

ARTICLES OF INCORPORATION

OF

QUINTA VERDE PATIOHOUSE CORPORATION

1. Name. The name of the corporation, which is organized pursuant to the general nonprofit corporation laws of the State of Arizona, is QUINTA VERDE PATIOHOUSE CORPORATION (hereinafter "Association").

2. Incorporators. The incorporators of the Association are:

RICHARD O. FINLEY	6710 East Fanfol Drive Paradise Valley, Arizona	85253
MICHAEL C. FINLEY	6528 East Bar Z Lane Paradise Valley, Arizona	85253
DAVID W. HIBBERT	6709 East Fanfol Drive Paradise Valley, Arizona	85253

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.

3. Principal Place of Business. The principal place of business of the Association shall be at 7150 N. 7th Street, Phoenix, Arizona 85014, but the Association may establish other offices within Maricopa County, Arizona, and hold its meetings at such places therein as the Bylaws may provide.

4. Statutory Agent. The name and address of the initial statutory agent of the Association is:

MICHAEL C. FINLEY

6528 East Bar Z Lane
Paradise Valley, Arizona 85253

5. Initial Business. The Association initially intends to engage in the maintenance, preservation and control of the architecture, ecology and esthetic beauty of the common area and portions of lots included within that certain property known as QUINTA VERDE, a subdivision situated within Maricopa County, Arizona, described as follows:

"Lots One through Twenty-one, inclusive, and Tracts A through E of QUINTA VERDE, as recorded in Book 205, Page 36 of Maps in the office of the County Recorder of Maricopa County, Arizona."

6. Powers and Purposes of the Association. The Association is established as a nonprofit corporation and does not contemplate pecuniary profit, gain or private advantage for the incorporators, directors, officers, Association or its members. No part of the net earnings, if any, of the Association shall inure to the benefit of any member or private individual other than by acquiring, constructing or providing management, maintenance and care of Association property, including area privately owned but which may affect the overall appearance and structure of the Subdivision, and other

than by rebate of excess dues, fees or assessments. The specific purpose for which the Association is formed is to provide for the maintenance, preservation and control of the architecture, ecology and esthetic beauty of the common area and portions of lots included within the Subdivision. The Association shall promote the health, safety and welfare of the residents within the Subdivision and in that connection shall have the power and/or duty to:

A. Exercise all of the powers and privileges and perform all of the duties and obligations of the Association as set forth in that certain Declaration of Covenants, Conditions and Restrictions (hereinafter "Restrictions") applicable to the Subdivision and recorded in Docket 13276, Pages 1260 through 1276, in the office of the County Recorder of Maricopa County, Arizona, and as the same may be amended from time to time as therein provided, said Restrictions being incorporated herein as if set forth in full herein.

B. Fix, levy, collect and enforce payment by any lawful means, all charges or assessments pursuant to the terms of the Restrictions; pay all expenses in connection therewith and all office and other expenses incident 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. Acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell,

lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association.

D. Borrow money and, with the assent of two-thirds of each class of members, mortgage, pledge, deed in trust or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

E. Dedicate, sell or transfer all or any part of the common area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective unless an instrument has been signed by two-thirds of each class of members agreeing to such dedication, sale or transfer.

F. Participate in mergers and consolidations with other nonprofit corporations organized for the same purpose, or annex additional residential property and common area, provided that any such merger, consolidation or annexation shall have the assent of two-thirds of each class of members.

G. Establish and adopt, amend and repeal Bylaws and rules and regulations deemed necessary and expedient to carry into effect the object and purposes heretofore recited in accordance with the laws of the State of Arizona relating to nonprofit corporations.

H. Accept as part of the Subdivision and exercise jurisdiction over all property annexed thereto, and accept all

owners thereof (including Declarant of Restrictions) as members of the Association.

I. Accept and exercise jurisdiction over (1) all common area which may be conveyed, leased or otherwise transferred to it by the Declarant of the Restrictions, (2) all common area which may be annexed to the Subdivision, and (3) all easements for drainage, operation and maintenance purposes which may be conveyed to it by the Declarant of the Restrictions over any and all common area within the Subdivision.

J. Operate and maintain, or provide for the operation and maintenance of (1) all common area which may be conveyed, leased or otherwise transferred to it by the Declarant of the Restrictions, (2) all common area which may be annexed to the Subdivision, and (3) all common area within the Subdivision in which it owns an easement for operation and maintenance purposes; and keep all improvements of whatever kind and for whatever purpose from time to time located thereon in good order and repair.

K. Enter upon and maintain, or provide for the maintenance of, any improvement or landscaping on any lot in accordance with the requirements of the Restrictions.

