

STATE OF ARIZONA
ACC/FAX
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BY Theresa Mendoza

-1157664-1

ARTICLES OF INCORPORATION

OF

AVALON VILLAGE COMMUNITY ASSOCIATION

ARTICLE I

NAME

The name of the corporation, which is a nonprofit corporation, is Avalon Village Community Association and shall be referred to herein as the "Association."
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ARTICLE II

PURPOSES

The primary purposes for which this corporation is formed are:

- (a) to act as the "Association" in accordance with and subject to that certain Declaration of Covenants, Conditions, Restrictions, and Easements for KB HOME at Avalon Village to be Recorded in the Official Records of Maricopa County, Arizona, as the same may be amended from time to time (the "Declaration");
- (b) to manage, maintain, preserve and care for the Common Areas within the Project;
- (c) to perform all of the duties and obligations and to exercise all of the powers and privileges of the Association as set forth in the Declaration;
- (d) to provide for the orderly development, maintenance, preservation and design control of the Project, as provided in the Declaration; and
- (e) to do all other things and exercise all powers and rights of a corporation which are lawful and consistent with the foregoing purposes and the nonprofit character of the corporation, including but not limited to powers set forth in Section 10-3302 of the Arizona Revised Statutes.

Unless otherwise expressly provided herein, all capitalized terms used in these Articles shall have the meanings set forth in the Declaration. Notwithstanding any other provisions of these Articles, if the corporation elects to qualify under Section 501(c)(4) or Section 501(c)(7) of the Internal Revenue Code of 1986, as amended (the "Code"), the corporation shall not conduct or engage in any activity which would or could result in the revocation of its status as a corporation qualified under such Section of the Code. The corporation does not contemplate securing any gain or profit to the Members of the corporation; the Members shall have no individual interest in the profits of the corporation, if any; and no part of the net earnings of the corporation, if any, shall inure (other than by promoting social and recreational activities for Members, by a rebate of excess membership dues, fees or Assessments, or by acquiring, constructing or providing management, maintenance and care of Association property) to the benefit of any Member of the corporation or other individual.

ARTICLE III

INITIAL ACTIVITY

The character of the business the corporation intends to conduct initially shall be to act as a property owners' association performing the duties and exercising the rights of the Association set forth in the Declaration.

ARTICLE IV

MEMBERSHIP AND VOTING

The corporation will have Members. The corporation shall be a non-stock corporation and shall be owned by all of its Members. No dividends or pecuniary profits shall be paid to the corporation's Members. As more particularly set forth in the Declaration, every Person who is an Owner is entitled to Membership and voting rights in the corporation and the Association.

Other provisions regarding Membership and voting rights are set forth in the Declaration, the relevant portions of which are incorporated herein by reference.

ARTICLE V

BOARD OF DIRECTORS

The affairs of the corporation shall be conducted by a Board of Directors (the "Board"). The initial Board and each Board thereafter for so long as there is a Class B

Member shall consist of at least three Members or other Persons with the exact number to be determined by Declarant from time to time. Other provisions regarding the Board are set forth in the Bylaws, the relevant portions of which are incorporated herein by reference. The following persons shall constitute the initial Board of the corporation:

Nicole Thompson
432 N. 44th Street, Suite 400
Phoenix, Arizona 85008

Jeremy Krahe
432 N. 44th Street, Suite 400
Phoenix, Arizona 85008

Stephanie Waaramaa
432 N. 44th Street, Suite 400
Phoenix, Arizona 85008

ARTICLE VI

OFFICERS

Except for the initial officers designated in these Articles, the officers of the corporation shall be elected in accordance with the Bylaws of the corporation. The following persons shall be the initial officers of the corporation:

Nicole Thompson	President
Jeremy Krahe	Vice-President
Stephanie Waaramaa	Secretary/Treasurer

ARTICLE VII

NO PERSONAL LIABILITY

The private property of the Members, directors and officers of the corporation shall be forever exempt from the corporation's debts; provided, however, that each Owner shall be personally liable for any Assessments levied against his Lot.

ARTICLE VIII

INDEMNIFICATION OF DIRECTORS, OFFICERS, AND COMMITTEE MEMBERS, LIMITATION ON DIRECTORS' LIABILITY

A. To the fullest extent permitted by Arizona law as it may be amended from time to time, and subject to any mandatory limitations imposed by Arizona law including any imposed by A.R.S. § 10-3202 or § 10-3851 or § 10-3852, the corporation shall defend any and all of its existing and former directors, officers and committee members (including, but not limited to, existing and former members of the Committee) against claims made against them or any one of them because they were or are directors or officers, and the corporation shall indemnify its directors, officers and committee members for liability and expenses incurred as a result of such claims, including but not limited to, legal fees and costs, judgments, penalties and amounts paid in settlement or compromise, which may arise or be incurred, rendered or levied in any legal action brought or threatened against them or any one of them for or on account of any act or omission alleged to have been committed by such person as a director, officer or committee member of the corporation, whether or not any action is or has been filed against the person and whether or not any settlement or compromise is approved by a court.

The corporation shall also pay expenses in advance of a final disposition of a proceeding for directors, officers, and committee members incurred in connection with a claim subject to defense and indemnification provided the director, officer, or committee member meets the standards for an advance under A.R.S. § 10-3852 or § 10-3853.

