

ARTICLES OF INCORPORATION

OF

THE SCOTTSDALE HIGHLAND ESTATES HOMEOWNERS ASSOCIATION, INC.

Pursuant to that certain Declaration of Covenants, Conditions and Restrictions for Scottsdale Highland Estates, dated March ____, 1987, recorded _____, 1987, as Document _____ in the office of the County Recorder of Maricopa County, Arizona, as the same may be amended from time to time (the "Declaration"), the undersigned have this day voluntarily associated themselves together for the purpose of forming a nonprofit corporation and do hereby adopt the following Articles of Incorporation:

**ARTICLE I
DEFINITIONS**

The words and terms used herein shall be deemed to have the same meanings as are given those words and terms in the Declaration. "Declarant" as used herein shall refer to Scottsdale Highland Partners, an Arizona general partnership, and the successors and assigns of Declarant's rights and powers under the Declaration. "Scottsdale Highland Estates" as used herein to describe a place shall refer to the Property described in the Declaration as Scottsdale Highland Estates.

**ARTICLE II
NAME**

The name of the corporation is THE SCOTTSDALE HIGHLAND ESTATES HOMEOWNERS ASSOCIATION, INC. (hereafter called the "Association").

**ARTICLE III
PRINCIPAL PLACE OF BUSINESS**

The principal and known place of business and office of the Association shall initially be located at 6157 East Indian School Road, Building B, Scottsdale, Arizona, 85251.

ARTICLE IV
STATUTORY AGENT

William F. Hyder, P.C., an Arizona professional corporation, whose address is 7226 North 16th Street, Suite 200, Phoenix, Arizona, 85020, is hereby appointed the initial Statutory Agent of the Association.

ARTICLE V
PURPOSES, POWERS AND CHARACTER OF AFFAIRS

Section 1. Purposes and Initial Purposes. This Association does not contemplate pecuniary gain or profit to the Members thereof. The specific purposes and the initial purpose for which the Association is formed are:

(a) To provide for the orderly development, maintenance, preservation and architectural control, as provided in the Declaration, of Scottsdale Highland Estates;

(b) To promote the health, safety and welfare of the Owners, lessees and residents within Scottsdale Highland Estates and any additions thereto as may hereafter be brought within the jurisdiction of the Association; and

(c) To comply with requirements of the Declaration of Covenants, Conditions and Restrictions created for Scottsdale Highland Estates.

Section 2. Powers. For the purposes set forth in Section 1 above, and subject to any limitations set forth in the Declaration, the Association shall have the power to:

(a) Exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in the Declaration, as the same may be amended from time to time as therein provided, said Declaration being incorporated herein as if set forth at length;

(b) Fix, levy, collect and enforce payment of by any lawful means, all charges or assessments pursuant to the terms of the Declaration; to pay all expenses in connection therewith and all office and other expenses

incidental 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, guarantee payment or performance of obligations, and 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 Association. Unless otherwise required by zoning stipulations or agreements with the County of Maricopa effective prior to the date hereof or specified on a recorded subdivision Plat, no such dedication or transfer shall be effective unless an instrument has been signed by the Owners of two-thirds (2/3) of the memberships in each class of Members and recorded agreeing to such dedication, sale or transfer, or such dedication or transfer is to public agencies, authorities or utilities in accordance with the Declaration;

(f) Establish and adopt Bylaws and other rules and regulations deemed necessary and expedient to carry into effect the objects and purposes of the Association; and

(g) Have and to exercise any and all powers, rights and privileges which a corporation organized under the Act may by law now or hereafter have or exercise.

Section 3. Limitation of Purposes. Notwithstanding anything herein contained to the contrary, no part of the activities of the Association shall be devoted to carrying on propaganda or otherwise attempting to influence legislation and the Association shall make no gift, donation or contribution to any institution or organization engaged in such activities. No part of the net earnings of the Association shall inure to the benefit of any Member or individual (other than by promoting social and recreational activities for Members,

by acquiring, constructing, or providing management, maintenance, and care of the Common Area, or by a rebate of excess membership dues, fees or assessments).

