

ARTICLES OF INCORPORATION
OF
THE LAKES COMMUNITY ASSOCIATION

In compliance with the requirements of Ariz. Rev. Stat. Ann. 10.451 (1956) as amended, the undersigned, all of whom are of full age, have this day voluntarily associated themselves for the purpose of forming A corporation not for profit and do hereby certify:

ARTICLE I

The name of the Corporation is THE LAKES COMMUNITY ASSOCIATION, hereinafter called the "Association".

ARTICLE II

The principal office of the Association is located at Tempe, Arizona.

ARTICLE III

James H. O'Connor whose address is Suite 1800, 3003 North Central Avenue, Phoenix, Arizona, 85012, and who has been a bona fide resident of the State of Arizona for more than three (3) years last past, is hereby appointed and designated statutory agent for the corporation, for the State of Arizona, upon whom service of process may be had. This appointment may be revoked at any time by the filing of the appointment of another agent.

ARTICLE IV
PURPOSE AND POWERS OF THE ASSOCIATION

This Association does not contemplate pecuniary gain or profit to the members thereof, and the specific purposes for which it is formed are to provide for Maintenance, preservation and architectural control of the Lots and Area within that certain property included within the Declaration, as same may be amended or changed from time to time, which property is hereinafter called "The Lakes", and to promote the health, safety and welfare of the residents within the above described property and any additions thereto that may hereafter be brought within the jurisdiction of this Association, and for these purposes to:

- (a) exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in that certain Declaration of Covenants, Conditions and Restrictions, hereinafter called the "Declaration", applicable to the property and recorded or to be recorded in the office of the County Recorder, Maricopa County, Arizona, and as the same may be amended from time to time as therein provided, said Declaration being incorporated herein as if set forth at length;
- (b) fix, levy, collect and enforce payment by any lawful means, all charges or assessments pursuant to the terms of the Declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of-the Association, including all licenses, taxes or governmental charges levied or imposed against-the property of the Association;
- (c) acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association;
- (d) borrow money, and with the assent of two-thirds (2/3) of each class of members mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;
- (e) dedicate, sell or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members. No such dedication or-transfer shall be effective unless an instrument has been signed by two-thirds (2/3) of each class of members, agreeing to such dedication, sale or transfer;
- (f) participate in mergers and consolidations with other nonprofit corporations organized for the same purposes or annex additional property and Common Area, provided that any such merger, consolidation or annexation shall have the assent of two-thirds (2/3) of each class of members;

(g) to establish and adopt Bylaws and rules and regulations deemed necessary and expedient to carry into effect the objects and purposes heretofore recited in accordance with the laws of the State of Arizona relating to nonprofit corporations;

(h) To accept as part of The Lakes and exercise jurisdiction over, all property annexed thereto, and to accept all Owners thereof (including Declarant) as Members of the Association.

(i) To accept, and exercise jurisdiction over, (1) all Common Areas which may be conveyed, leased or otherwise transferred to it by Declarant, (2) all Common Areas which may be annexed to The Lakes, and (3) all easements for operation and maintenance purposes which may be conveyed to it by Declarant over any and all Common Areas within The Lakes.

(j) To operate and maintain, or provide for the operation and maintenance of (1) all Common Areas which may be conveyed, leased or otherwise transferred to it by Declarant, (2) all Common Areas which may be annexed to The Lakes, and (3) all Common Areas within The Lakes in which it owns an easement for operation and maintenance purposes; and to keep all Improvements of whatever kind and for whatever purpose from time to time located thereon in good order and repair.

(k) To enter upon and maintain, or provide for the maintenance of any structure or improvement on any Lot in any Area which is not maintained by the Owner responsible therefore in accordance with the requirements of The Lakes Declaration.

(l) To pay all property taxes and all other taxes and assessments levied upon any real or personal property conveyed, leased or otherwise transferred to the Association, to the extent not assessed to the Owners thereof. Such taxes and assessments may be contested or compromised by the Association; provided however, that they are paid or a bond insuring the payment is posted prior to the sale or other disposition of any property to satisfy the payment of such taxes.

(m) in the sole discretion of the Board, to contract for or provide (to the extent adequate services are not provided by a public authority) police and fire protection, refuse disposal, security patrol, street light maintenance and such other services, facilities and maintenance of a public or quasi-public nature as may be deemed necessary or desirable for the effectuation of the purposes of The Lakes Declaration. In connection with the provision of such facilities and services the Association may contract with, assign, or delegate its duties to any public authority, governmental body or special district.

(n) To obtain and maintain in force such policies of insurance, including but not limited to, indemnity bonds, as the Board shall deem necessary or expedient to carry out the Association functions as set forth in The Lakes Declaration, the Articles and Bylaws. Such insurance where applicable, and to the extent possible, shall name as separately protected insureds Declarant, the Association, the Board, the Architectural Committee, and their representatives, members and employees, the members of any other committees appointed by the Board, all officers of the Association, the agents, representatives and employees of the Association, and the Association members (as a class), with respect to any liability arising out of the activities of the Association and the maintenance and use of any Areas or property of the Association. Such policy or policies shall protect each of the insureds as if each were separately insured under separate policies; provided, however, that such policy or policies shall not require the insurers to pay any amount in excess of the maximum limits stated therein. Every policy of insurance obtained by the Association, whether or not required to be obtained pursuant to the provisions of The Lakes Declaration, shall expressly waive any and all rights of subrogation against Declarant, its representatives and employees, and all Association Members.

