

WJL
**AZ. CORP. COMMISSION
FILED**

APR 30 1998

APPR. TERM DATE *B. Mallory*
6-30-98

**ARTICLES OF INCORPORATION
OF
MONTERRA RIDGE HOMEOWNERS' ASSOCIATION**

The undersigned, as incorporator, hereby adopts the following Articles of Incorporation:

**ARTICLE I
NAME**

The name of the corporation is Monterra Ridge Homeowners' Association.

**ARTICLE II
DEFINITIONS**

The words and terms used herein shall be deemed to have the same definitions and meanings as in the Declaration of Protective Covenants, Conditions and Restrictions for Amended Plat of Monterra Ridge as recorded on April 8, 1998 in Docket 10770, Page 1713, official records of Pima County, Arizona and as amended from time to time (the "Declaration").

**ARTICLE III
DURATION**

The corporation shall exist perpetually.

**ARTICLE IV
PURPOSES**

The corporation is not organized for the purpose of gaining pecuniary profit. No part of the net earnings of the corporation, if any, shall inure to the benefit of any Member, director or officer nor to any other person. The corporation is formed and its initial business will be to act for an on behalf of all of the Members for the protection, improvement, alteration, maintenance, repair, replacement, administration and operation of the Common Areas, for the assessment of expenses, for the payment of losses, for the disposition of casualty insurance proceeds, and for other matters as provided in the Declaration, these Articles of Incorporation, and the Bylaws. Without limiting the

generality of the foregoing, to the extent authorized by its Board of Directors and in accordance with the provisions of the Declaration, the corporation shall be empowered:

(a) to accept such properties, improvements, rights, and interests as may be conveyed, leased, assigned, or transferred to the corporation; to assume such obligations and duties as may be contained in any lease assigned or transferred to the corporation; to maintain, operate, and otherwise manage all buildings, structures, improvements, landscaping, parking areas, walks, common areas, recreational areas and facilities now or hereafter constructed on the Common Areas; to pay all taxes and assessments, if any, which may properly be levied against properties of the corporation; to repair, rehabilitate and restore all buildings, structures and improvements on the Common Areas in accordance with the Declaration; to insure the Common Areas and all buildings and structures thereon as required by the Declaration and against such other risks as the Board of Directors shall determine; to make assignments and assessments for maintenance and operating charges as the Board of Directors shall determine in accordance with the Declaration and the Bylaws and to enforce the collection of such assessments; to impose liens against individual Lots to secure the payment of obligations due from the Owners thereof, and to collect, sue, foreclose or otherwise enforce, compromise, release, satisfy and discharge such demands and liens in accordance with the Declaration or the Bylaws; to enforce any and all covenants, restrictions and agreements applicable to the Property; to pay all maintenance, operating and other costs and to do all things and acts which in the sole discretion of the Board of Directors shall be deemed to be in the best interests of the Members or for the peace, comfort, safety or general welfare or benefit of the Members, the Property and the owners of any interests therein, all in accordance with the Declaration; to make and amend rules and regulations respecting the use of the Common Areas and the Property; and to do all things necessary or appropriate to carry out and to enforce the terms and provisions of the Declaration;

(b) to develop, construct, purchase, lease, own, improve, maintain, operate and hold real and personal property of every kind and description; to sell, convey, and lease such property; and to mortgage, assign and pledge or otherwise encumber such property;

(c) to borrow money, and to issue notes, bonds, and other evidences of indebtedness in furtherance of any or all of the objects and purposes of the corporation, and to secure the same by mortgage, trust deed, pledge or other lien on or security interest in property of the corporation;

(d) to enter into, perform, and carry out leases and contracts of any kind necessary to or in connection with or incidental to the accomplishment of any one or more of the objects and purposes of the corporation;

(e) to lend or invest its working capital and reserves with or without security;

(f) to act as surety or guarantor, agent, trustee, broker or in any other capacity when appropriate to the fulfillment and the furtherance of its objects and purposes;

(g) to procure all types and kinds of insurance as shall be deemed to be in the best interests of the corporation;

(h) to do and perform, in general, such acts and things and to transact such business in connection with the foregoing objects and purposes as may be necessary and required; and

(i) to transact any and all lawful business for which corporations may be incorporated under the laws of the State of Arizona not prohibited by the Declaration or these Articles of Incorporation.

If the corporation is dissolved, the assets shall be dedicated to a public body or conveyed to a nonprofit organization with similar purposes.

ARTICLE V CHARACTER OF BUSINESS

The character of business which the corporation initially intends to conduct in Arizona is the fulfillment of all its duties and responsibilities and the exercise of all its rights, powers and prerogatives under the Declaration.

ARTICLE VI MEMBERSHIP; VOTING RIGHTS

The Members of the corporation shall be the Owners of Lots. Voting rights and membership shall be appurtenant to and inseparable from ownership of a Lot and as provided in the Declaration.

ARTICLE VII STATUTORY AGENT

Michael Cadden, whose address is 7355 N. Oracle Road, Tucson, Arizona 85704, is hereby appointed the initial statutory agent of this corporation for the State of Arizona.