L. Pay all property taxes and all other taxes and assessments levied upon any real or personal property conveyed, leased or otherwise transferred to the Association, to the extent not assessed to the owners thereof. Such taxes and assessments may be contested or compromised by the Association;

provided, however, that they are paid or a bond insuring the payment is posted prior to the sale or other disposition of any property to satisfy the payment of such taxes.

M. Contract for or provide for (to the extent adequate services are not provided by a public authority) refuse disposal, street light maintenance and such other services, facilities and maintenance of a public or quasi-public nature as may be deemed necessary or desirable for the effectuation of the purposes of the Restrictions. In connection with the provision of such facilities and services, the Association may contract with, assign or delegate its duties to any public authority, governmental body or special district.

N. Obtain and maintain in force such policies of insurance, including, but not limited to, indemnity bonds, as the Board of Directors shall deem necessary or expedient to carry out the Association functions as set forth in the Restrictions, the Articles of Incorporation and Bylaws. Such insurance where applicable, and to the extent possible, shall name as separately protected insureds the Declarant of the Restrictions, the Association, the Board of Directors, the Architectural Committee, and their representatives, members and employees, the members of any other committees appointed by the Board of Directors, all officers of the Association, the agents, representatives and employees of the Association, and the Association members (as a class), with respect to any liability arising out of the activities of the Association and the maintenance and use of any area or property of the Association.

O. Make, establish, promulgate, amend and repeal the Association rules as provided for in the Restrictions.

P. To file liens upon any member's home unit and an undivided interest within the Subdivision, and to secure the payment of obligations due from the owners of said home unit and undivided interest in any parcel or land to the Association, and to collect, foreclose, or otherwise enforce, compromise, release, satisfy and discharge said liens, and to do all other things necessary to the filing, maintenance, enforcement, and discharge of said liens.

Q. In its own name, on its own behalf or on behalf of any owner or owners who consent thereto, commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of the Restrictions and enforce, by mandatory injunction or otherwise, all of the provisions of the Restrictions. When, in the discretion of the Board of Directors, it is determined that an owner or member has failed, refused or neglected to comply with any provision contained in the Restrictions, the Association may remedy the noncompliance, and, in such event, the owner or member shall reimburse the Association for all expenses incurred in connection therewith upon demand, including, as such expenses, and without limitation thereof, all reasonable attorney and accountant fees, court costs, investigation and collection fees.

R. Employ the services of any person, corporation or other entity as manager and other employees, including, but

not limited to, one or more secretaries, architects, engineers, consultants and attorneys; manage and conduct the business of the Association; and, to the extent not inconsistent with the laws of the State of Arizona, and upon such conditions as are otherwise deemed advisable by the Board of Directors, delegate to any of said persons any of its rights, powers and duties.

S. The Board of Directors may, in its sole discretion, establish whatever committees it deems necessary, either temporary or permanent, to carry out the intent and purposes of the Restrictions, the Articles of Incorporation and the Bylaws. Any committee member may be a member of the Board of Directors, an owner, a member or such other person as the Board of Directors may appoint, for whatever term or terms the Board of Directors deems appropriate. To the extent not inconsistent with the laws of the State of Arizona, and upon such conditions as are otherwise deemed advisable by the Board of Directors, the Board of Directors may delegate to any such committee or committees any of its rights, powers and duties.

T. To take any action necessary to enforce the Restrictions and other reservationa which at present affect, or in the future may affect, any of the property within Tracts A through E of the Subdivision.

U. Upon such terms and conditions as the Board of Directors may determine, the Association may issue an estoppel certificate binding the Association to the position or determination stated therein relating to the payment of assessments

by an owner, and past and present, but not future, actions of the Association. Anyone interested therein shall be entitled to rely on the matters stated therein. Said certificate to be valid and binding on the Association shall be executed by at least one member of the Board of Directors, or the President of the Association, or such other person or persons as the Board of Directors in its discretion may determine and designate.

V. Have and exercise any and all powers, rights and privileges which a corporation organized under the Nonprofit Corporation Law of the State of Arizona by law may now or hereafter have or exercise.

W. The designation of any object, purpose or activity shall not be construed to be a limitation or qualification, or in any manner to limit or restrict the objects, purposes or activities of the Association, consistent with the lawful objects of a nonprofit corporation.

7. Membership. The Association shall be a nonstock corporation owned by its members. Every person or entity who is a record owner in any lot which is subject to the Restrictions shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any lot which is subject to assessment by the Association. It shall be discretionary with the Board of

Directors as to whether membership certificates shall or shall not be issued.

