

Articles Of INCORPORATION

Of

VENTANA LAKES PROPERTY OWNERS ASSOCIATION
an Arizona nonprofit corporation

The undersigned, having legal capacity to enter into contracts under the law of the State of Arizona, does hereby adopt the following Articles of Incorporation for the purposes of forming an Arizona corporation pursuant to the provisions of Arizona Revised Statutes #10-1001, et seq.

ARTICLE I

The name of the corporation is VENTANA LAKES PROPERTY OWNERS ASSOCIATION.

ARTICLE II

Duration

The corporation shall exist perpetually.

ARTICLE III

Purposes and Powers

The corporation does not contemplate pecuniary gains or profit to the members thereof, and no part of the income or profit of the corporation. If any, it shall be distributed to its members, directors or officers as a payment of reasonable compensation for services rendered or a distribution upon dissolution or liquidation as permitted by law. The specific purposes for which the corporation is formed is to fulfill all the duties and responsibilities and to exercise all the rights, powers and prerogatives of the Association as set forth in the Declaration of Covenants, Conditions, and Restrictions for Ventana Lakes Development (the "Declaration"), which was originally recorded with the County Recorder of Maricopa County, Arizona, covering certain property (the "Property") located in Maricopa County, Arizona, as therein fully described.

In furtherance of such purposes, the corporation shall have all powers and be authorized and empowered to perform all acts and do all things which a nonprofit corporation might now or

hereafter at any time be lawfully authorized, empowered or permitted to perform, do or exercise under the laws of the State of Arizona.

ARTICLE IV

Character of Business

The character of business, which the corporation initially intends actually to conduct in Arizona, is the fulfillment of all its duties and responsibilities and the exercise of all its rights, powers and prerogatives under this Declaration.

ARTICLE V

Statutory Agent

The name of the corporation's initial statutory agent is BGWM Service Corporation, and its address is 3300 North Central Avenue, Suite 1000, Phoenix, Arizona 85012-2506.

ARTICLE VI

Directors

The affairs of the corporation shall be managed by a Board of Directors, the number of which shall be determined from time to time in the manner provided in the Bylaws of the corporation but shall not be less than three (3). The number of directors constituting the initial board of directors shall be three (3) and the names and addresses of the persons who are to serve as directors until the first annual election of directors or until their successors are elected and shall qualify re as follows:

<u>Name</u>	<u>Address</u>
Frederick W. Farr	4520 North Central, Suite 500 Phoenix, Arizona 85012
Leevon Owen	4520 North Central, Suite 500 Phoenix, Arizona 85012
Frederick Niswander	4520 North Central, Suite 500 Phoenix, Arizona 85012

ARTICLE VII

Incorporators

The name and address of the Incorporators is Frederick W. Farr, 4520 North Central, Suite 500, Phoenix, Arizona 85012

ARTICLE VIII

Membership: Classes of Memberships: Voting Rights

(a) Members. Other than its Members, the corporation shall have no shareholders, and no capital stock shall be authorized or issued. The Members of the corporation shall be Owners of property and the Declarant, as defined and provided in the Declaration with respect to Members who are Owners. Membership shall be appurtenant to and may not be separated from ownership of the portion of the property giving rise thereto. Tenants and lessees shall be Non-Voting Members of the Association. The corporation shall not be a member of itself or be entitled to cast any votes an account of its ownership of a parcel of the Property, if any. When any owner who is a member ceases, for any reason, to be an Owner, his Membership shall automatically terminate, and the new Owner shall automatically succeed to such Membership in the corporation. A Membership in the corporation shall not be transferred, pledged, or alienated in any way, except that if a Member who is an Owner transfers the parcel of the Property to which such Membership appertains to a new Owner or by interest succession, testamentary disposition, foreclosure of a mortgage or deed of trust of record, or other legal process transferring ownership of such parcel of the Property, such membership shall be transferred to the person to whom such ownership is transferred to such Owners who shall also be Class A Members. A Lessee's or Tenant's membership shall terminate simultaneous to the termination of his tenancy.

