

DEC 2 S 1997

ARTICLES OF INCORPORATION
VALENCIA GROVES HOMEOWNERS ASSOCIATION,
an Arizona nonprofit corporation

In compliance with the requirements of §10-2301, et seq. Arizona Revised Statutes, as may from time to time be amended, the undersigned, all of whom are of full legal age, have voluntarily associated themselves on the date set forth below for the purpose of forming an Arizona nonprofit corporation. All of the undersigned incorporators certify and adopt the following Articles of Incorporation ("Articles"):

ARTICLE I

NAME AND TERM

The name of the corporation is Valencia Groves Homeowners Association, Inc. ("Association"). The Association will exist perpetually.

ARTICLE II

DEFINED TERMS

Terms in all capital letters used but not defined in these Articles will have the meanings specified for those terms in the Declaration of Homeowner Benefits and Covenants, Conditions, and Restrictions for Valencia Groves that is to be recorded in the Official Records of Maricopa County, Arizona ("Declaration"). If there is any conflict between the Articles and the Declaration, the Declaration will control. As used in these Articles, the term "Association Property" means the COMMON AREAS, all property and improvements within the PROPERTY used in common by and for the benefit of the OWNERS of LOTS, all other real and personal property, if any, owned by the Association or placed under its jurisdiction, and any additions to any of the foregoing that may be brought within the jurisdiction of the Association pursuant to the Declaration.

ARTICLE III

PRINCIPAL OFFICE

The principal office of the Association is located at 2005 West 14th Street, Suite 100, Tempe, Arizona, 85281.

ARTICLE IV

STATUTORY AGENT

Lynn T. Ziolk, Esq., whose address is 101 North First Avenue, Suite 2700, Phoenix, Arizona 85003-1973, and who has been a bona fide resident of the State of Arizona for more than three (3) years last past, is appointed and designated as the Statutory Agent for the corporation for the State of Arizona, upon whom service of process may be made. This appointment may be revoked at any time by the Board of Directors of the Association by the filing of the appointment of another Statutory Agent.

ARTICLE V

PURPOSE OF THE ASSOCIATION

The object and purpose for which this Association is organized is to provide for the ownership, management, maintenance, and care of the Association Property and for the administration of the affairs of the Association. In furtherance of, and in order to accomplish these objectives and purposes, the Association may transact any or all lawful business for which nonprofit corporations may be incorporated under the laws of the State of Arizona, as these laws may be amended from time to time, including the power to indemnify the Board of Directors, officers, MEMBERS, employees, or agents of the Association in the manner specified in the Bylaws. All business transacted by the Association will be transacted in a way so as to further its tax-exempt status as an association under the Internal Revenue Code, if the Association so elects to be treated as a tax-exempt organization. The existence of the Association will commence on the date of the filing of these Articles with the Arizona Corporation Commission.

ARTICLE VI

MEMBERSHIP

1. Identity of Members. The Association is a non-stock corporation. No dividends or pecuniary profits will be paid at any time to its MEMBERS. Membership in the Association is limited to OWNERS of LOTS. Upon becoming the OWNER of a LOT, the OWNER becomes a MEMBER of the Association and will remain a MEMBER of the Association until the ownership ceases, for any reason, at which time the OWNER'S membership in the Association will cease automatically.

2. Transfer of Membership. Membership in the Association is appurtenant to each LOT and a membership in the Association will not be transferred, pledged, or alienated in any way, except: (i) upon the sale of a LOT, and then only to the purchasers; (ii) by intestate succession or testamentary disposition; (iii) foreclosure of mortgage (or similar security instrument) of record; or (iv) other legal process. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Association.

ARTICLE VII

VOTING RIGHTS

1. Classes of Members. The Association will have two classes of voting membership, Class A and Class B.

2. Class A. Class A members are all OWNERS of LOTS with the exception of the DECLARANT. Each Class A member is entitled to one (1) vote for each LOT owned.

3. Class B. The Class B member is the DECLARANT. The Class B member is entitled to three (3) votes for each LOT owned. The Class B membership will cease and be converted to Class A membership upon the expiration of the period of DECLARANT CONTROL.