8. Voting Rights. When more than one person holds an interest in any lot, all such persons shall be members. The vote for such lot shall be exercised as they among themselves determine, and indicate to the Association in writing, but in no event shall more than one vote be cast with respect to any lot.

The vote for each such lot must be cast as a unit and fractional votes shall not be allowed. In the event that joint owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any owner or owners casts a vote representing a certain lot, it will thereafter be conclusively presumed for all purposes that he or they were acting with the authority and consent of all other owners of the same lot. In the event more than one vote is cast for a particular lot, none of said votes shall be counted as said votes shall be deemed void.

In any election of the members of the Board of Directors, every owner entitled to vote at such an election shall have the right to cumulate his votes and give one candidate, or divide among any number of the candidates, a number of votes equal to the number of lots owned by the owner multiplied by the number of directors to be elected. The

candidates receiving the highest number of votes, up to the number of Board members to be elected, shall be deemed elected.

In the event any owner shall be in arrears in the payment of any of the amounts due under any of the provisions of any recorded Declaration of Restrictions, or shall be in default in the performance of or in breach of any of the terms of any such recorded Declaration of Restrictions, said owner's right to vote as a member of the Association and right to use the common areas of the Subdivision may be suspended and may remain suspended until all payments are brought current and all defaults and breaches remedied.

9. Board of Directors and Officers. The affairs of this Association shall be conducted by a Board of Directors of not less than three nor more than seven persons, as determined by the Board of Directors, who shall be elected by members of the Association as hereinafter provided, and by such officers as said Board of Directors may from time to time elect or appoint. The Directors, who shall be members of the Association, shall be elected at the annual meeting of the Association and shall hold office until the next annual meeting of the Association's members and until their successors shall have been elected and qualified; provided, however, that until the first meeting of the members of the Association or until their successors are elected, (and until at least 80% of the lots that comprise the Subdivision known as QUINTA VERDE are sold), the Board of

Directors shall consist of the following persons who were elected at a meeting held at 6528 East Bar Z Lane, Paradise Valley, Arizona 85253, on

RICHARD O. FINLEY	6710 East Fanfol Drive Paradise Valley, Arizona 85253
MICHAEL C. FINLEY	6528 East Bar Z Lane Paradise Valley, Arizona 85253
DAVID W. HIBBERT	6709 East Fanfol Drive Paradise Valley, Arizona 85253

It is intended that the above Directors remain in office until such time as 80% of the lots are sold and for the purposes of this Article, a sale of the lot will be defined as that time when there has been a close of escrow with regard to the particular lot sold. When in that period of time 80% of the lots have been sold, it shall then be the prerogative of the individual owner members of this Association to have an election for a new Board of Directors or they may wait until the next annual meeting and elect a new Board of Directors.

Until the first meeting of the members for the purpose of electing Directors, and at any time subsequent thereto, the Board of Directors shall have the power to increase the number of Directors within the limits set forth herein and to appoint persons to fill any additional directorships so created until the next annual meeting of the members held for the purpose of electing Directors. The annual meeting of the members shall be held on the first Wednesday in May of each year, commencing with the year 1979, unless such date be a legal holiday, in which case the meeting shall be held on the first succeeding

day which is not a legal holiday. The fiscal year of the corporation shall be the calendar year.

The Board of Directors shall have the power to adopt, amend and rescind Bylaws for the government of the Association, to fill vacancies occurring in the Board of Directors or in the officers of the Association from any cause, and to designate such powers and duties for said officers as they may prescribe.

The officers of the Association shall consist of a President, Vice President, and Secretary-Treasurer, and such officers as the Board of Directors may from time to time elect. The officers shall be selected from among the members of the Board of Directors and shall be elected by the Board of Directors at the first meeting of the Board after the annual meeting of members, and said officers shall hold office for one year and until their successors have been elected and qualified. The following persons shall serve as officers until their successors are elected at anytime by the Directors:

RICHARD O. FINLEY	President
MICHAEL C. FINLEY	Secretary-Treasurer
DAVID W. HIBBERT	Vice President

