

ARTICLES OF INCORPORATION  
OF  
D'ARCY RANCH OWNERS ASSOCIATION

SEP 03 1993

DATE APPR 9-7-93  
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BY C. H. Thomas

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The undersigned, as incorporators, have this date voluntarily associated themselves together for the purpose of forming a private non-profit membership corporation under and by virtue of the laws of the State of Arizona, and hereby adopt the following Articles of Incorporation:

ARTICLE I  
Name

The name of the corporation is D'Arcy Ranch Owners Association.  
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ARTICLE II  
Definitions

The words and terms used herein shall be deemed to have the same definitions and meanings as in the Declaration of Covenants, Conditions and Restrictions for D'Arcy Ranch, as amended from time to time (the "Declaration"), as initially recorded on April 30, 1993, as Instrument No. 93-0262162, in the official records of Maricopa County, Arizona.

ARTICLE III  
Duration

The corporation shall exist perpetually.

ARTICLE IV  
Purposes

The corporation is not organized for the purpose of gaining pecuniary profit. No part of the income or profit or net earnings of the corporation, if any, shall inure to the benefit of any member, director or officer nor to any other person or entity other than by acquiring, constructing, or providing management, maintenance and care of Association property and other than by a rebate of excess membership dues, fees or assessments. The corporation is formed and its initial business will be to act for and on behalf of all of the Owners for the ownership of Common Areas and the protection, improvement, alteration, maintenance, repair, replacement, administration and operation of the residence Lots and Common Areas, for the assessment of expenses, for the payment of losses, for the disposition of casualty insurance proceeds, to enforce the terms and provisions of the Declaration and for other matters as provided in the Declaration, these Articles of Incorporation, and the Bylaws of the corporation. Without limiting the generality of the foregoing, to the extent

authorized by its Board of Directors and in accordance with the provisions of the Declaration, the corporation shall be empowered:

(a) To accept such properties, improvements, rights, and interests as may be conveyed, leased, assigned, or transferred to the corporation; to assume such obligations and duties as may be contained in any lease assigned or transferred to the corporation; to maintain, operate, and otherwise manage all buildings, structures, improvements, landscaping, parking areas, walks, common elements, common areas, recreational areas and facilities now or thereafter constructed, on the Common Areas; to pay all taxes and assessments, if any, which may properly be levied against properties of the corporation; to repair, rehabilitate and restore all buildings, structures and improvements on the Common Areas; to insure the Common Areas and the Property and all buildings and structures thereon as required by the Declaration and against such other risks as the Board of Directors shall determine; to make assignments and assessments for maintenance and operating charges as the Board of Directors shall determine in accordance with the Declaration and the Bylaws of the corporation and to enforce the collection of such assessments; to impose liens against individual Lots to secure the payment of obligations due from the Owners thereof, and to collect, sue, foreclose or otherwise enforce, compromise, release, satisfy and discharge such demands and liens in accordance with the Declaration; to enforce any and all covenants, restrictions and agreements applicable to the Property; to pay all maintenance, operating and other costs and to do all things and acts which in the sole discretion of the Board of Directors shall be deemed to be in the best interests of the members of the corporation or for the peace, comfort, safety or general welfare of the members of the corporation, all in accordance with the Declaration; to make and amend rules and regulations respecting the use of the Common Areas and the Property; and to do all things necessary or appropriate to carry out and to enforce the terms and provisions of the Declaration.

(b) To purchase or otherwise acquire title to Lots or to hold and exercise options to purchase the same, and to lease Lots in the corporation's name as lessee and to sell and lease or to grant options to lease and purchase Lots; and, if the corporation becomes the owner or lessee of a Lot, to perform all of the obligations of an owner or lessee thereof and to assume and agree to pay any mortgage constituting a lien upon the Lot.

(c) To develop, construct, purchase, lease, own, improve, maintain, operate and hold real and personal property of every kind and description; to sell, convey, and lease such property; and to mortgage, assign and pledge or otherwise encumber such property.

(d) To borrow money, and to issue notes, bonds, and other evidences of indebtedness in furtherance of any or all of the

objects and purposes of the corporation, and to secure the same by mortgage, trust deed, pledge or other lien on or security interest in property of the corporation.

(e) To enter into, perform, and carry out leases and contracts of any kind necessary to or in connection with or incidental to the accomplishment of any one or more of the objects and purposes of the corporation.

(f) To lend or invest its working capital and reserves.

(g) To act as surety or guarantor, agent, trustee, broker or in any other capacity when appropriate to the fulfillment and the furtherance of its objects and purposes.

(h) To procure all types and kinds of insurance as shall be deemed to be in the best interests of the corporation.

(i) To provide exterior maintenance for the Lots as provided in the Declaration.

(j) In general, to do and perform such acts and things and to transact such business in connection with the foregoing objects and purposes as may be necessary and required.

#### ARTICLE V Character of Affairs

The character of affairs 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 the Declaration.

