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ARTICLES OF INCORPORATION  
OF  
WARNER RANCH MANOR UNIT II ASSOCIATION

KNOW ALL MEN BY THESE PRESENTS:

That we, the undersigned, voluntarily associated ourselves together at a meeting held at 4820 South Mill Avenue, Tempe, Arizona 85282, at 10:00 o'clock a.m. on March 16, 1987, for the purpose of forming a private, non-profit corporation, the object of which is not pecuniary profit, having the purpose hereinafter set out, under and pursuant to Chapter 5, Title 10 of the Arizona Revised Statutes, and for the further purpose of electing directors for said corporation. We do hereby adopt the following Articles of Incorporation:

1. Name: The name of the corporation shall be WARNER RANCH MANOR UNIT II ASSOCIATION (hereinafter referred to as the "Association").

2. Purpose: The Association is organized and shall be operated for the purposes set forth for the "Association" in that certain Declaration of Covenants, Conditions and Restrictions for Warner Ranch Manor Unit II (the "Declaration") recorded on March 13, 1987, at Recorder's No. 87-151924, in the office of the Maricopa County, Arizona Recorder, and for the purposes set forth for a "Residential Association" in that certain Declaration of Covenants, Conditions and Restrictions for Warner Ranch (the "Master Declaration") recorded on January 24, 1985, at Recorder's No. 85-033713, in the office of the Maricopa County, Arizona Recorder, including, but not limited to, the acquisition, construction, management, maintenance and care of association property, provided, however, that the foregoing shall not be construed as a limitation on the activities and businesses in which the Association may ultimately engage. (Except as expressly set forth herein, capitalized terms shall have the meanings assigned to them in the Declaration.)

3. Business: The Association initially intends to engage in the following activities (which shall be construed as the character of the non-profit business which the Association initially intends to conduct in the State of Arizona):

a. Provide for the acquisition, construction, management, maintenance and care of association property;

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ARIZONA CORP. COMMISSION  
CORPORATIONS DIVISION

1  
2 b. Perform all matters to be performed by the  
"Association," as that term is used in the  
Declaration; and

3  
4 c. Perform all applicable matters to be  
performed by a "Residential Association," as that term  
is used in the Master Declaration.

5 Such initial intention shall in no manner whatever limit the  
6 character of the activities and businesses in which the  
Association may ultimately engage.

7 4. Authorized Stock: The Association shall have no  
8 capital stock.

9 5. Statutory Agent: The name and address of the  
10 initial statutory agent of the Association is C. Randall Bain,  
222 North Central Avenue, P. O. Box 400, Phoenix, Arizona 85001.

11 6. Known Place of Business. The known place of  
12 business of the Association shall be 4820 South Mill Avenue,  
Tempe, Arizona 85282, but different and other offices and  
13 places for conducting business, both within and without the  
State of Arizona, may be established from time to time by the  
Board.

14 7. Board of Directors; Annual Meetings of Members:  
15 The business and affairs of the Association shall be conducted  
by a Board of Directors (herein referred to as the "Board").  
16 The annual meetings of the Members of the Association shall be  
held on the first Tuesday of December in each year, commencing  
17 with Tuesday, December 1, 1987, or such other time as the Board  
shall designate. The following three persons, elected by the  
18 incorporators at a meeting held on March 16, 1987, at Tempe,  
Arizona, shall constitute the Board and shall serve in such  
19 capacity until their successors are elected and qualified:

