

**ARTICLES OF INCORPORATION
OF
LC VILLAS CONDOMINIUM OWNERS ASSOCIATION
A Nonprofit Corporation**

1. **NAME.** The name of the corporation shall be LC Villas Condominium Owners Association. The known place of business for the corporation shall be 5249 East Shea Blvd., Scottsdale, Arizona 85254.

2. **DEFINITIONS.** The terms used herein shall be deemed to have the same definitions and meanings as in the Declaration of Condominium and Declaration of Covenants, Conditions, Restrictions and Easements for La Camarilla Villas Condominium, which was recorded in the office of the County Recorder of Maricopa County, Arizona, on March 13, 1996 as Instrument Number 96-0169686, as it may thereafter be amended or supplemented from time to time (the "Declaration"), and the terms of which are incorporated herein by reference.

3. **DURATION.** The Association shall exist perpetually, subject to the right of the Members to dissolve the Association pursuant to the Declaration.

4. **PURPOSES AND POWERS.** The Association is not organized for the purpose of gaining pecuniary profit. No part of the net earnings of the Association, if any, shall inure to the benefit of or be distributable to any Member, director or officer nor to any other person other than by acquiring, constructing or providing management, maintenance and care of the property of this Association and by a rebate of excess membership dues, fees or assessments. Notwithstanding the foregoing, upon dissolution of the Association and liquidation of its assets, Owners shall be entitled to share in this distribution of the assets, or the proceeds thereof, in accordance with the Declaration, the Articles, the Bylaws and Arizona law. The Association was formed and exists to serve as the governing body for all of the Owners and the Members of the Association, for the protection, improvement, alteration, maintenance, ownership, repair, replacement, administration and operation of the Common Elements for the assessment of expenses, for the payment of losses, for the disposition of casualty insurance proceeds, and for other matters as provided in the Declaration, the Articles, or the Bylaws. Without limiting the generality of the foregoing, to the extent authorized by the Board, and in accordance with the provisions of this Declaration, the Association shall be empowered (but not obligated by the Articles):

(a) To accept such properties, improvements, rights, and interests as may be conveyed, leased, assigned, or transferred to

03/17 '97 12:20

ID:MARGRAVE, CELMINS

FAX:6029942008

PAGE 3

the Association; to assume such obligations and duties as may be contained in any lease, assignment or transferral to the Association; to maintain, operate, and otherwise manage buildings, structures, improvements, landscaping, parking areas, walks, common elements, common areas, recreational areas and facilities now or hereafter construed on the property as provided in the Declaration; to pay all taxes and assessments, if any, which may properly be levied against properties of the Association; to repair, rehabilitate and restore buildings, structures and improvements on the property; to purchase and maintain insurance as required or provided by the Declaration; to make assignments and assessments for maintenance and operating charges as the Board shall determine in accordance with the Declaration and the Bylaws and to enforce the collection of such assessments; to impose liens against individual Owners and/or Units to secure the payment of obligations due from the Owners of such Units, and to collect, sue, foreclose or otherwise enforce, compromise, release, satisfy and discharge such demands and liens in accordance with the Declaration; to pay all maintenance, operating and other costs and to do all things and acts which in the discretion of the Board, as provided in the Declaration, shall be deemed to be in the best interests of the Owners and the Members of the Association or for the peace, comfort, safety or general welfare of the Owners and the Members of the Association, all in accordance with the Declaration; to make and amend rules and regulations respecting the use of the property and any other matters relating to the Association and its Members; 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 Units and Common Elements, and to hold and exercise options to purchase the same, and to lease Units and Common Elements in the Association's name as lessee and to sell and lease or to grant options to lease and purchase the same; and, if the Association becomes the Owner or lessee of the same, to perform all of the obligations of the Association as an Owner or lessee thereof and to assume and agree to pay any mortgage constituting a lien thereon;

(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 Association, and to secure the same by mortgage, trust deed, pledge or other lien on or security interest in property of the Association;

(e) To enter into, perform, and carry out leases and contracts of any kind necessary to or in connection with or

03/17 '97 12:21

ID:MARGRAVE, CELMINS

FAX:6029942008

PAGE 4

incidental to the accomplishment of any one or more of the objects and purposes of the Association;

(f) To make refunds of excess payments from Owners or Members as provided in the Declaration, the Articles or the Bylaws;

(g) To lend or invest its working capital and reserves with or without security;

(h) 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;

(i) To pledge the right to exercise its assessment powers as security for any obligation, 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; and

(k) To transact any and all lawful business for which corporations may be incorporated under the laws of the State of Arizona not prohibited by the Declaration or the Articles.

