

WHEN FILED RETURN TO:

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APPR. *James Allen*  
DATE APR 29/94  
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**ARTICLES OF INCORPORATION  
OF  
VILLAS SCOTTSDALE II HOMEOWNERS' ASSOCIATION, INC.**

The undersigned incorporators, whose mailing addresses appear beneath our respective names, have this day associated ourselves for the purpose of forming a non-profit corporation under the laws of the State of Arizona and do hereby adopt the following Articles of Incorporation.

**ARTICLE I**

The name of this corporation is and shall be the VILLAS SCOTTSDALE II HOMEOWNERS' ASSOCIATION, INC., and its principal place of business shall be in Maricopa County, Arizona, with its mailing address c/o Alternative Property Management, 6609 North Scottsdale Road, Suite 103, Scottsdale, Arizona 85250; but the corporation may establish other principal places of business and other offices at such other places, either within or without the State of Arizona, as the Board of Directors may, from time-to-time, determine.

**ARTICLE II**

This non-profit corporation is organized and established to act as a homeowners' association for the residential neighborhood known as "Hallcraft Villas Scottsdale Two" located in the City of Scottsdale, County of Maricopa, State of Arizona (the "Project") for the benefit of all owners of property within the Project and to do all things and exercise all the powers and rights of a corporation which are lawful and consistent with the foregoing purposes and the non-profit character of this corporation. Without limiting the generality of the foregoing, the corporation is organized for the following purposes: (i) to manage, maintain and administer the areas within the Project which are for the common use and enjoyment of the owners of the real property within the Project, (ii) to administer and enforce the covenants, conditions and restrictions to which the Project is subject; (iii) to collect and disburse assessments lawfully charged against the owners of property within the Project, and (iv) to perform such other acts which generally benefit its members, the Project, and the owners of any interest therein.

### ARTICLE III

In furtherance of and not in limitation of the general powers conferred by the State of Arizona and in furtherance of the objectives and purposes set forth in ARTICLE II hereof, the corporation shall have all powers incidental and desirable for carrying out the aforesaid objectives and purposes as may be allowed to any non-profit corporation organized and existing under the laws of the State of Arizona. Notwithstanding the foregoing, the corporation shall not, except to an insubstantial degree, have any powers that are not in furtherance of its primary objectives identified herein, or are not within the authorized and permitted acts and powers of an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended and as may be amended from time to time, and under the analogous laws of the State of Arizona and any other states in which the corporation is then engaged in its activities.

### ARTICLE IV

The corporation is not organized for pecuniary profit nor shall it have any power to issue certificates of stock or declare dividends. The corporation shall not conduct its affairs for pecuniary profit, and no part of the net earnings or property of the corporation shall inure to the benefit of any members, directors, trustees, or other private persons.

### ARTICLE V

The members of this corporation shall consist of those persons and organizations as, from time to time, may become members pursuant to the qualifications and terms of admission as provided in the Declaration of Horizontal Property Regime and Establishing a Plan for Condominium Ownership for Hallcraft Villas Scottsdale Two (hereinafter called the "Declaration"). No member shall have the right to sell, assign or transfer his or its membership or his or its rights or privileges as such, or to substitute another person or organization as a member in his or its place, except as permitted by the Declaration. Any person or organization ceasing to be a member, whether voluntarily or by expulsion as provided for in the Declaration, or by death or dissolution, shall forfeit all rights and privileges of membership.

### ARTICLE VI

Upon dissolution or final liquidation of the corporation after the payment in full of all debts and obligations of the corporation of whatsoever kind and nature, all assets remaining shall be used and distributed exclusively for promotional, advertising and charitable purposes upon such terms and conditions and in such amounts and proportions as the Board of Directors may impose and determine.

## ARTICLE VII

The names and addresses of the incorporators are:

Susan McManimen  
c/o Alternative Property Management  
6609 North Scottsdale Road  
Suite 103  
Scottsdale, Arizona 85250

Robert Mayer  
6110 North 79th Street  
Scottsdale, Arizona 85250

All powers, duties and responsibilities of the incorporators shall cease at the time of delivery of these Articles of Incorporation to the Arizona Corporation Commission for filing.

