

AZ. CORP. COMMISSION
FILED

JUL 23 2004

ARTICLES OF INCORPORATION

OF

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TERM
DATE

George Valley
8/8/04

EAGLE ROCK HOMEOWNERS ASSOCIATION

ARTICLE I

NAME AND PERPETUAL DURATION

The name of the corporation is Eagle Rock Homeowners Association, hereinafter called the "Corporation". The Corporation is a non-profit corporation under Arizona law, Title 10, Arizona Revised Statutes. The period of duration shall be perpetual.

ARTICLE II

OFFICE

The principal office of the Corporation is located at 211 Calle Francesca, Sedona, AZ 86336.

ARTICLE III

STATUTORY AGENT

Paul M. Galloway, whose address is 211 Calle Francesca, Sedona, AZ 86336; is the statutory agent of this Corporation.

ARTICLE IV

PURPOSE AND POWERS OF THE CORPORATION

This Corporation does not contemplate pecuniary gain or profit to the Members thereof, and the specific purposes for which it is formed are to promote the health, safety and welfare of its Members and to provide for architectural control of the subdivision in Yavapai County, Arizona, known as Eagle Rock and maintenance and

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preservation of certain Common Areas and other areas of responsibility of the Corporation. The subdivision is governed by the Declaration of Covenants, Conditions, and Restrictions for Eagle Rock (the "Declaration") recorded in the office of the Yavapai County Recorder, and any capitalized terms not otherwise defined herein shall have the meanings assigned to them by the Declaration.

The Corporation shall have the power to participate in mergers and consolidations which other corporations organized for the same purposes or annex additional residential property, streets, roadways or alleys. Consolidation or annexation, except as provided in the Declaration, shall have the assent of at least two-thirds (2/3) of the votes of each class of members at a quorum of Members voting in person or by proxy.

The Corporation shall not carry on any activities not permitted to be carried on by a homeowners association exempt from Federal Income Tax under Section 528 of the Internal Revenue Code of 1986 or the corresponding provisions of any future United States Revenue Law.

ARTICLE V

MEMBERSHIP

Membership shall be determined as provided in the Declaration. Each Owner of a Lot shall be entitled to membership, and membership shall be appurtenant to ownership.

ARTICLE VI

VOTING RIGHTS

The Members' voting rights shall be determined as provided in the Declaration. There shall be two (2) classes of membership, Class A and Class B. The Class B shall

be the Declarant, who shall have seven (7) votes for each Lot owned, and Class A shall be all other Lot Owners, who shall have one (1) vote for each lot owned.

ARTICLE VII

INITIAL BUSINESS

The character of business which the Corporation initially intends actually to conduct in this state is the operation of a homeowners association and the maintenance of such Common Areas and other properties as may be described in the Declaration as areas of responsibility of the Corporation.

ARTICLE VIII

BOARD OF DIRECTORS

The affairs of this Corporation shall be managed by a Board of Directors of not less than three (3) persons. The number and term of Board members shall be provided in the Bylaws of the Corporation. The names and addresses of the persons elected to serve as Directors until the next annual meeting of Members or until their successors are elected and qualified are:

Paul Galloway 211 Calle Francesca Sedona, AZ 86336
Dione Moore " " " "
Mike Herzog P.O. Box 172 St. Marys, PN, 15857

ARTICLE IX

ORIGINAL INCORPORATOR

The original incorporator is Paul M. Galloway, whose address is 211 Calle Francesca, Sedona, AZ 86336.

ARTICLE X

ADDRESS OF CORPORATION

The address of the Corporation's known place of business is 211 Calle Francesca, Sedona, AZ 86336.

ARTICLE XI

DISSOLUTION

The Corporation may be dissolved only in accordance with the provisions of the Declaration and in accordance with Arizona Law. Any dissolution shall be approved in writing by the holders of not less than seventy-five (75%) percent of the total votes of Members entitled to vote and, upon dissolution, other than incident to a merger or consolidation, the assets shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this Corporation was created. In the event that such dedication is refused acceptance, the assets shall be granted, conveyed and assigned to any non-profit corporation, association, trust or other organization to be devoted to such similar purposes.

