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ARTICLES OF INCORPORATION
OF
DISCOVERY AT CONTINENTAL ORCHARD
HOMEOWNERS' ASSOCIATION

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 DISCOVERY AT CONTINENTAL ORCHARD HOMEOWNERS' ASSOCIATION, hereinafter called the "Association."

ARTICLE II
KNOWN PLACE OF BUSINESS

The address of the Association's known place of business is 11000 N. Scottsdale Road, Suite 234, Scottsdale, Maricopa County, Arizona 85254, but other offices may be established and maintained at such other places as the Board of Directors may designate from time to time.

ARTICLE III
PURPOSE AND INITIAL BUSINESS

The initial business and primary purpose of the Association is to serve as a governing body for all of the Owners of the Units in that condominium known as Discovery at Continental Orchard (the "Condominium"), subject to a Declaration of Horizontal Property Regime and of Covenants, Conditions, and Restrictions for the Condominium now or hereafter recorded in the records of the County Recorder, Maricopa County, Arizona, as, and if amended (the "Declaration"), including but not limited to the acquisition, construction, management, maintenance, preservation, and care of the Common Elements, as defined in the Declaration, and to perform such other duties as are imposed upon the Association under the Declaration. As used herein, the term "Owner(s)" and "Unit(s)" shall have the same meaning as set forth in the Declaration.

In the conduct of its business, the Association shall, to the extent authorized by its Board of Directors, be empowered to do any and all things that a private person might do under the Declaration and the laws of the State of Arizona.

The Association shall not engage in any other business or activity, except as set forth herein and in the Bylaws of the Association. Notwithstanding any other provisions of these Articles, the Association shall not conduct or carry on any activities not permitted to be conducted or carried on by an organization qualifying under Section 528 or, if

the Association so elects, Section 501(c)(4) of the Internal Revenue Code of 1954, as the case may be.

The Association does not contemplate pecuniary gain or profit to the members thereof, and the members shall have no individual interest in the profits of the Association, if they are generated.

ARTICLE IV MEMBERSHIP

Each and every Owner of a Unit, in accepting a deed, entering into an agreement for sale, or displaying some other acceptable evidence of ownership interest in a Unit, shall be a member of the Association ("Member"). The foregoing is not intended to include persons or entities holding an interest in a Unit or Units merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any Unit. A membership in the Association shall not be transferred, pledged or alienated in any way except by the sale of such Unit and then only to such purchaser who shall automatically become a member of the Association after such conveyance, or by intestate succession, testamentary disposition, foreclosure of a mortgage of record, or other legal process. Memberships shall be evidenced by an official list of Owners, which list shall be kept by the Secretary of the Association.

ARTICLE V VOTING RIGHTS

The Association shall have two (2) classes of voting membership:

1. The Class "A" Members shall consist of all Owners, with the exception of the Declarant. Each Class "A" Member shall be entitled to one (1) vote for each Unit owned by such Member.
2. The Class "B" Member shall be the Declarant (as defined in the Declaration). The Class "B" Member shall be entitled to three (3) votes for each Unit owned by such Member.

The Class "B" Membership shall cease and be automatically converted to Class "A" Membership (with one (1) vote for each Unit owned) upon the first to occur of the following:

1. 90 days after the date on which seventy-five percent (75%) of the Units have been conveyed to Purchasers; or

2. That date which is five (5) years after the date of recordation of the first conveyance of a Unit to a Purchaser; or
3. Any earlier date selected by Declarant and notice of which is given to the Owners.

ARTICLE VI
BOARD OF DIRECTORS

The affairs of the Association shall be managed by a Board composed initially of the three (3) Directors named herein. The number of Directors shall be increased in accordance with the Bylaws. Except for the initial Board and for so long as there is a Class "B" Membership, each Director shall be an Owner of a Unit or, if an Owner is a corporation, partnership, trust, or other legal entity, the Director may be a representative thereof.

Until the first annual meeting of the Members and until their successors are designated or elected or qualified, the following persons shall constitute the Board of Directors of the Association:

<u>Donald R. Loback</u>	- 11000 N. Scottsdale Road Suite 234 Scottsdale, AZ 85254
<u>Robert J. Wade</u>	- 11000 N. Scottsdale Road Suite 234 Scottsdale, AZ 85254
<u>W. Thomas Hickcox</u>	- 11000 N. Scottsdale Road Suite 234 Scottsdale, AZ 85254

ARTICLE VII
OFFICERS

The affairs of the Association shall be administered by officers elected by the Board of Directors at its first meeting, and at each successive meeting of the Board of Directors following the annual meeting of the Members of the Association, or at other meetings called for such purpose, which officers shall serve at the pleasure of the Board of Directors. The officers shall consist of a President, Vice President, Secretary and Treasurer. The initial officers of the Association shall be:

<u>Donald R. Loback</u>	President
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Robert J. Wade

Vice President

W. Thomas Hickcox

Secretary/Treasurer

who shall serve until their successors are appointed and qualified. Except for the initial officers designated herein and for so long as there is a Class "B" Membership, each officer shall be an Owner of a Unit or, if an Owner is a corporation, partnership, trust, or other legal entity, the officer may be a representative of such Owner.