## ARTICLE VIII

Although this corporation is an autonomous democracy with the membership having the final authority and with all directors and officers accountable and subject to the authority and direction of the members, the business affairs of this corporation shall be conducted by a Board of Directors consisting of five (5) members. The Directors shall be elected from the members of the corporation at the annual meeting of the members of said corporation to be held at the main office or place of business of the corporation at the time and place provided in the Bylaws of the corporation, or at such other time and place as may be designated by the Board of Directors. The following persons shall comprise the initial Board of Directors, who shall serve until their terms expire, as indicated, or are terminated and their successors are elected in accordance with the Bylaws of the corporation:

Ken Likewise  
7803 East Valley Vista  
Scottsdale, Arizona 85250  
Term Expires: March 1997

Vicki Burns  
6028 North 79th Street  
Scottsdale, Arizona 85250  
Term Expires: March 1997

Robert Mayer  
6110 North 79th Street  
Scottsdale, Arizona 85250  
Term Expires: March 1996

Ed Ranaham  
7811 East Rovey Avenue  
Scottsdale, Arizona 85250  
Term Expires: March 1996

Charlie Heinz  
7836 East Keim Drive  
Scottsdale, Arizona 85250  
Term Expires: March 1995

At the first annual meeting of the Association the term of office of two Directors shall be fixed for three (3) years. The term of office of two Directors shall be fixed at two (2) year, and the term of office of one Director shall be fixed at one (1) year. At the expiration of the initial term of office of each respective Director, his successor shall be elected to serve a term of three (3) years. The Directors shall hold office until their successors have been elected and hold their first meeting.

#### **ARTICLE IX**

The Board of Directors shall elect a President, a Vice-President, a Secretary and Treasurer. The time and method of electing said officers and the length of their term shall be fixed in the Bylaws. The Board of Directors may appoint an assistant treasurer, and an assistant secretary, and such other officers as in their judgment may be necessary. Any vacancies in the Board of Directors or in any office may be filled by the remaining directors and the person so chosen to fill a vacancy shall serve during the unexpired term of his predecessor and until his successor is duly elected and qualified.

#### **ARTICLE X**

The members, officers and directors, and members of the executive committee shall not be individually or personally liable for the corporation's debts or other liabilities, and the private property of such individuals shall be exempt from any corporation debts or liabilities, except as otherwise provided in the Declaration (with respect to Assessments thereunder) and except as otherwise provided in these Articles. A director of the corporation shall not be personally liable to the corporation for monetary damages for breach of fiduciary duty as a director, except for liability (1) for any breach of the director's duty of loyalty to the Association, (2) for acts or omissions not in good faith or which involve intentional misconduct

or a knowing violation of law, (3) under Arizona Revised Statutes Sections 10-1026 (prohibiting issuance of stock and distributions of dividends) and 10-1097 (contracts or transactions involving a conflict of interest), or (4) for any transaction from which the director derived any improper personal benefit. Any repeal or modification of this ARTICLE shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

#### **ARTICLE XI**

Every director and every officer of the corporation shall be indemnified by the corporation against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a director or officer of the corporation, or any settlement thereof, whether or not he is a director or officer at the time such expenses are incurred, except in such cases wherein the director or officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such director or officer may be entitled.

#### **ARTICLE XII**

These Articles of Incorporation may be amended or changed by a majority vote of members of the corporation then entitled to vote who are present, in person or by proxy, at any special meeting, provided that notice of the proposed amendment has been given at least fifteen (15) days prior to said special meeting by mailing such notice to the last known address of such members who are then in good standing and entitled to vote; or they may be otherwise be amended as provided by the laws of the State of Arizona, except they shall not be amended so as to change the corporation from a non-profit corporation dedicated to the purposes above stated, and qualified for exemption under the above cited Internal Revenue laws and regulations, and the analogous laws of the State of Arizona.

#### **ARTICLE XIII**

The time of the commencement of this corporation shall be the date of filing of these Articles of Incorporation with the Arizona Corporation Commission, and the term shall be perpetual unless terminated pursuant to applicable laws of the State of Arizona.

#### **ARTICLE XIV**

This corporation does hereby appoint Susan McManimen, c/o Alternative Property Management, 6609 North Scottsdale Road, Suite 103, Scottsdale, Arizona 85250, who has been

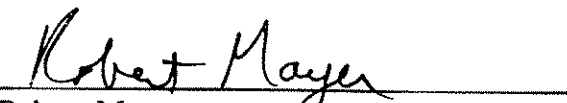
a bona fide resident of the State of Arizona for at least three (3) years, its lawful agent in and for the State of Arizona for and on behalf of whom may be served all necessary process or processes in any action, suit or proceeding that may be had or brought against said corporation, in any of the courts in said State of Arizona, such service of process or notice, or the acceptance thereof, by said agent endorsed thereon to have the same force and effect as if served upon the President and Secretary of said corporation. The foregoing appointment or any successor appointment may be revoked at any time by filing an appointment of a successor agent.