Section 4. Character of Affairs. The character of affairs which the Association initially intends actually to conduct in Arizona is to carry out the duties and responsibilities of the Association as set forth in the Declaration, including the providing of an organizational structure for the Members to engage in social and recreational activities, to provide for the operation and maintenance of Common Area, to levy and collect assessments for the expenses of the Association, and to exert architectural control over the construction and maintenance of Improvements on Scottsdale Highland Estates.

ARTICLE VI MEMBERSHIP

Section 1. Identity of Members. Membership in the Association shall be limited to Owners of Lots. An Owner of a Lot shall automatically, upon becoming the Owner thereof, be a Member of the Association and shall remain a Member of the Association until such time as his ownership ceases for any reason, at which time his membership in the Association shall automatically cease.

Section 2. Transfer of Membership. Membership in the Association shall be appurtenant to each Lot, and a membership in the Association shall not be transferred, pledged or alienated in any way, except upon the sale of a Lot and then only to such Purchaser, or by intestate succession, testamentary disposition, foreclosure of mortgage of record or other legal process. Any attempt to make a prohibited transfer shall be void and shall not be reflected upon the books and records of the Association.

ARTICLE VII VOTING RIGHTS

Section 1. Classes of Members. The Association shall have two (2) classes of voting membership:

Class A. Class A Members shall be all Owners of Lots, with the exception of the Declarant. Each

Class A Member shall be entitled to one (1) vote for each Lot owned.

Class B. The Class B Member shall be the Declarant. The Class B Member shall be entitled to three (3) votes for each Class A vote outstanding for as long as there is a Class B membership. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(a) Within ninety (90) days after the number of Class A votes equal the number of Class B votes;
or

(b) When the Declarant notifies the Association in writing that it relinquishes its Class B membership;
or

(c) January 1, 1999.

Section 2. Joint Ownership. When more than one (1) person is the Owner of any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) ballot be cast with respect to any Lot. The vote or votes 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 casts a ballot representing a certain Lot, it will thereafter be conclusively presumed for all purposes that he was acting with the authority and consent of all other Owners of the same Lot. In the event more than one (1) ballot is cast for a particular Lot, none of said votes shall be counted and said votes shall be deemed void.

Section 3. Corporate Ownership. In the event any Lot is owned by a corporation, partnership or other association, the corporation, partnership or association shall be a Member and shall designate in writing at the time of acquisition of the Lot an individual who shall have the power to vote said membership, and in the absence of such designation and until such designation is made, the chief executive officer, if any, of such corporation, partnership or association shall have the power to vote the membership, and if there is no chief executive officer, then the board of directors

or general partner of such corporation, partnership or association shall designate who shall have the power to vote the membership.

Section 4. Suspension of Voting Rights. In the event any Owner is in arrears in the payment of any assessments or other amounts due under any of the provisions of the Project Documents for a period of fifteen (15) days, said Owner's right to vote as a Member of the Association and the right to the use of the amenities other than private roads or drives for ingress and egress to the Owner's property shall be suspended and shall remain suspended until all payments, including accrued interest and attorneys' fees, are brought current, and for a period not to exceed sixty (60) days for any infractions of the Project Documents and for successive sixty (60) day periods if the infraction has not been corrected.

ARTICLE VIII
BOARD OF DIRECTORS

The control and management of the affairs of this Association shall be vested in a Board of Directors of not less than three (3) nor more than nine (9) directors who need not be Members of the Association. The names and addresses of the persons who are to serve as directors beginning with the incorporation of the Association until their successors are elected and qualified are:

<u>Names</u>	<u>Addresses</u>
Sam Nocifera	6157 E. Indian School Road Building B Scottsdale, Arizona 85251
William F. Hyder	7226 North 16th Street, #200 Phoenix, Arizona 85020
Joseph Fitzgerald	7226 North 16th Street, #200 Phoenix, Arizona 85020

ARTICLE IX
AMENDMENTS

Section 1. Amendments. The Articles may be amended by the affirmative vote of ninety percent (90%) of the votes

of Members of the Association cast at a duly called meeting of the Members; provided, however, after twenty (20) years from the date of the recording of the Declaration, the affirmative vote of only Seventy-Five Percent (75%) of the Members casting votes at a duly called meeting of the Members shall be necessary to adopt an amendment to the Articles.

