

EXPEDITED
AZ CORP COMMISSION
FILED

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

Nov 25 1 29 PM '98

APPR *Mary Gray-Coste*
DATE APR 11/25/98
TERM _____

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The undersigned hereby voluntarily set forth the following statements for the purpose of forming a non-profit corporation under and pursuant to the laws of the State of Arizona, and for that purpose hereby adopt these Articles of Incorporation.

ARTICLE I
NAME

The name of the corporation is Higley Groves Homeowners Association (the "Association").

OK.

ARTICLE II
DURATION

The Association shall exist perpetually.

ARTICLE III
PURPOSE OF THE ASSOCIATION

The object and purpose for which this Association is organized is to provide for the management, maintenance, operation, replacement and repair of the Common Area and to perform all duties and exercise all rights imposed on or granted to the Association by the Project Documents. In furtherance of and in order to accomplish the foregoing object and purpose, the Association may transact any or all-lawful business for which nonprofit corporations may be incorporated under federal and state law.

ARTICLE IV
CHARACTER OF BUSINESS

The character of the business which the Association intends to conduct in Arizona is to provide for the management, maintenance, operation, replacement and repair of the Common Area and to exercise and perform such other powers and duties as are imposed on or granted to the Association by the Project Documents.

ARTICLE V
STATUTORY AGENT

Lewis F. ("Buddy") Satterfield, whose address is 8800 North Gainey Drive, Suite 350, Scottsdale, Arizona 85258 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 as the initial statutory agent for the Association.

ARTICLE VI
BOARD OF DIRECTORS

The number of Directors constituting the initial Board of Directors shall be three (3). The names and addresses of the initial Directors of the Association who shall serve until the first annual meeting of the members or until their successors are elected and qualified are as follows:

<u>Name</u>	<u>Mailing Address</u>
Ken Peterson	8800 North Gainey Drive Suite 350 Scottsdale, AZ 85258
Joyce Manigold	8800 North Gainey Drive Suite 350 Scottsdale, AZ 85258
Jim Kenny	8800 North Gainey Drive Suite 350 Scottsdale, AZ 85258

ARTICLE VII
INCORPORATOR

The name and address of the incorporator of the Association is Ken Peterson, 8800 North Gainey Drive, Suite 350, Scottsdale, AZ 85258.

ARTICLE VIII
LIMITATION ON LIABILITY OF DIRECTORS

To the fullest extent allowable under federal and state law, no Director of the Association shall be personally liable to the Association or its members for monetary damages for breach of fiduciary duty as a Director, except liability for any of the following:

- (i) Any breach of the Director's duty of loyalty to the Association or its members;
- (ii) Acts or omissions which are not in good faith and which involve intentional misconduct or a knowing violation of law;

- (iii) A violation of state law prohibitions regarding issuance of shares of stock, payments of dividends, or distributions of income or profit;
- (iv) Any transaction from which the Director derived an improper personal benefit;
- (v) A violation of state laws regarding transactions with the Director that are void or voidable because of conflicts of interest.

ARTICLE IX
KNOWN PLACE OF BUSINESS

The known place of business of the Association shall be located at 8800 North Gainey Drive Suite 350, Scottsdale Arizona 85258.

ARTICLE X
MEMBERSHIP AND VOTING RIGHTS

Membership in the Association shall be limited to Owners of Lots. Each Owner shall have such rights, privileges and votes in the Association as are set forth in the Project Documents.

ARTICLE XI
BYLAWS

The Board of Directors shall adopt the initial Bylaws of the Association. The power to alter, amend or repeal, the Bylaws is reserved to the Members except that the Board, without a vote of the Members, may amend the Bylaws in order to conform the Bylaws to the requirements or guidelines of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the Veterans Administration or any federal, state or local governmental agency whose approval of the Project, the Plat or the Project Documents is required by law or requested by the Declarant. So long as there is a Class B membership in the Association, any amendment of the Bylaws must, to the extent then required by applicable regulations of the Veterans Administration and Federal Housing, be approved by the Veterans Administration or the Federal Housing Administration. Whenever the approval of the Federal Housing Administration or the Veterans Administration is required under this Section, such approval shall be deemed given unless a disapproval or statement requesting additional time is issued by such agency to the Association within thirty days following submission to such agency.

ARTICLE XII
OFFICERS

The following persons shall be the initial officers of the Association and shall hold the positions opposite their names until the first annual meeting of the Association or until their successors have been elected and qualified:

Ken Peterson	-	President
Joyce Manigold	-	Vice-President
Jim Kenny	-	Secretary/Treasurer

ARTICLE XIII DISSOLUTION

The Association may be dissolved with the assent given in writing and signed by Owners representing not less than two-thirds (2/3) of the authorized votes of each class of the Association membership. 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 those for which this Association was created, as the Board of Directors shall determine. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed, or assigned to any nonprofit corporation, association, trust or other organization to be devoted to such similar purpose as the Board of Directors shall determine.

ARTICLE XIV AMENDMENTS

These Articles may be amended by Members representing at least seventy-five percent (75%) of the total authorized votes entitled to be cast by Members of the Association; provided, however, that the Board, without a vote of the Members, may amend these Articles in order to conform these Articles to the requirements or guidelines of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the Veterans Administration or any federal, state or local governmental agency whose approval of the Project, the Plat or the Project Documents is required by law or requested by the Declarant.

ARTICLE XV DEFINED TERMS

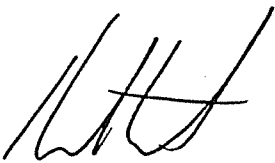
Capitalized terms used in these Articles without definition shall have the meanings specified for such terms in the Declaration of Covenants, Conditions and Restrictions for Higley Groves Homeowners Association. In the event of a conflict or inconsistency between these Articles and the Declaration, the provisions of the Declaration shall control.

ARTICLE XVI FHA/VA APPROVAL

So long as there is a Class B membership, the following actions will require, to the extent then required by applicable regulations of the Veterans Administration and Federal Housing Administration, the prior approval of the Federal Housing Administration or the Veterans Administration: annexation of additional properties other than annexation of annexable properties described in the Declaration as

not requiring consent, mergers and consolidations, mortgaging of Common Area, dedication of Common Area, dissolution and amendment of these Articles. Whenever the approval of the Federal Housing Administration or the Veterans Administration is required under this Section, such approval shall be deemed given unless a disapproval or statement requesting additional time is issued by such agency to the Association within thirty days following submission to such agency.

Dated this 17th day of Nov., 1998.

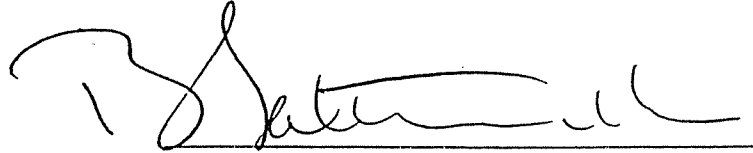


Ken Peterson

STATUTORY AGENT CONSENT

The undersigned, having been designated to act as Statutory Agent for Higley Groves Homeowners Association, hereby consents to act in that capacity until removed or resignation is submitted.

Date: Nov. 17th, 1998

A handwritten signature in black ink, appearing to read "Buddy Satterfield", written over a horizontal line.

Lewis F. (Buddy) Satterfield