B. A director shall have no personal liability to the corporation or its Members for monetary damages for any action taken or any failure to take any action as a director, except liability for any of the following:

- (a) The amount of a financial benefit received by a director to which the director is not entitled;
- (b) An intentional infliction of harm on the corporation or the members;
- (c) A violation of § 10-3833, Arizona Revised Statutes; and
- (d) An intentional violation of criminal law.

ARTICLE IX

CONFLICT WITH DECLARATION AND OTHER LIMITATIONS

To the extent that any part or provision of these Articles is contrary to or inconsistent with provisions of the Declaration, the terms and provisions of the Declaration shall prevail. As set forth in the Declaration, the corporation is subject to certain limitations. No amendment hereof, nor any action taken by the corporation pursuant hereto, shall be contrary to, or in conflict with, the limitations set forth in the Declaration, and any such amendment or action shall be void to the extent of such inconsistency. Except as otherwise provided herein, capitalized terms used herein which are defined in the Declaration shall have the meanings set forth in the Declaration.

ARTICLE X

AMENDMENTS

Subject to the provisions of Article IX hereof and the requirements set forth in A.R.S. § 10-11003, the Members may, at any duly noticed and convened regular or special meeting called for such purpose, amend, alter or repeal any provision of these Articles by the affirmative vote of sixty-seven percent (67%) of the votes of all Class A and Class B Members. Anything in this Article to the contrary notwithstanding, Declarant reserves the right to amend these Articles as may be requested or required by the FHA, VA or any other governmental agency with whom Declarant elects to do business (each an "Agency") as a condition precedent to such Agency's approval of these Articles or the Project. Any such amendment shall be effected by Declarant filing with the Arizona Corporation Commission, in accordance with applicable law, a Certificate of Amendment duly executed by Declarant specifying the governmental agency requesting the amendment and setting forth the requested or required amendment(s). Filing of such a Certificate shall be deemed conclusive proof of the governmental agency's request or requirement and such Certificate, when filed, shall be binding upon the Property and all persons having an interest therein.

ARTICLE XI

BYLAWS

The initial Bylaws shall be adopted by the Board herein designated. Amendments, alterations and repeal of the Bylaws may be made only as provided in the Bylaws. The Bylaws and any amendments thereto shall be valid only if consistent with the Declaration and these Articles.

ARTICLE XII

KNOWN PLACE OF BUSINESS

The known place of business of the corporation shall be c/o Planned Development Services, 8715 West Union Hills Drive, Suite 106, Peoria, Arizona 85382, 623-877-1396, or such other place as may be designated from time to time by the Board. In addition, different and other offices and places for conducting business, both within and without the State of Arizona, may be established from time to time by the Board.

ARTICLE XIII

STATUTORY AGENT

Lori Rutledge, c/o Planned Development Services, 8715 West Union Hills Drive, Suite 106, Peoria, Arizona 85382, 623-877-1396, is hereby appointed the initial statutory agent of the corporation upon whom all notices and process, including summonses, may be served. The Board may revoke the appointment of such agent at any time, and shall have the power to fill any vacancy.

ARTICLE XIV

DISSOLUTION

Upon dissolution of the corporation, or the winding up of its affairs, the assets of the corporation shall be distributed exclusively to one or more public agencies, utilities, non-profit corporations, trusts or other organizations to be devoted to purposes as nearly as is practicable to those to which they were required to be devoted by the Association. If the corporation has elected to qualify as a non-profit corporation under Internal Revenue Code Sections 501(c)(4) or 501(c)(7), then distribution may be only made to permitted recipients under the applicable Code Section. Subject to the restrictions imposed by the Declaration and by Article IX of these Articles of Incorporation, the corporation may be dissolved with the written consent of not less than two-thirds of each class of Members.

ARTICLE XV

INCORPORATOR

The names and addresses of the incorporators are:

Nicole Thompson
432 North 44th Street, Suite 400
Phoenix, Arizona 85008

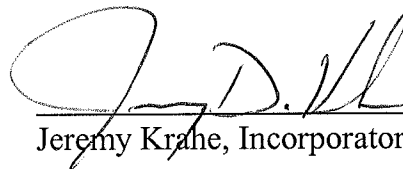
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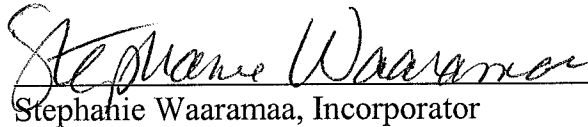
IN WITNESS WHEREOF, the undersigned have hereunto set their hands this
29th day of September, 2004.



Nicole Thompson, Incorporator



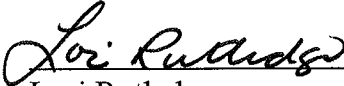
Jeremy Krahe, Incorporator



Stephanie Waaramaa, Incorporator

**ACCEPTANCE OF APPOINTMENT
BY STATUTORY AGENT**

The undersigned hereby acknowledges and accepts appointment as statutory agent of Avalon Village Community Association effective this 29th day of September, 2004.



Lori Rutledge