#### ARTICLE VI Membership; Classes of Members; Voting Rights

(a) The members of the corporation shall be the Owners of Lots, as provided in the Declaration and as shall be set forth in the Bylaws. Other than its members, the corporation shall have no shareholders, and no capital stock shall be authorized or issued.

(b) The corporation shall have two classes of voting membership:

Class A. Class A members shall be all Owners but, so long as any Class B memberships are outstanding, shall not include Developer. Each Class A member who is the Owner of one or more Lots shall be entitled to one vote for each Lot owned on each matter to be decided. Class A members shall not have any votes for

any Tract owned by such member. When more than one Person holds an interest in any Lot, all such Persons shall collectively hold the voting rights for the Lot. The voting for such a Lot shall be exercised as they determine among themselves, but in no event shall the vote be split or more than one vote be cast with respect to any Class A Lot. If such Persons are unable to agree how their single vote is to be cast, their vote shall not be counted.

Class B. The Class B member shall be Developer. Until the entire Parcel has been subdivided, the Developer shall have 260 memberships in the Association. After the entire Parcel has been subdivided, the Developer shall have one membership for each Lot owned by the Developer. The Developer shall be entitled to three votes for each such Class B membership on each matter to be decided. Developer may cast its votes in such proportions on any matter as Developer may determine. Class B memberships shall cease and be converted to Class A memberships, without further act or deed, upon the happening of any of the following events, whichever occurs first:

- a. 120 days following the first date when the total votes outstanding in the Class A membership equal or exceed the total votes outstanding in the Class B membership, or
- b. Five years following conveyance of the first Lot by Developer.

If any lender to whom Developer has assigned, or hereafter assigns, all or substantially all of its rights under the Declaration as security succeeds to the interests of Developer by virtue of the assignment, the Class B memberships shall not be terminated, and the lender shall hold the Class B memberships on the same terms as they were held by Developer.

ARTICLE VII  
Statutory Agent

FC Service Corporation (Attn: LS), an Arizona professional corporation, whose address is Two N. Central Ave., #2200, Phoenix, AZ 85004-2390, is hereby appointed the initial statutory agent of this corporation for the State of Arizona.

ARTICLE VIII  
Board of Directors and Officers

The business, property and affairs of the corporation shall be managed, controlled and conducted by a Board of Directors. The number of directors, who shall serve without compensation, shall not be less than 3 nor more than 7, as shall be specified in the Bylaws. The initial Board of Directors shall consist of 3 directors. Except for the initial Board of Directors and any director elected or appointed by Developer, each director shall be an Owner or the spouse of an Owner (or if an Owner is a corporation, partnership or trust, a director may be an officer, partner or beneficiary of such Owner). If a director shall cease to meet such qualifications during his term, he will thereupon cease to be a director and his place on the Board shall be deemed vacant. At a meeting held on September 3, 1993, at 2:00 p.m., at Scottsdale, Arizona, Developer and the undersigned incorporators elected the following individuals to serve as directors until their successors are elected and qualified at the first annual meeting of the members (or until their resignation or removal from office, as the case may be):

<u>Name</u>	<u>Address</u>
Wayne C. Spiekerman	4141 N. Scottsdale Road Suite 300 Scottsdale, AZ 85251
Elgin White	Whitehall Capital Corp. 4823 Lake Washington Blvd. Suite 6 Kirkland, WA 98033
R.C. Miller	Milco Properties, Inc. 882 Tsawwassen Beach Delta, B.C., Canada V4M2J3

Vacancies on the Board of Directors caused by any reason shall be filled by a vote of the majority of the remaining directors even though less than a quorum, or by the remaining director if there be only one, and each person so elected shall be a director until his successor is duly elected by the members of the corporation and shall qualify.

The directors shall be elected so that they hold office for staggered terms. At the time of the first annual meeting of the Board of Directors, the incumbent directors shall divide the directors into 3 groups, with the number of directors in each group being equal, to the extent possible. The first term of the directors included in the first group shall be 1 year, the first term of the directors in the second group shall be 2 years, and the first term of the directors included in the third group shall be 3 years. Thereafter, the terms of all directors shall be 3 years.

A director shall serve until the next annual meeting of the corporation at which vacancies in his group of directors is filled, or until he resigns or is removed and his successor is elected and qualified.

Any director may be removed from office, with or without cause, by a majority vote of the Owners at any annual meeting or at any special meeting called for that purpose. Any director may be removed from office, with cause, by a majority vote of the Board of Directors at any regular or special meeting of the Board of Directors called for that purpose. It shall be cause for removal if a director is absent from more than 3 consecutive meetings of the Board of Directors and such absences were not excused by the President of the corporation prior to the meetings in question.

The Board of Directors shall have the power to adopt Bylaws of the corporation, which may be changed or amended as provided in such Bylaws. The Bylaws shall prescribe, among other things, the date of the annual meeting of the members of the corporation.

The principal officers of the corporation shall be a President, one or more Vice Presidents, a Secretary and a Treasurer, all of whom shall be elected by the Board of Directors. Officers of the corporation must be persons who are directors of the corporation.