#### ARTICLE XV

Upon the dissolution of this corporation, whether resulting from voluntary action on the part of the Board of Directors, court orders, lapse of time, or otherwise, no part of the remaining assets of the corporation, after the discharge of all corporate liabilities, shall inure to the private profit, benefit or advantage of any current or past member, director or officer, but the whole of such remaining assets shall be distributed by the directors in cash or in kind absolutely and without possibility of reversion, as absolute gifts without return consideration, direct or indirect, in such amounts and proportions as the directors shall determine, to such corporations, clubs or associations which by reason of their recreational or social purposes are exempt from taxation under the provisions of Section 501(c)(7) of the Internal Revenue Code of 1954 as now or hereafter amended. The determination of the directors with respect to all such distributions shall be final.

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 22 day of APRIL, 1994.

  
Susan McManimen

  
Robert Mayer

**ACCEPTANCE OF APPOINTMENT AS STATUTORY AGENT**

I, Susan McManimen, having been designated to act as statutory agent for VILLAS SCOTTSDALE II HOMEOWNERS' ASSOCIATION, an Arizona corporation, hereby consents to act in that capacity until removed or resignation is submitted in accordance with Arizona Revised Statutes.

  
\_\_\_\_\_  
Susan McManimen

ARIZONA CORPORATION COMMISSION  
CORPORATIONS DIVISION

Phoenix Address: 1300 West Washington  
Phoenix, Arizona 85007

Tucson Address: 402 West Congress  
Tucson, Arizona 85701

CERTIFICATE OF DISCLOSURE  
A.R.S. Sections 10-128 & 10-1084

VILLA SCOTTSDALE II HOMEOWNERS'  
ASSOCIATION, INC.

EXACT CORPORATE NAME

**CHECK APPROPRIATE BOX(ES) A or B**  
**ANSWER "C"**

THE UNDERSIGNED CERTIFY THAT:

- A.** No persons serving either by elections or appointment as officers, directors, incorporators and persons controlling, or holding more than 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation:
1. Have been convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction with the seven-year period immediately preceding the execution of this Certificate.
2. Have been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraining the trade or monopoly in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
3. Have been or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven-year period immediately preceding the execution of this Certificate where such injunction, judgment, decree or permanent order:
- (a) Involved the violation of fraud or registration provisions of the securities laws of that jurisdiction; or
- (b) Involved the violation of the consumer fraud laws of that jurisdiction; or
- (c) Involved the violation of the antitrust or restraint of trade laws of that jurisdiction.
- B.** For any person or persons who have been or are subject to one or more of the statements in items A.1 through A.3 above, the following information MUST be attached:

- |   |  |
|---|--|
| 1. Full name and prior name(s) used.                        | 6. Social Security number.   |
| 2. Full birth name.   | 7. The nature and description of each conviction or judicial action, date and location, the court and public agency involved and file or cause number of case. |
| 3. Present home address.                                    |  |
| 4. Prior addresses (for immediate preceding 7-year period). |  |
| 5. Date and location of birth.                              |  |

STATEMENT OF BANKRUPTCY, RECEIVERSHIP OR REVOCATION  
A.R.S. Sections 10-128.01 and 10-1083

- C.** Has any person serving (a) either by election or appointment as an officer, director, trustee or incorporator of the corporation or, (b) major stockholder possession or controlling any proprietary, beneficial or membership interest in the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked? YES\_\_\_ NO xx

IF YOUR ANSWER TO THE ABOVE QUESTION IS "YES", YOU MUST ATTACH THE FOLLOWING INFORMATION FOR EACH CORPORATION:

- |  |  |
|--|--|
| 1. Name and address of the corporation.                            | 4. Dates of corporate operation.   |
| 2. Full name, including alias and address of each person involved. | 5. A description of the bankruptcy, receivership or charter revocation, including the date, court or agency involved and the file or cause number of the case. |
| 3. State(s) in which the corporation:                              |  |
| (a) Was incorporated.  |  |
| (b) Has transacted business.                                       |  |

Under the penalties of law, the undersigned incorporators/Officers declare that we have examined this Certificate, including any attachments, and to the best of our knowledge and belief it is true, correct and complete.

By Susan McManimen DATE 4-22-94  
TITLE Susan McManimen, Incorporator

By Robert Mayer DATE 4-22-94  
TITLE Robert Mayer, Incorporator

FISCAL DATE: 12/31