20 William E. Dougherty  
4820 South Mill Avenue  
Tempe, Arizona 85282

21 Jerry Schulz  
22 4820 South Mill Avenue  
23 Tempe, Arizona 85282

24 Cathy Carr  
25 4820 South Mill Avenue  
26 Tempe, Arizona 85282

1 Otherwise, the number of persons to serve on the Board shall be  
2 fixed by the Bylaws but in no event shall it be less than three  
3 or more than seven; further, each member of the Board shall be  
4 elected for such term as shall be fixed by the Bylaws,  
5 provided, however, that in no event shall any change in the  
6 length of such term effected by an amendment to the Bylaws be  
7 applied so as to shorten the term being served by any member of  
8 the Board at the time such amendment is adopted. No person  
9 shall be eligible for election as a director who is not at the  
10 time of election a Member of the Association, except such  
11 persons as may be designated by the Developer or by a corporate  
12 partnership or other non-individual Owner. If, after  
13 election: (a) any director except for a director designated by  
14 the Developer or by a corporate, partnership or other  
15 non-individual Owner ceases to be a Member, he or she shall  
16 thereupon cease to be a director and his or her office shall  
17 become vacant; or (b) a corporation, partnership or other  
18 non-individual entity ceases to be a Member, any director  
19 serving by virtue of having been designated for election by  
20 such corporation, partnership or other non-individual entity  
21 shall thereupon cease to be a director and his or her office  
22 shall become vacant.

12 8. Quorum: A quorum at a meeting of the Board shall  
13 consist of one-half (1/2) of the number of the directors then  
14 serving (except that if three (3) directors are then serving, a  
15 quorum shall be two (2), and if one (1) director is then  
16 serving, a quorum shall be one (1)). Except as may otherwise  
17 be provided by applicable law or by the Declaration (and, in  
18 particular, except with respect to the imposition of Special  
19 Assessments or certain increases in the Maximum Annual  
20 Assessment with respect to which a quorum at a meeting of  
21 Members is to be determined as provided in the Declaration), a  
22 quorum at a meeting of Members shall consist of Members holding  
23 ten percent (10%) of the votes in each class of Members  
24 (whether represented in person or by valid proxy).

20 9. Incorporators: The names and addresses of the  
21 incorporators of the Association are:

21 William E. Dougherty  
22 4820 South Mill Avenue  
23 Tempe, Arizona 85282

23 Jerry Schulz  
24 4820 South Mill Avenue  
25 Tempe, Arizona 85282

25 10. Net Earnings: No part of the net earnings of the  
26 Association shall inure (other than by acquiring, constructing

1 or providing management, maintenance and care of association  
2 property, and other than by a rebate to Members of excess  
3 membership dues, fees and assessments (and not net earnings)  
4 to the benefit of or be distributable to any Member, director  
5 or officer of the Association, or to any private individual,  
6 except that reasonable compensation may be paid for services  
7 rendered to or for the Association and other payments and  
8 disbursements may be made in furtherance of one or more of its  
9 purposes. Upon the dissolution of the Association, the assets  
10 of the Association, whether real or personal, after rebate to  
11 Members of excess membership dues, fees and assessments (and  
12 not net earnings), shall be dedicated to an appropriate public  
13 agency or utility to be devoted to purposes as nearly as is  
14 practicable the same as those to which they were required to be  
15 devoted by the Association. In the event that such dedication  
16 is refused acceptance, such assets shall be granted, conveyed  
17 and assigned to any non-profit corporation, association, trust  
18 or other organization to be devoted to purposes as nearly as is  
19 practicable the same as those to which they were required to be  
20 devoted by the Association.

11 11. Members: The Members of the Association and  
12 their voting rights shall be determined in the manner set forth  
13 in the Declaration.

13 12. Amendments: The Articles and Bylaws may only be  
14 amended by following the procedure hereinafter set out and by  
15 complying, to the extent applicable, with the Declaration. The  
16 Board shall adopt a resolution setting forth the proposed  
17 amendment and directing that it be submitted to a vote at a  
18 meeting of Members, which may be either an annual or a special  
19 meeting, and if approved by Members holding (either personally  
20 or by valid proxy) the Applicable Percentage (defined below) of  
21 the votes eligible to be cast on the amendment (including votes  
22 otherwise eligible to be cast but not represented personally or  
23 by valid proxy at such meeting), such amendment shall have been  
24 adopted, provided, however, that a copy of any such proposed  
25 amendment or a summary of the changes to be effected shall have  
26 been given to each Member in good standing at least ten (10)  
days prior to said meeting of the Members. For purposes  
hereof, the "Applicable Percentage" shall mean, in the case of  
an amendment to the Articles, sixty-seven percent (67%), and in  
the case of an amendment to the Bylaws, fifty-one percent  
(51%). Any number of amendments may be submitted and voted  
upon at any one meeting. Notwithstanding the foregoing, so  
long as the Class "B" membership is in existence, the following  
actions shall require the prior approval of the Federal Housing  
Administration and the Veterans Administration: (a) amendment  
of these Articles or the Bylaws; (b) dissolution of the  
Association; (c) merger or consolidation of the Association