ARTICLE VIII BOARD OF DIRECTORS AND OFFICERS

The business, property and affairs of the corporation shall be managed, controlled and conducted by a Board of Directors. The number of directors, who shall serve without compensation, shall not be less than 3 nor more than 7, as shall be specified in the Bylaws. The initial Board of Directors shall consist of 3 directors. Except for directors and officers appointed or elected by the Declarant while Declarant retains its Class B voting rights, each director and officer shall be an Owner

or if an Owner is a corporation, partnership or trust, a director may be a director, officer, partner or beneficiary of such Owner. If a director or officer shall cease to meet such qualifications during his term, he will thereupon cease to be a director or officer and his place on the Board or his office shall be deemed vacant. A director shall serve until his term expires or until removed or until his successor is elected and qualified. The following individuals shall serve as directors until their successors are elected and qualified:

<u>Name</u>	<u>Address</u>
Darlene Walther	3550 N. First Ave., Suite 150 Tucson, Arizona 85719
Terry Klinger	3550 N. First Ave., Suite 150 Tucson, Arizona 85719
Nancy Leung	3550 N. First Ave., Suite 150 Tucson, Arizona 85719

The Board of Directors shall have the power to adopt the Bylaws and to change or amend the Bylaws as it may from time to time deem appropriate. The Bylaws shall prescribe, among other things, the date of the annual meetings of the Members of the corporation.

The liability of the directors to the corporation or its Members for monetary damages for breach of fiduciary duty as a director is eliminated, except as expressly provided by statute.

ARTICLE IX INCORPORATOR

The name and address of the incorporator is:

<u>Name</u>	<u>Address</u>
Terry Klinger	3550 N. First Ave., Suite 150 Tucson, Arizona 85719

ARTICLE X PRIVATE PROPERTY

The Members, directors and officers of this corporation shall not be individually or personally liable for the debts or other liabilities of this corporation, and the private property of the Members,

directors and officers of this corporation shall be forever exempt from corporate debts or liabilities of any kind whatsoever.

ARTICLE XI INTERDEALING

No transaction, contract or act of this corporation shall be either void or voidable or in any other way affected or invalidated by reason of the fact that any officer, director or Member of this corporation, or any other corporation or other entity of which he may be an officer, director, member of shareholder, is in any way interested in such transaction, contract or act, provided the interest of such officer, director or Member is disclosed to or known by the members of the Board of Directors of this corporation or such directors as shall be present at any meeting at which action is taken upon any such transaction, contract or act. Nor shall any such officer, director or Member be accountable or otherwise responsible to this corporation for, or in connection with, any such action, contract or transaction or for any gains or profits realized by him by reason of the fact that he, or any other corporation or other entity of which he is an officer, director, member or shareholder, is interested in any such transaction, contract or act. Any such officer, director or Member, if he is a director, after making full disclosure of his interest, may be counted in determining the existence of a quorum at any meeting of the Board of Directors of this corporation which shall authorize or take action upon any such transaction, contract or act, and he may vote at any such meeting to authorize, adopt, ratify or approve any such transaction, contract or act to the same extent as if he, or any other corporation or other entity of which he is an officer, director, member of shareholder, were not interested in such transaction, contract or act.

ARTICLE XII INDEMNIFICATION

To the fullest extent permitted by law, this corporation shall indemnify any person against expenses, including without limitation, reasonable attorney's fees, judgments, fines, penalties, or amounts paid in settlement, actually and reasonably incurred by reason of the fact that such person was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a member of a committee appointed by the Board of Directors or in accordance with the Declaration, provided that the Board of Directors shall determine in good faith that such person did not act, fail to act, or refuse to act, with gross negligence or with wrongful, fraudulent or criminal intent in regard to the matter involved in the action. Notwithstanding anything to the contrary expressed herein, the Board of Directors shall have the right to refuse indemnification as to expenses in any instance in which the person to whom indemnification would otherwise have been applicable shall have incurred expenses without approval by the Board of Directors which are excessive and unreasonable in the circumstances and are so determined by the Board of Directors, and as to expenses in any instance in which such person shall have refused unreasonably to permit this

corporation, at its own expense and through counsel of its own choosing, to defend him in the action or to compromise and settle the action.


**ARTICLE XIII
ANNEXATION, MERGERS, ETC.: APPROVAL OF HUD/VA**

Annexation of additional properties, mergers and consolidations, mortgaging of the Common Area, dissolution and amendment to these Articles requires prior approval of HUD/VA as long as there is a Class B Member.

**ARTICLE XIV
AMENDMENTS**

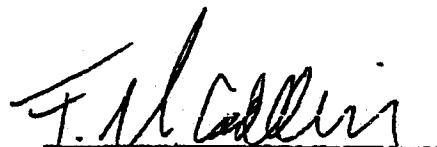
These Articles of Incorporation may be amended only at a lawfully-held meeting of the Members by the affirmative vote of two-thirds of the Members; provided, however, that as to the amendment of any provision of these Articles which specifies voting and quorum requirements for any action under such provision, the voting and quorum requirements of that provision shall apply also to any amendment of such provision.

IN WITNESS WHEREOF, the undersigned incorporator has hereunto affixed his signature this 17 day of MARCH 1998.


Terry Klinger, Incorporator

ACCEPTANCE OF STATUTORY AGENT

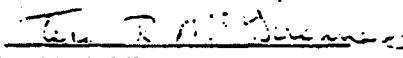
I, Michael Cadden, having been appointed to act as Statutory Agent, hereby consent to act in that capacity until removal or resignation is submitted in accordance with the Arizona Revised Statutes.



Michael Cadden
Statutory Agent

STATE OF ARIZONA)
) ss.
COUNTY OF PIMA)

This instrument was acknowledged before me this 19 day of March, 1998 by Michael Cadden.


Notary Public

My Commission Expires: 3-10-2000