10. Indemnification. Subject to the further provisions hereof, the Association shall indemnify any and all of its existing and former Directors, officers, employees and agents against all expenses incurred by them, and each of them, including, but not limited to, legal fees, judgments, penalties,

and amounts paid in settlement or compromise, which may arise or be incurred, rendered or levied in any legal action brought or threatened against any of them for or on account of any action or omission alleged to have been committed while acting within the scope of authority as a Director, officer, employee or agent of the Association, whether or not any settlement or compromise is approved by a court. Indemnification shall be made by the Association whether the legal action brought or threatened is brought by or in the right of the Association or by any other person. Whenever any Director, officer, employee or agent shall report to the President of the Association or the Chairman of the Board of Directors that he or she has incurred, or may incur, expense, including, but not limited to, legal fees, judgments, penalties and amounts paid in settlement or compromise in a legal action brought or threatened against him or her for, or on account of, any omission alleged to have been committed by him or her while acting within the scope of his or her authority as a Director, officer, employee or agent of the Association, the Board of Directors shall, at its next regular meeting or at a special meeting held within a reasonable time thereafter, determine in good faith whether, in regard to the matter involved in the action or contemplated action, such person acted, failed to act or refused to act willfully, or with gross negligence, or with fraudulent or criminal intent. If the Board of Directors determines in good faith that such person did not act, fail to act, or refused to

act willfully, or with gross negligence, or with fraudulent or criminal intent in regard to the matter involved in the action or contemplated action, indemnification shall be mandatory and shall be automatically extended as specified herein, provided, however, that no such indemnification shall be available with respect to liabilities under the Securities Act of 1933, and, provided further, that the Association 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 Association, at its own expense and through counsel of its own choosing, to defend him or her in the action.

11. Assessments. For the purpose of providing necessary funds for the carrying out of the purposes of the Association and the necessary operating expenses of the Association, there shall be levied against each lot in the Subdivision, and each lot owner and member of the Association, an annual assessment and other assessments in the amount and procedures set forth in the Restrictions and Bylaws of the Association covering the Subdivision, which said assessments shall be due, payable and enforceable in the manner set forth in the Restrictions and Bylaws.

12. Duration. The Association shall come into existence on the date of the filing of these Articles of Incorporation

with the Arizona Corporation Commission, and it shall have succession by its corporate name in perpetuity.

13. Dissolution. The Association may be dissolved with the assent given in writing and signed by not less than two-thirds of each class of members. Upon dissolution of the Association, other than assent to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for those for which this Association was created. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any nonprofit corporation, association, trust or other organization to be devoted to such similar purposes.

14. Exemption. The private property of the incorporators, members, Directors and officers of the Association shall be forever exempt from its debts and obligations.

The highest amount of indebtedness or liability, direct or contingent, to which this Association may at any time subject itself shall be as computed by the laws of the State of Arizona and the rules and regulations of the Arizona Corporation Commission.

15. Amendments. The Association reserves the right to amend, alter, change or repeal any provision contained in these Articles of Incorporation and all rights acquired by

members of the Association under these Articles are acquired subject to that reservation. The Articles may be amended only: (i) by the affirmative vote of the majority of the members present at a meeting called for that purpose, provided notice thereof is given in accordance with Arizona Revised Statutes §10-452(C), as the same may be amended from time to time; or (ii) by the affirmative vote of the majority of the members in an election held by mail. For any election by mail for the purpose of amending these Articles, notice of the proposed amendment, together with a copy thereof, a ballot, a return envelope and written statements favoring or opposing the amendments submitted to the President by any member must be mailed to each member of the Association at least 20 days before the ballots must be returned for counting.

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 30th day of November, 1978.

15/ Richard O. Finley
RICHARD O. FINLEY

15/ Michael C. Finley
MICHAEL C. FINLEY

15/ David W. Hibbert
DAVID W. HIBBERT

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this the 30th day of November, 1978, before me, the undersigned officer, personally appeared RICHARD OF FINLEY, known to me to be the person whose name is subscribed to the foregoing instrument, and who acknowledged that he executed the same for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal.

Lynn J. Allen
Notary Public

My commission expires:
9/11/81

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this the 30th day of November, 1978, before me, the undersigned officer, personally appeared MICHAEL C. FINLEY, known to me to be the person whose name is subscribed to the foregoing instrument, and who acknowledged that he executed the same for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal.

Lynn J. Allen
Notary Public

My commission expires:
9/11/81

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this the 30th day of November, 1978, before me, the undersigned officer, personally appeared DAVID W. HIBBERT, known to me to be the person whose name is subscribed to the foregoing instrument, and who acknowledged that he executed the same for the purposes therein contained.

In witness whereof, I hereunto set my hand and official seal.

Lynn J. Allen
Notary Public

My commission expires:

A. C. C. - 1977
RECEIVED
DEC 8 1978
DOCUMENTS ARE SUBJECT
TO REVIEW BEFORE FILING.

119751

ARIZONA CORPORATION COMMISSION
INCORPORATING DIVISION

FILED

DEC 12 1978

At 8:30 A. M. at request of
Sparks & Siler, P.C.
Address 4234 Winfield Scott Plaza
Scottsdale, Arizona 85251
By Daphne Long
G. C. Anderson, Jr., SECRETARY