1 with any other entity; (d) dedication by the Association of any  
2 or all of the Common Area; and (e) annexation of any additional  
properties to the Property.


3 13. Private Property: Private property of the  
4 incorporators, Members, directors and officers of the  
5 Association shall be forever exempt from all corporate debts of  
any kind whatsoever, provided, however, that nothing contained  
6 in this Article shall limit the liability of Members' property  
7 for payment of Assessments levied by the Association.

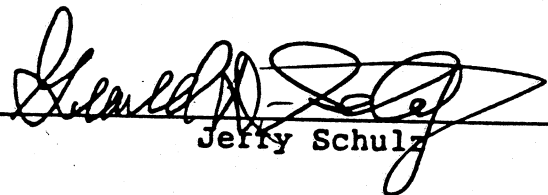
8 14. Fiscal Year: The fiscal year of the Association  
9 shall run from January 1 through December 31 of each year.

10 15. Indemnification of Officers, Directors, Employees  
11 and Agents: Subject to the further provisions hereof, the  
12 Association shall indemnify any and all of its existing or  
13 former directors, officers, employees and agents against all  
14 expenses incurred by them and each of them, including but not  
15 limited to, legal fees, judgments, penalties and amounts paid  
16 in settlement in any legal action brought or threatened against  
17 any of them for or on account of any action or omission alleged  
18 to have been committed while acting within the scope of his or  
19 her service as a director, officer, employee or agent of the  
20 Association, whether or not any action is or has been filed  
21 against them and whether or not any settlement or compromise is  
22 approved by a court. Indemnification shall be made by the  
23 Association whether the legal action brought or threatened is  
24 by or in the right of the Association or by any other person.  
25 Whenever any existing or former director, officer, employee or  
26 agent shall report to the president of the Association or the  
chairman of the board that he or she has incurred or may incur  
expenses, 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 action or omission alleged to have been  
committed by him or her while acting within the scope of his or  
her service as a director, officer, employee or agent of the  
Association, the Board 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  
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 or contemplated action, indemnification shall be  
mandatory and shall be automatically extended as specified  
herein, provided, however, that the Association shall have the

1 right to refuse indemnification in any instance in which the  
2 person to whom indemnification would otherwise have been  
3 applicable shall have unreasonably refused to permit the  
4 Association, at its own expense and through counsel of its  
5 choosing, to defend him or her in the action. The  
6 indemnification provided by this Article 15 is not exclusive of  
7 any other rights to indemnification provided by Section 10-1005  
8 of Arizona Revised Statutes (or the corresponding provision of  
9 any future Arizona Nonprofit Corporation Act) or otherwise  
10 provided by law.

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IN WITNESS WHEREOF, for the purpose of forming the  
Association under the laws of the State of Arizona, we, the  
undersigned incorporators, have executed these Articles of  
Incorporation this 16th day of March, 1987.

  
\_\_\_\_\_  
William E. Dougherty

  
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Jerry Schulz

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ACCEPTANCE OF STATUTORY AGENT

C. Randall Bain, having been appointed to serve as statutory agent for Warner Ranch Manor Unit II Association, hereby accepts said appointment and agrees to serve in that capacity until replaced by the Association in accordance with A.R.S. § 10-1009(A) and (B), or until the effective date of any resignation submitted by the undersigned in accordance with A.R.S. § 10-1009(C).



C. Randall Bain