5. CHARACTER OF BUSINESS. The character of business which the Association initially intends to conduct in Arizona is the fulfillment of all its duties and responsibilities and the exercise of all rights, powers and prerogatives under the Declaration.

6. MEMBERSHIP; CLASSES OF MEMBERS; VOTING RIGHTS. The Members of the Association and their respective classes of Membership shall be as provided in the Declaration. Other than its Members, the Association shall have no shareholders, and no capital stock shall be authorized or issued. The voting rights of the Members shall be as provided in the Declaration and the Bylaws.

7. STATUTORY AGENT. Delator Corporation, 7201 East Camelback Road, Suite 330, Scottsdale, Arizona 85251, is appointed as the statutory agent of the Association for the State of Arizona.

8. BOARD OF DIRECTORS AND OFFICERS. The business, property and affairs of the Association 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 three (3) nor more than five (5), as shall be specified in the Bylaws. The initial Board shall consist of three directors. The names and addresses of the persons who are appointed to serve as the initial directors are:

03/17 '97 12:22

ID:MARGRAVE, CELMINS

FAX:6029942008

PAGE 5

<u>Name</u>	<u>Address</u>
Chris Johnson	5320 East Shea Blvd. Scottsdale, Arizona 85254
Barbara Johnson	5320 East Shea Blvd. Scottsdale, Arizona 85254
George Johnson	5320 East Shea Blvd. Scottsdale, Arizona 85254

The Board shall have the power to adopt the initial Bylaws, provided, however, that the Bylaws may be amended as provided therein.

The principal officers of the Association shall be a President, a Secretary, a Treasurer and, if deemed necessary by the Board, one or more Vice Presidents, all of whom shall be elected by the Board. The officers of the Association shall have those powers, duties and responsibilities provided in the Declaration and the Bylaws.

9. **INCORPORATOR.** The name and address of the incorporator is: Chris Johnson, 5320 East Shea Boulevard, Scottsdale, Arizona 85254.

10. **PRIVATE PROPERTY.** Declarant and the Members, directors, officers, committees and committee members of this Association shall not be individually or personally liable for the debts or other liabilities of this Association and the private property of the Declarant and the Members, directors, officers, committees and committee members of its Association shall be forever exempt from corporate debts or liabilities of any kind whatsoever.

11. **INTERDEALING.** Subject to any restrictions set forth in the Declaration, no transaction, contract or act of this Association shall be either void or voidable or in any other way affected or invalidated by reason of the fact that Declarant, any Owner, or any officer, director, committee member or Member of this Association, or any other corporation or other entity of which it or he may be an officer, director, member or shareholder, is in any way interested in such transaction, contract or act, provided the interest of Declarant, Owner, Officer, director, committee member or Member is disclosed to or known by the members of the Board or such Members or directors as shall be present at any meeting at which action is taken upon any such transaction, contract or act. Nor shall Declarant, or any Owner, officer, director, committee member or Member be accountable or otherwise responsible to this Association 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

03/17 '97 12:22

ID:MARGRAVE, DELTINS

FAX:6029942008

PAGE 6

which it or he is an officer, director, member or shareholder is interested in any such transaction, contract or act. Declarant or any Owner, officer, director, committee member 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 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.

12. LIMITATION OF LIABILITY. To the fullest extent permitted under Arizona law, as may be amended from time to time, every director and officer of the Association shall be exempt from personal liability to the Association, its Members, every Owner and every other person for monetary damages for breach of fiduciary duty as a director or officer.

13. INDEMNIFICATION. To the fullest extent permitted by law, every director and every officer of the Association, and Developer (to the extent a claim may be brought against Developer by reason of its appointment, removal or control over members of the Board) shall be indemnified by the Association, and every other person serving as an employee or direct agent of the Association, or on behalf of the Association as a member of a committee or otherwise, or at the request of the Association as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, may, in the discretion of the Board, be indemnified by the Association, against all expenses and liabilities, including, but not limited to, attorneys' fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having served in such capacity on behalf of the Association (or, in the case of Developer, by reason of having appointed, removed or controlled or failed to control members of the Board), or any settlement thereof, whether or not he is a director or officer, or serving in such other specified capacity at the time such expenses are incurred, provided that the Board shall determine, in good faith, that the person to be indemnified hereunder did not act, fail to act, or refuse to act with gross negligence or fraudulent or criminal intent in the performance of his duties. The foregoing rights of indemnification shall be in addition to and not exclusive of all other rights to which such persons may be entitled at law or otherwise.