(o) To make, establish, promulgate, amend and repeal The Lakes Rules as provided for in said Declaration.

(p) To appoint and remove members of the Architectural Committee as provided for in said Declaration, and to insure that at all reasonable times there is available a duly constituted and appointed Architectural Committee.

(q) In its own name, on its own behalf or on behalf of any Owner or Owners who consent thereto, to commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of the Declaration and to enforce, by mandatory injunction or otherwise, all of the provisions of said Declaration. When in the discretion of the Board it is determined that an Owner or Member has failed, refused or neglected to comply with any provision contained in the Declaration, the Association may remedy the non-compliance and in such event, the Owner or Member shall reimburse the Association for all expenses incurred in connection therewith upon demand, including, as such expenses, and without limitation thereof, all reasonable attorney and accountant fees, court costs, investigation, and collection fees.

(r) To employ the services of any person, corporation, or other entity, as Manager, and other employees, including but not limited to, one or more secretaries, architects, engineers, consultants, attorneys, to manage and conduct the business of the Association,' and, to the extent not inconsistent with the laws of the State of Arizona, and upon such conditions as are otherwise deemed advisable by the Board, to delegate to any of said persons any of its rights, powers and duties.

(s) The Board may, in its sole discretion, establish whatever Committees it deems necessary, either temporary or permanent, to carry out the intent and purposes of the Declaration, the Articles and the Bylaws. Any committee member may be a member of the Board, an Owner, a Member, or such other person as the Board may appoint, for whatever term or terms the Board deems appropriate. To the extent not inconsistent with the laws of the State of Arizona, and upon such conditions as are otherwise deemed advisable by the Board, the Board may delegate to any such Committee or Committees any of its rights, powers, and duties.

(t) Except as to the Payment of assessments, to grant to Any Owner or Member a variance, waiver, or modification of and from any of the provisions of the Declaration, the Articles, or the Bylaws, upon the unanimous approval of the Board, whenever it is determined by the Board that same would be in the best interests of the Association.

(u) Upon such terms and conditions as the Board may determine, the Association may issue an estoppel certificate binding the Association to the position or determination stated therein relating to the payment of assessments by an Owner, and past and present, but not future, actions of the Association. Anyone interested therein shall be entitled to rely on the matters stated therein. Said certificate to be valid and binding on the Association shall be executed by at least one member of the Board, or the President of the Association, or such other person or persons as the Board in its discretion may determine and designate.

(v) To have and to exercise any and all powers, rights and privileges which a corporation organized under the Non-Profit Corporation Law of the State of Arizona by law may now or hereafter have or exercise.

(w) The designation of any object, purpose or activity shall not be construed to be a limitation or qualification, or in any manner to limit or restrict the objects, purposes or activities of the corporation, consistent with the lawful objects of a non-profit corporation.

ARTICLE V MEMBERSHIP

Every person or entity who is a record Owner in any Lot which is subject by covenants of record to assessment by the Association shall be a Member of the Association. The foregoing is not intended to include persons or entities that hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association.

ARTICLE VI VOTING RIGHTS

The Association shall have two classes of voting membership:

Class A. Class A members shall be all owners with the exception of the Declarant and shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

Class B. The Class B member(s) shall be the Declarant (as defined in the Declaration), and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier.

(a) when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; or

(b) on January 1, 1976

The vote for each such lot must be cast as a unit, and fractional votes shall not be allowed. In the event that joint owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any owner or owners casts a vote representing a certain lot, it will thereafter be conclusively presumed for all purposes that he or they were acting with the authority and consent of all other owners of the same lot. In the event more than one vote is cast for a particular lot, none of said votes shall be counted as said votes shall be deemed void.

In any election of the members of the Board, every owner entitled to vote at such an election shall have the right to cumulate his votes and give one candidate, or divide among any number of the candidates, a number of votes equal to the number of lots owned by the owner multiplied by the number of Directors to be elected. The candidates receiving the highest number of votes, up to the number of the Board members to be elected, shall be deemed elected.

In the event any owner shall be in Arrears in the payment of any amounts due under any of the provisions of any recorded Declaration of Restrictions, or shall lie in default in the performance of or in breach of any of the terms of any such recorded Declaration of Restrictions, said owner's right to vote as a member of the Association and right to use of the recreational facilities shall be suspended and shall remain suspended until all payments are brought current and all defaults and breaches remedied.