Section 2. Right of Amendment if Requested by Governmental Agency or Federally Chartered Lending Institutions. Anything in the Articles to the contrary notwithstanding, the Board shall have the right to amend all or any part of the Articles to such an extent and with such language as may be requested by the Federal Housing Administration ("FHA") or the Veterans Administration ("VA") and to further amend the Articles to the extent requested by any other federal, state or local governmental agency which requests such an amendment as a condition precedent to such agency's approval of the Articles or by any federally chartered lending institution as a condition precedent to lending funds upon the security of any Lots. In the event of such an amendment, articles of amendment shall be executed, filed and published as provided under Arizona law. It is the desire of Declarant to retain control of the Association and its activities through the Board of Directors during the anticipated period of planning and development of Scottsdale Highland Estates and until the Class B membership ceases pursuant to Article VII, Section 1 above. If any amendment requested pursuant to the provisions of this Section deletes, diminishes or alters such control, the Board shall have the right to prepare, provide for and adopt, as an amendment hereto, other and different control provisions.

ARTICLE X
DURATION AND DISSOLUTION

The Association shall exist so long as the Declaration is in effect, which shall be for an initial period of twenty (20) years from _____, and for successive extension periods of ten (10) years each unless the Declaration is terminated.

ARTICLE IX
INCORPORATORS

The names and addresses of the incorporators are as follows:

Sam Nocifera	6157 E. Indian School Road Building B Scottsdale, Arizona 85251
William F. Hyder	7226 North 16th Street, #200 Phoenix, Arizona 85020
Joseph Fitzgerald	7226 North 16th Street, #200 Phoenix, Arizona 85020

ARTICLE XII
INTERPRETATION

In the event that any provision hereof is inconsistent with or in derogation of the Declaration, the provisions of the Declaration shall be deemed to control.

ARTICLE XIII
INDEMNIFICATION

The Association shall indemnify all of its directors and officers, and its former directors and officers, to the maximum extent authorized by law, against expenses incurred by them, including without limitation legal fees, and judgments and penalties rendered or levied against them or any of them in any legal action brought against any such persons for actions or omissions alleged to have been committed by any such person while acting within the scope of his or her employment as a director or officer of the Association, provided that the Board of Directors shall determine in good faith that such person did not act, fail to act, or refuse to act, willfully or with gross negligence, or with fraudulent or criminal intent, in regard to the matter involved in the action, and provided further 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 any such legal action. Whenever any such present or former director or officer shall report to the President of the Association that he or she has incurred or may incur any such expenses, 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 such person acted, failed to act, or refused to act, willfully, with gross negligence, or with fraudulent or criminal intent in regard to the matter involved in the action. If the Board of Directors determines in good faith that such person did not act, fail to act or refuse to act willfully or with gross negligence or with fraudulent or criminal intent in regard to the matter involved in the action, indemnification shall be mandatory and shall be automatically extended as specified herein, except as otherwise provided hereinbefore.

ARTICLE XIV
FHA/VA APPROVAL

If the Declaration and these Articles have been initially approved by the FHA or the VA in connection with any loan programs made available by FHA or VA and any loans have been made on property in Scottsdale Highland Estates which are insured or guaranteed by FHA or VA, then as long as there is a Class B membership, the following actions will require the prior approval of the FHA or VA, as applicable, unless the need for such approval has been waived by FHA or VA: (i) annexation of additional properties; (ii) mergers and consolidations; (iii) dedication of the Common Area except as required by zoning stipulations or agreements with the County of Maricopa effective prior to the date hereof; and (iv) dissolution and amendment of these Articles.

DATED this 22 day of March, 1987.

INCORPORATORS:

Venture Capital Const. & Dev Corp.
Sam Nocifera, Pres.

Sam Nocifera

William F. Hyder

William F. Hyder

Joseph Fitzgerald

Joseph Fitzgerald

WILLIAM F. HYDER, P.C., having been designated to act as Statutory Agent, hereby consents to act in that capacity until removed or resignation is submitted in accordance with the Arizona Revised Statutes.

DATED this 27th day of March, 1987.

WILLIAM F. HYDER, P.C.

By William F. Hyder
William F. Hyder
7226 North 16th Street
Suite 200
Phoenix, Arizona 85020