ARTICLE XII

LIMITATION OF DIRECTORS' LIABILITY

The personal liability of the Directors to the Corporation or its Members for monetary damage for breach of fiduciary duty is eliminated to the fullest extent permitted by applicable law. Neither this provision nor any other provision in these Articles shall eliminate or limit the liability of a Director for any of the following:

- (a) Any breach of any such person's duty of loyalty to the Corporation or its Members.

(b) Acts or omissions which are not in good faith or which involve intentional misconduct or a knowing violation of law.

(c) A violation of A.R.S. § 10-2326 (issuance of shares of stock and distribution of income or profit to members, directors or officers prohibited).

(d) Any transaction from which the director derived an improper personal benefit.

(e) A violation of A.R.S. § 10-2550 (director conflicts of interest).

For purposes of this provision "director" shall include trustees or persons who serve on a board or council of the Corporation in any advisory capacity.

ARTICLE XIII

INDEMNIFICATION

Pursuant to A.R.S. § 10-2317(D), any person who serves as a director or who serves on a board or council in an advisory capacity to the Corporation or board of directors of the Corporation shall be immune from civil liability and shall not be subject to suit directly or by way of contribution for any act or omission resulting in damage or injury if such person was acting in good faith and within the scope of his official capacity, unless such damage or injury was caused by the willful and wanton or grossly negligent conduct of such person, providing that such limitation of liability does not modify the duties or liabilities of a director or person serving in an advisory capacity to the Corporation or the Corporation's Members.

Every officer or director of the Corporation may be indemnified by the Corporation against all expenses, liabilities, and penalties, including counsel fees, reasonably incurred by or imposed upon him in connection with any proceeding to

which he may be made a party or in which he may become involved by reason of any acts or omissions alleged to have been committed by him or acts within the scope of his employment as a director or officer of the Corporation, including any settlement thereof, provided that the board of directors determines that such person acted in good faith and did not act, fail to act, or refuse to act willfully with gross negligence, with fraudulent or criminal intent or regard to the matter involved in the action or proceeding.

The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation or was serving at the request of the Corporation as a director or officer against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such whether or not the Corporation would have had the power to indemnify him against such liability under this Article.

The right of indemnification herein above provided shall not be exclusive of any rights to which any director or officer of the Corporation may otherwise be entitled by law.

ARTICLE XIV

AMENDMENT

These Articles may be amended by the vote of Lot owners possessing at least three-fourths (3/4) of the total votes entitled to be cast by the membership at a meeting at which a quorum is present, except that so long as there exists a Class B membership, amendments to these Articles may be made exclusively by the Class B member. No amendment may conflict with the Declaration or affect any reserved rights of the Declarant, and amendments shall first be proposed by the Board of Directors to the

extent required by law. Amendment to the Corporation Bylaws may be made by the Board of Directors of the Corporation; subject to amendment or repeal by the vote of not less than three-fourths (3/4) of the total votes entitled to be cast by the membership at a meeting at which a quorum of members is present, except that so long as there exists a Class B members, amendments to the Bylaws may be made exclusively by the Class B member.

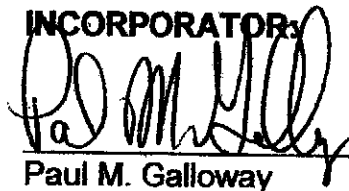
ARTICLE XV

CONFLICTS

In the case of any conflict between the terms hereof and the Declaration, the Declaration shall always control, and in the case of a conflict with the Bylaws, these Articles of Incorporation shall control.

DATED: JULY 23, 2004

INCORPORATOR:

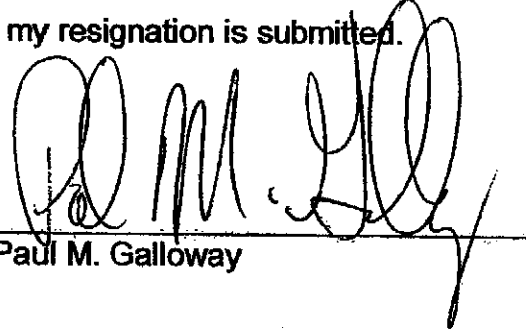


Paul M. Galloway

CONSENT OF STATUTORY AGENT

Paul M. Galloway, having been designated to act as Statutory Agent, hereby consents to act in that capacity until removed or my resignation is submitted.

Dated: July 30, 2004



Paul M. Galloway