ARTICLE VII BOARD OF DIRECTORS

The affairs of the corporation shall be conducted by a Board of Directors and such officers as the Directors may elect or appoint. Neither the Directors nor the officers need be members of the corporation. The number of Directors shall not be fewer than five (5) or more than eleven (11). The number of Directors may be changed by amendment of the Bylaws of the Association. The names, residences, and Post office addresses of the Incorporators of the Corporation and the first Directors of the Corporation are as follows, the election for Directors having been held at 5400 Lakeshore Drive, Tempe, Arizona, on July 16, 1971, 4:00 o'clock PM.;

Name	Residence	Mailing Address
Edward B. Juliber	4714 N. 78th Street Scottsdale, Arizona 85251	Same
John W. Blundell	5137 N. Granite Reef Road Scottsdale, Arizona 85253	Same
Arnold R. Dahlberg	4139 Sandy Mountain Road Scottsdale, Arizona 85253	Same
Lloyd A. Snook, Jr.	5400 Lakeshore Drive Tempe, Arizona 85253	P. O. Box 27588 Tempe, Arizona
Wayne A. Smith	7240 E. Pierce Street Scottsdale, Arizona 85257	P. O. Box 27146 Tempe, Arizona

The election of the Members of the Board of Directors is hereby ratified and the Directors shall serve until the first Annual Meeting of the Members and until their successors have been elected and qualified.

Directors shall be elected by the members of the corporation at the annual meeting thereof to be held on the Second Tuesday in the month of February beginning in 1972. Directors shall hold office for three (3) years, or until their successors are elected and qualified, except that at the annual meeting to be held in 1972 the first two (2) Directors to be elected shall be elected for a term of one (1) year; the second two (2) Directors to be elected shall be elected for a term of two (2) years; and any other Directors shall be elected for a term of three (3) years, so as to stagger the terms of office of the Directors. Any vacancy occurring on the Board of Directors by reason of death, resignation, or disqualification of any such Director shall be filled by the remaining Directors, such replacement Director to serve the unexpired portion of the prior Director's term. The Members are expressly authorized to adopt amend, and rescind Bylaws for the corporation, by a majority vote of the votes entitled to be cast by the members at a regular or special meeting called therefore.

ARTICLE VIII DISSOLUTION

The Association may be dissolved with the assent given in writing and signed by not less than two-thirds (2/3) of each class of members. Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to these for which this Association was created. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any nonprofit corporation, association trust or other organization to be devoted to such similar purposes.

ARTICLE IX DURATION

The commencement of this corporation shall be from the date of issuance of a Certificate of Incorporation by the Corporation Commission of the State of Arizona, and it shall endure until the termination thereof provided by the laws of the State of Arizona, with the privilege of renewal as provided by law.

ARTICLE X AMENDMENTS

.Amendment of these Articles shall require-the assent of seventy-five percent (75%) of the entire membership.

ARTICLE XI FHA/VA. APPROVAL

As long as there is a Class B membership, the following actions will require the prior approval of the Federal Housing Administration or the Veterans Administration: annexation of additional properties, mergers and consolidations, mortgaging of Common Area, dedication of .Common Area, dissolution and amendment of these Articles.

ARTICLE XII INDEBTEDNESS OF LIABILITY

The highest amount of indebtedness or liability, direct or contingent to which the corporation is at any time to subject itself is Five Hundred Thousand Dollars (\$500,000.00).

ARTICLE XIII
EXEMPTION

The private property of the members, directors, and officers of this corporation shall be forever exempt from its debt and obligations.

ARTICLE XIV
ASSESSMENT

For the purpose of providing necessary funds for the carrying out of the purposes of this corporation as aforesaid and the necessary operating expenses of this corporation, there shall be levied against each Lot and each lot owner in The Lakes, an annual assessment and other assessments, in the amounts and by the procedures set forth in the Declaration and any Tract Declaration covering the Lakes, which said assessments shall be due, payable and enforceable in the manner set forth in said Declaration.

ARTICLE XV
INDEMNIFICATION

Subject to the further provisions hereof, the corporation shall indemnify any and all of its directors, officers, former directors and former officers, against all expense incurred by them and each of them, including but not limited to legal fees, judgments and penalties which may be incurred, rendered or levied in any legal action brought against any of them for or on account of any action or omission alleged to have been committed while acting within the scope of employment as director or officer of the corporation. Whenever any director, officer, former director or former officer shall report to the President of the corporation or the Chairman of the Board of Directors that he has incurred or may incur expenses, including but not limited to legal fees, judgments and penalties in a legal action brought or about to be brought against him for or on account of any action or omission alleged to have been committed by him while acting within the scope of his employment as a director or officer of the corporation, the Board of Directors shall, at its-next regular 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, with gross negligence or with fraudulent or criminal intent. If the Board of Directors determines in good faith that such person did not act, failed to act, or refused 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, and as provided for in A.R.S. 10-198, provided, however, that no such indemnification shall be available with respect to liabilities under the Securities Act of 1933, and provided further, that the corporation shall have the right to refuse indemnification in any instance in which the person to whom indemnification would otherwise have been applicable shall have unreasonably refused to permit the corporation, at its own expense and through counsel of its own choosing, to defend him in the action.

IN WITNESS WHEREOF, for the purpose of forming this corporation under the laws of the State of Arizona, we, the undersigned, constituting the incorporators of this Association, have executed these Articles of Incorporation this day of 19