4. Cumulative Voting. There is no cumulative voting on any matter related to the administration or organization of the Association or its matters.

ARTICLE VIII

BOARD OF DIRECTORS

1. Number and Affairs. The affairs of the Association will be conducted by a Board of Directors of the Association (sometimes individually or collectively called "Board." "Directors." "Director." or "Board of Directors") and any officers and committees that the Board may elect and appoint. The Board of Directors will be elected by the MEMBERS, and Board of Directors elections may be conducted by mail or any other method permitted in the Bylaws or under Arizona law. So long as there is a Class B membership in the Association, the Directors need not be MEMBERS of the Association. After the termination of the Class B membership, all Directors must be MEMBERS of the Association. The Board may increase the number of Directors on the Board; however, the number of Directors must always be an odd number and may not exceed seven (7) Directors. The number of Directors constituting the initial Board will be three (3), one of which will serve a three (3) year term, one of which will serve a two (2) year term, and one of which will serve a one (1) year term. All additional Directors that may be added from time to time to the Board (i.e.,

in addition to the initial three (3) and up to seven (7) members) will serve three (3) year terms. The names and addresses of the initial Board of Directors of the Association are as follows:

<u>Name</u>	<u>Mailing Address</u>
Joseph C. Thompson (3 year term)	2005 West 14th Street Suite 100 Tempe, Arizona 85281
Brady Simmerman (2 year term)	2005 West 14th Street Suite 100 Tempe, Arizona 85281
Robert Napoli (1 year term)	2005 West 14th Street Suite 100 Tempe, Arizona 85281

The initial Directors will serve for the terms specified below their names and until their successors have been elected and qualified. Successor Directors to the initial Directors also will serve the one, two, or three year terms specified above.

2. Bylaws. The Board is expressly authorized to adopt bylaws for the Association ("Bylaws"), by unanimous written consent or by a majority vote of the Board at a regular or special meeting of the Board.

ARTICLE IX

GENERAL PROVISIONS

1. Dissolution. The Association may be dissolved with the affirmative written approval of two-thirds (2/3) or more of the total number of eligible votes of each class of MEMBERS in the Association. Upon dissolution of the Association, other than incidental to a merger or consolidation, the assets of the Association will be dedicated to an appropriate public agency to be used for purposes similar to those for which this Association was created. In the event that a dedication is refused, the assets will be granted, conveyed, or assigned to any nonprofit corporation, association, trust, or other organization to be devoted to a similar purpose or purposes.

2. Amendments. Any amendment of these Articles will require the affirmative approval of seventy-five percent (75%) or more of the total number of eligible votes of each class of MEMBERS in the Association.

3. Incorporators. The name and address of the incorporator of the Association are:

<u>Name</u>	<u>Mailing Address</u>
Joseph C. Thompson	2005 West 14th Street Suite 100 Tempe, Arizona 85281

4. FHA/VA Approval. As long as there is a Class B membership in the Association and if either FHA or VA financing is applicable to all or any portion of the PROPERTY, the following will require the prior approval of the Federal Housing Administration or the Veterans Administration, if applicable: (i) annexation of additional properties; (ii) mergers and consolidations; (iii) mortgaging of COMMON AREAS; (iv) dedication of COMMON AREAS; and (v) dissolution and amendment of these Articles.

5. Indemnification and Limited Liability. To the fullest extent permitted under A.R.S. § 10-2305(C), the Association, on demand, will indemnify all of its incorporators and any and all of its existing and former Directors, officers, and MEMBERS for, from, and against all expenses, legal fees, judgments, penalties, and settlements for any and all acts or omissions done or omitted while employed by or acting on behalf of the Association. Additionally, the liability of the Directors, officers, and members of the ARCHITECTURAL COMMITTEE for certain acts or omissions made in good faith on the basis of information actually possessed is limited under the forms and provisions of the Bylaws.

For the purpose of forming this nonprofit corporation under the laws of the State of Arizona, the undersigned, constituting all of the incorporators of the Association, has executed these Articles as of December 29, 1997 -



Joseph C. Thompson, Incorporator