ARTICLE IX  
Incorporators

The names and addresses of the incorporators are:

<u>Name</u>	<u>Address</u>
Wayne C. Spiekerman	4141 N. Scottsdale Road Suite 300 Scottsdale, AZ 85251
Elgin White	Whitehall Capital Corp. 4823 Lake Washington Blvd. Suite 6 Kirkland, WA 98033
R.C. Miller	Milco Properties, Inc. 882 Tsawwassen Beach Delta, B.C., Canada V4M2J3

ARTICLE X  
Private Property

The members, directors and officers of this corporation shall not be individually or personally liable for the debts or other liabilities of this corporation, and the private property of the

members, directors and officers of this corporation shall be forever exempt from corporate debts or liabilities of any kind whatsoever.

ARTICLE XI  
Interdealing

No transaction, contract or act of this corporation shall be either void or voidable or in any other way affected or invalidated by reason of the fact that any officer, director or member of this corporation, or any other corporation or other entity of which he may be an officer, director, member or shareholder, is in any way interested in such transaction, contract or act, provided the interest of such officer, director or member is disclosed to or known by the members of the Board of Directors of this corporation or such directors as shall be present at any meeting at which action is taken upon any such transaction, contract or act. Nor shall any such officer, director or member be accountable or otherwise responsible to this corporation for, or in connection with, any such action, contract or transaction or for any gains or profits realized by him by reason of the fact that he, or any other corporation or other entity of which he is an officer, director, member or shareholder, is interested in any such transaction, contract or act. Any such officer, director or member, if he is a director, after making full disclosure of his interest, may be counted in determining the existence of a quorum at any meeting of the Board of Directors of this corporation which shall authorize or take action upon any such transaction, contract or act, and he may vote at any such meeting to authorize, adopt, ratify or approve any such transaction, contract or act to the same extent as if he, or any other corporation or other entity of which he is an officer, director, member or shareholder, were not interested in such transaction, contract or act.

ARTICLE XII  
Indemnification

This corporation shall indemnify any and all of its directors and officers, and former directors and officers, against expenses incurred by them, including legal fees, or judgments or penalties rendered or levied against any such person or entity in a legal action brought against any such person or entity for acts or omissions alleged to have been committed by any such person or entity while acting within the scope of his or its authority as a director or officer of this corporation, or exercising the powers of the Board of Directors, provided that the Board of Directors shall determine in good faith that such person or entity did not act, fail to act, or refuse to act with gross negligence or with wrongful, fraudulent or criminal intent in regard to the matter involved in the action. Notwithstanding anything to the contrary expressed herein, the Board of Directors shall have the right to

refuse indemnification as to expenses in any instance in which the person or entity to whom indemnification would otherwise have been applicable shall have incurred expenses without approval by the Board of Directors which are excessive and unreasonable in the circumstances and are so determined by the Board of Directors, and as to expenses, judgments, or penalties in any instance in which such person or entity shall have refused unreasonably to permit this corporation, at its own expense and through counsel of its own choosing, to defend him or it in the action or to compromise and settle the action. The corporation shall also indemnify the employees and direct agents of the corporation as provided in the Declaration in the same manner and with the same limitations as provided above with respect to directors and officers.

ARTICLE XIII  
Amendments

These Articles of Incorporation may be amended with or without a meeting of the members by the affirmative vote of two-thirds of the Owners and upon ten days' prior written notice to all Eligible Holders after the Board has first adopted a resolution setting forth the proposed amendment and directing that it be submitted to a vote by the members; provided, however, that as to the amendment of any provision of these Articles which specifies voting and quorum requirements for any action under such provision, the voting and quorum requirements of that provision shall apply also to any amendment of such provision. These Articles of Incorporation shall not be amended to contain any provisions which would be contrary to or inconsistent with the Declaration or the regulations of any interested Institutional Guarantor, and any provisions of or purported amendment to these Articles of Incorporation which is contrary to or inconsistent with the Declaration or the regulations of any interested Institutional Guarantor shall be void to the extent of such inconsistency.

ARTICLE XIV  
VA/FHA Approval

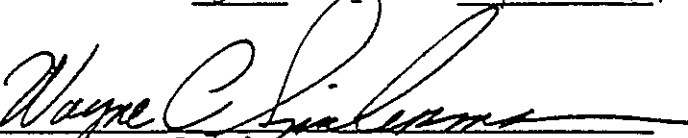
For so long as there is a Class B membership outstanding, the following actions will require the prior approval of the Federal Housing Administration or Veterans Administration if either is then an interested Institutional Guarantor:


- (a) Annexation of additional properties to the Project;
- (b) Mortgaging or otherwise encumbering the Common Areas;
- (c) Dedication of the Common Areas;
- (d) Amendment of these Articles of Incorporation; or




(e) Dissolution or liquidation of the corporation.

IN WITNESS WHEREOF, the undersigned incorporators have hereunto affixed their signatures this 3<sup>rd</sup> day of September, 19 93.

  
Wayne C. Splekerman

  
Elgin White

  
R.C. Miller