sanalina, dated the 8th day of July, 2003, recorded November 6, 2003 as Document No. 2003-1545981 in the office of the County Recorder of Maricopa County, Arizona, as the same may be amended from time to time (the "Declaration"). All capitalized terms not defined herein shall have the meaning ascribed thereto in the Declaration. In furtherance of, and in order to accomplish the foregoing object and purpose, the Association may transact any and all lawful business for which nonprofit corporations may be incorporated under Chapter 25 of Title 10, Arizona Revised Statutes, as it may be amended from time to time (the "Arizona Nonprofit Corporation Act" or the "Act").

ARTICLE IV

CHARACTER OF BUSINESS

The character of the business which the Association intends to conduct in Arizona is to fulfill the duties and obligations of the Association as set forth in the Declaration.

ARTICLE V

STATUTORY AGENT

Robert J. Traica, Esq., whose address is 2800 N. Central, #1400, Phoenix, Arizona 85004, is hereby appointed the initial statutory agent of the Association.

ARTICLE VI

BOARD OF DIRECTORS

The number of Directors constituting the initial Board of Directors shall be two (2). The names and addresses of the initial Directors of the Association who shall serve until the first annual meeting of the members or until their successors are elected and qualified are as follows:

<u>Name</u>	<u>Mailing Address</u>
Jim Carlson	7010 E. Cochise Scottsdale, AZ 85253
Harry Griffith	7010 E. Cochise Scottsdale, AZ 85253

ARTICLE VII

INCORPORATOR

The name and address of the incorporator of the Association is:

Jim Carlson  
7010 E. Cochise  
Scottsdale, AZ 85253

ARTICLE VIII

LIMITATION ON LIABILITY OF DIRECTORS

To the fullest extent allowable under the Arizona Nonprofit Corporation Act, including without limitation Arizona Revised Statutes §§ 10-3302(14), 10-3202(B)(1) and Title 10, Chapter 31, Article 5 of said Arizona Revised Statutes, no Director of the Association shall be personally liable to the Association or its members for monetary damages for breach of fiduciary duty or for any action taken or any failure to take any action as a Director, except for liability for any of the following:

- (a) The amount of a financial benefit received by a Director to which such Director is not entitled;

(b) An intentional infliction of harm on the Association or the Members;

(c) A violation of Arizona Revised Statutes § 10-3833 by a Director who votes for or assents to a distribution in violation of Arizona Revised Statutes §§ 10-11301 and 10-11302 or these Articles of Incorporation;

(d) An intentional violation of criminal law.

## ARTICLE IX

### INDEMNIFICATION

To the fullest extent permitted by the Arizona Nonprofit Corporation Act as the same exists or may hereafter be amended, it is specifically provided that the Association shall indemnify every Director and Officer, and his or her heirs, devisees and representatives against any liability (as defined in Arizona Revised Statutes § 10-3850), including reasonable attorneys' fees and court costs, to which he or she may be subject by reason of being, or having been, a Director or Officer of the Association and for any action taken, or any failure to take any action, as such Officer or Director. Notwithstanding the foregoing, it is specifically provided that no indemnification shall be provided for any liability with respect to (i) receipt by a Director or Officer of a financial benefit to which such Director or Officer is not entitled, (ii) an intentional infliction of harm on the Association or any of its Members by such Member or Officer, (iii) a violation by such Director or Officer of Arizona Revised Statutes Section 10-3833 or (iv) an intentional violation of criminal law by such Director or Officer.

The Association shall have the right to refuse indemnification, wholly or partially, in any instance in which the Officer or Director to whom indemnification would otherwise have been applicable shall have unreasonably refused to permit the Association, at its own expense and through counsel of its own choosing, to defend such Officer or Director in the action, or in any instance in which such Officer or Director shall have unreasonably refused to cooperate in the defense of such action.

## ARTICLE X

### KNOWN PLACE OF BUSINESS

The principal office and known place of business of the Association shall be located at 7010 E. Cochise, Scottsdale, Arizona 85253.

**ARTICLE XI**

MEMBERSHIP AND VOTING RIGHTS

Membership in the Association shall be limited to Owners of Lots. Each Owner shall have such rights, privileges and votes in the Association as are set forth in the Declaration.

**ARTICLE XII**

BYLAWS

The Board of Directors shall adopt the initial Bylaws of the Association. The power to alter, amend or repeal the Bylaws is reserved to the Members except that the Board, without a vote of the Members, may amend the Bylaws in order to conform the Bylaws to the requirements or guidelines of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the Veterans Administration or any federal, state or local government agency whose approval of the Project, the Plat or the Declaration is required by law or requested by the Declarant.

**ARTICLE XIII**

OFFICERS

The following persons shall be the initial officers of the Association and shall hold the positions opposite their names until the first annual meeting of the Association or until their successors have been elected and qualified:

Jim Carlson	President/Secretary
Harry Griffith	Vice President/Treasurer

**ARTICLE XIV**

DISSOLUTION

The Association may be dissolved with the assent given in writing and signed by the Owners representing not less than seventy-five percent (75%) of the authorized votes of the Association membership. Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this Association was created, as the Board of Directors shall determine. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed or assigned to any nonprofit corporation, association, trust or other organization to be devoted to such similar purpose as the Board of Directors shall determine.

ARTICLE XV

AMENDMENTS

These Articles may be amended by Members representing at least seventy-five percent (75%) of the total authorized votes entitled to be cast by Members of the Association; provided, however, that the Board, without a vote of the Members, may amend these Articles in order to conform these Articles to the requirements or guidelines of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the Veterans Administration or any federal, state or local governmental agency whose approval of the Project, the Plat or the Declaration is required by law or requested by the Declarant.

ARTICLE XVI

GOVERNMENTAL APPROVAL

Notwithstanding any provision of these Articles of Incorporation to the contrary, it is specifically provided that so long as the developer of the property which is the subject of the Declaration shall be in control of the Association, approval in writing of the Department of Housing and Urban Development (FHA) or the Veteran's Administration is required prior to annexation of additional properties, mergers and consolidations, the mortgaging of Common Area (as defined in the Declaration), dedication of all or a portion of the Common Area, dissolution of the Association or amendment of these Articles of Incorporation.

DATED this 4th day of December, 2003.

  
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JIM CARLSON,  
Incorporator