Notwithstanding the foregoing, in the event that any Member which is an Owner has granted an irrevocable proxy or otherwise pledged or alienated his voting rights to a Mortgagee (including a Trustee and/or a Beneficiary under a Deed of Trust) as additional security, only the vote(s) of such Mortgagee shall be recognized in regard to matters subject to such proxy if a copy of such proxy or other instrument has been filed with the Board of Directors. In the event more than one such instrument has been filed, the Board of Directors shall recognize the rights of the first Mortgagee to suffice, regardless of the priority of the Mortgages themselves. Any attempt to make a prohibited transfer of a Membership is void and will not be recognized by or reflected upon the books and records of the corporation. In the event the Owner of any Unit should fail or refuse to transfer the Membership registered in his name to the purchaser of such Unit, the corporation shall have the right to record a transfer upon the books of the corporation and issue a new Membership to the purchaser, and thereupon the old Membership outstanding in the name of the seller shall be null and void as though the same had been surrendered.

The corporation shall have two classes of voting Membership.

Class A: Class Members shall be all Owners with the exception of the Declarant under the Declaration.

Class B: Class B Members shall be the Declarant under the Declaration, provided however, that the Class B Membership shall cease and be converted to Class A Membership on the basis of the number of Memberships actually held by the Declarant, on the happening of the first of the following events:

1. When the total votes outstanding in the Class A Membership equals the total votes outstanding in the Class B membership, or
2. The first day of January 1994.

(b) Voting Rights

1. Class "A". Each Owner shall be entitled to one (1) vote for each Class A Membership held by the Owner, subject to the authority of the Board to suspend the voting rights of the Owner for violations of the Declaration in accordance with the provisions thereof.

2. Class "B". Declarant shall be entitled to three (3) votes for each Class B membership held by it.

Article IX

Provisions Respecting Amendments

These Articles of Incorporation shall not be amended to contain any provisions which would be contrary to or inconsistent with the Declaration as in effect from time to time, and any provisions which would be contrary to or inconsistent with the Declaration as in effect from time to time, and any provision of or purported amendment to these Articles of Incorporation which is contrary to or inconsistent with the Declaration as in effect from time to time shall be void to the extent of such inconsistency. These Articles of Incorporation shall not be amended without the assent of seventy-five percent (75%) of the voting members unless an amendment is required by the Veterans Administration ("VA") or federal Housing Administration ("FHA").

ARTICLE X

Indemnification

In addition to and not in limitation of any power or duty of the corporation to indemnify any person, the corporation shall pay all expenses, including attorney's fees, incurred by any

present or former officer or director of the corporation in defending a civil or criminal action suit or proceeding in advance of the final disposition thereof upon the making of the determination provided for in Arizona Revised Statutes #10-1005 (B)(4) and the satisfaction of the condition provided for in Arizona Revised Statutes #10-1005 (B)(5); provided, however, that the corporation shall have the right to refuse indemnification in any instance in which the person to whom indemnification would otherwise have been applicable shall have unreasonably refused to permit the corporation, at its own expense, and through counsel of its own choosing, to defend him in any such action, suit or proceeding, unless and until such person is successful on the merits or otherwise in defense of any such action, suit or proceeding; and further provided that the corporation shall have the right to refuse indemnification as to any matter subject to this Article which is settled or compromised prior to determination on the merits, unless such settlement or compromise is approved in advance by the Board of Directors of the corporation.

ARTICLE XI

Definitions

The words used herein shall be deemed to have the same definitions as in the Declaration, unless otherwise required by context.

ARTICLE XII

VA/FHA Approval

As long as there is a Class B Member, the following actions will require the approval of the VA or FHA: mergers and consolidation, mortgaging of Common Area, dedication of Common Area, dissolution, and amendment of these Articles of Incorporation.

IN WITNESS WHEREOF, the undersigned incorporator has executed these Articles of Incorporation this 11th day of August, 1986.

Frederick W. Farr