ARTICLE VIII CORPORATE INDEBTEDNESS

The highest amount of indebtedness or liability, direct or contingent, to which the Association may at any time subject itself is One Million Dollars (\$1,000,000.00), unless authorization to incur a greater amount is made by an affirmative vote of the majority of its Members entitled to vote.

ARTICLE IX NO PERSONAL LIABILITY

The private property of the Members, Directors, and officers of the Association shall be forever exempt from the Association's debts and obligations, except as otherwise provided herein or in the Bylaws of the Association.

ARTICLE X INDEMNIFICATION

The Association shall indemnify any person against expenses, including without limitation, attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred while acting within the scope of his or her authority as a Director, officer, employee or agent of the Association, or while serving at the request of the Association as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, provided that the Board of Directors shall determine in good faith that such person did not act, fail to act, or refuse to act willfully or with gross negligence or with fraudulent or criminal intent in regard to the matters involved in this action.

ARTICLE XI DISSOLUTION

Subject to and in accordance with the restrictions imposed within the Declaration and by the Federal Housing Administration or the Veterans Administration, 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, no part of the remaining assets of the Association, after discharge of all corporate liabilities, shall inure to the private profit, benefit or advantage of any current or past Member,

Director or officer, but the whole of such remaining assets of the Association shall be distributed exclusively to charitable, religious, scientific, literary or educational organizations which would then qualify under the provisions of Section 501(c)(4) of the Internal Revenue Code of 1954, or to an organization then subject to and qualifying under Section 528 of the Internal Revenue Code of 1954, as the Association shall elect.

ARTICLE XII
INCORPORATORS

The names and addresses of the Incorporators are as follows:

<u>Jeanie Bishop</u>	11000 N. Scottsdale Road Suite 234 Scottsdale, AZ 85254
<u>Ann Hussey</u>	11000 N. Scottsdale Road Suite 234 Scottsdale, AZ 85254

All powers, duties and responsibilities of the incorporators shall cease upon the filing of these Articles of Incorporation by the Arizona Corporation Commission.

ARTICLE XIII
STATUTORY AGENT

Donald R. Loback, 11000 North Scottsdale Road, Suite 234, Scottsdale, Arizona 85254, who has been a bona fide resident of the State of Arizona for at least three (3) years, is hereby appointed Statutory Agent of the Association upon whom all notices and process, including summons, may be served. The Board of Directors may revoke the appointment of such agent at any time and shall have the power to fill any vacancy.

ARTICLE XIV
DURATION

The duration of the Association shall be perpetual.

ARTICLE XV
CONFLICT WITH DECLARATION AND OTHER

To the extent that these Articles shall be contrary to, inconsistent with, or more permissive than the provisions of the Declaration dealing with the same subject, or laws, rules, and regulations of or pertaining to the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Veterans Administration and/or the Federal Housing Administration, applicable to this Corporation, these Articles shall be considered superseded by the Declaration or such laws, rules and or/regulations.

ARTICLE XVI
APPROVALS REQUIRED

As long as there is a Class "B" Membership, the following actions will require the prior approval of the Veterans Administration or the Federal Housing Administration:

- (1) Annexation of additional real property into the Project (as defined in the Declaration);
- (2) Mergers and consolidations;
- (3) Mortgaging of the Common Elements; and
- (4) Dissolution and amendment of these Articles.

ARTICLE XVII
AMENDMENTS

Subject to the provisions of Articles XV and XVI hereof, the Association may, at any regular or special meeting called for such purpose, amend, alter, or repeal any provision hereof by the affirmative vote of seventy-five (75%) of each Membership class then entitled to vote in person or by proxy, and upon ten (10) days prior written notice to all first mortgagees (as defined in the Declaration), and, if required by law, after publication in a newspaper having general circulation in Maricopa County, Arizona.

IN WITNESS WHEREOF, we have hereunto set our hands
this 22nd day of August, 1985.

Jeanie Bishop
Ann Chavez

INCORPORATORS


STATE OF ARIZONA

County of Maricopa

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) ss.
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On this 22 day of August, 1985, before me, the undersigned Notary Public, personally appeared ANN HISSEY and JEANIE BISHOP known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged that they executed the same for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.


Notary Public

My Commission Expires:

March 3, 1987