14. AMENDMENTS. The Articles may be amended in accordance with the following procedures:

- (a) The amendment of the Articles shall require:

(i) the affirmative vote of a bare majority of the Board, and

(ii) the affirmative vote of a bare majority of the votes of all of the Members.

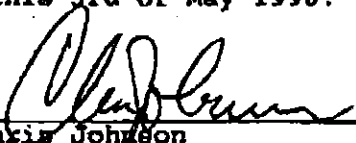
(b) Notwithstanding the foregoing provision of this Article 14, until the Period of Declarant Control terminates as defined in the Declaration, the Declarant shall have the authority to amend the Articles.

(c) Further, notwithstanding the foregoing provisions of this Article 14, the percentage of a quorum or of the voting power of the Members necessary to amend a specific clause or provision in the Articles shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause or provision.

(d) Further, notwithstanding the foregoing provisions of this Article 14, the Articles shall not be amended or modified to contain any provisions that would be contrary to or inconsistent with the Declaration, and any provision of or purported amendment or modification to the Articles shall be void to the extent of such inconsistency.

15. INCONSISTENCY, PRIORITY. The Association was formed and continues to exist pursuant to and for the purpose of effectuating the provisions of the Declaration. In the event of any inconsistency between the terms of the Declaration, as amended from time to time, and the terms of the Articles, as amended from time to time, the terms of the Declaration shall control.

IN WITNESS WHEREOF, the undersigned incorporator has hereunto affixed his signature this 3rd of May 1996.


Chris Johnson
Incorporator

ARIZONA CORPORATION COMMISSION
INCORPORATING DIVISION

Phoenix Address: 1300 WEST WASHINGTON
PHOENIX, ARIZONA 85007-2929

Tucson Address: 400 WEST CONGRESS
TUCSON, ARIZONA
85701-1347

CERTIFICATE OF DISCLOSURE

A.R.S. Sections 10-120 & 10-1084

LC Villas Condominium
Owners Association

EXACT CORPORATE NAME

PLEASE SEE REVERSE SIDE

CHECK APPROPRIATE BOX(ES) A or B
ANSWER "C"

THE UNDERSIGNED CERTIFY THAT:

- A. No persons serving either by elections or appointment as officers, directors, incorporators and persons controlling, or holding more than 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation:
1. Have been convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
 2. Have been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraining the trade or monopoly in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
 3. Have been or are subject to an injunctive judgment, decree or permanent order of any state or federal court entered within the seven-year period immediately preceding the execution of this Certificate where such injunction, judgment, decree or permanent order:
 - (a) Involved the violation of fraud or registration provisions of the securities laws of that jurisdiction; or
 - (b) Involved the violation of the consumer fraud laws of that jurisdiction; or
 - (c) Involved the violation of the antitrust or restraint of trade laws of that jurisdiction.

B. For any person or persons who have been or are subject to one or more of the statements in Items A.1 through A.3 above, the following information MUST be attached:

1. Full name and prior name(s) used.
2. Full birth name.
3. Present home address.
4. Prior addresses (for immediate preceding 7-year period)
5. Date and location of birth.
6. Social Security number.
7. The nature and description of each conviction or judicial action, date and location, the court and public agency involved and file or cause number of case.

STATEMENT OF BANKRUPTCY, RECEIVERSHIP OR REVOCATION

A.R.S. Sections 10-122.01 and 10-1083

C. Has any person serving (a) either by election or appointment as an officer, director, trustee or incorporator of the corporation or (b) major stockholder possessing or controlling any proprietary, beneficial or membership interest in the corporation, served in any such capacity or held such interest in any corporation which has been placed in bankruptcy or receivership or had its charter revoked? YES ___ NO X

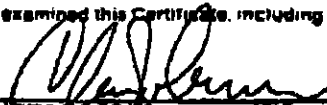
IF YOUR ANSWER TO THE ABOVE QUESTION IS "YES", YOU MUST ATTACH THE FOLLOWING INFORMATION FOR EACH CORPORATION

1. Name and address of the corporation.
2. Full name, including alias and address of each person involved.
3. State(s) in which the corporation:
 - (a) Was incorporated.
 - (b) Has transacted business.
4. Dates of corporate operation.
5. A description of the bankruptcy, receivership or charter revocation, including the date, court or agency involved and the file or cause number of the case.

Under penalty of law, the undersigned incorporators/officers declare that we have examined this Certificate, including any attachments, and to the best of our knowledge and belief it is true, correct and complete.

Officers:

Chris Johnson
Barbara Johnson

BY  DATE 5/3/96
TITLE INCORPORATOR

BY _____ DATE _____
TITLE _____

FISCAL DATE: December 31