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ARIZONA CORP. COMMISSION
CORPORATIONS DIVISION

ARTICLES OF INCORPORATION
OF
CHAPARRAL TERRACE HOMEOWNERS ASSOCIATION

The undersigned, as incorporators, have this date voluntarily associated themselves together for the purpose of forming a private nonprofit membership corporation under and by virtue of the laws of the State of Arizona, and for that purpose do hereby adopt the following Articles of Incorporation:

ARTICLES I
NAME

The name of the corporation is CHAPARRAL TERRACE HOMEOWNERS ASSOCIATION.

ARTICLE II
DEFINITIONS

The terms used herein shall be deemed to have the same definitions and meanings as in the "Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements for Chaparral Terrace," as amended, from time to time (the "Declaration"), as recorded on November 13, 1986, as Instrument No. 86-46772, and the Declaration of Annexation for Phase II of Chaparral Terrace as recorded on November 13, 1986, as Instrument no. 86-46773, in the Official Records of Mojave County, Arizona.

ARTICLE III
DURATION

The corporation shall exist in perpetuity.

ARTICLE IV
PURPOSE

This 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 or entity. The corporation is formed and its initial business will be to act for and on behalf of all of the Owners within the Project, in accordance with the Declaration, for the protection, improvement, alteration, maintenance, repair, replacement, administration, management and operation of the Project, for the assessment of expenses, for the payment of losses, for the disposition of insurance proceeds and for other matters as provided in the Declaration, these Articles of Incorporation

and the By-Laws of the corporation. The corporation shall constitute an Association, as defined in Section 33-1202(4), Arizona Revised Statutes organized under Section 33-1241, Arizona Revised Statutes, and shall perform all of the duties and have all of the rights and provisions of an association, as provided in Section 33-1242, Arizona Revised Statutes. 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:

1. 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 and other Improvements, Common Area, recreational areas and facilities now or hereafter constructed on or within the Project; 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 other Improvements in the Common Area; to insure the Common Area and the Project, and all Improvements 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 By-Laws of the corporation, and to enforce the collection of such Assessments; to impose liens against individual Lots to secure the payment of Assessments 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; to enforce any and all covenants, restrictions and agreements applicable to the Project; 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 of the corporation, for the peace, comfort, safety or general welfare of the Members of the corporation, all in accordance with the Declaration; to make and amend Rules and Regulations respecting the use of the Common Area and the Project; and to do all things necessary or appropriate to carry out and to enforce the terms and provisions of the Declaration.

2. To purchase or otherwise acquire title to Lots or to hold and exercise options to purchase the same, and to lease Lots in the corporation's name, as lessee, and

to sell and lease, or to grant options to lease and purchase Lots; and, if the corporation becomes the owner or lessee of a Lot, to perform all of the obligations of an Owner or lessee thereof, and to assume and agree to pay any Mortgage constituting a lien upon the Lot.

3. 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.

4. 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, pledge or other lien on or security interest in property of the corporation.

5. To enter into, perform and carry out leases and contracts of any kind necessary to or in connection of the objects and purposes of the corporation.

6. To make refunds of excess payments from Members, as may be provided in the Declaration or the By-Laws.

7. To lend or invest its working capital and reserves, with or without security.

8. 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.

9. To procure all types and kinds of insurance as shall be deemed to be in the best interests of the corporation.

10. In general, to do and perform such acts and things, and to transact such business in connection with the foregoing objects and purposes as may be necessary and required.

11. To transact any and all lawful business for which nonprofit corporations may be incorporated under the laws of the State of Arizona not prohibited by the Declaration or these Articles of Incorporation, including but not limited to the powers set forth in Section 10-1005(A), Arizona Revised Statutes.

ARTICLE V
CHARACTER OF BUSINESS

The character of business which the corporation initially intends actually 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, including acting as a property owners association performing the duties of the Association set forth in the Declaration.

ARTICLE VI
MEMBERSHIP; CLASSES OF MEMBERS; VOTING RIGHTS

The Members of the corporation shall be the Owners of Lots, as provided in the Declaration. Other than its Members, the corporation shall have no shareholders and no capital stock shall be authorized or issued. The voting rights of the Members shall be provided in the Declaration.

ARTICLE VII
STATUTORY AGENT

James F. Byrne, Jr. Esquire, whose address is 2111 East Highland Avenue, Suite 255, Phoenix, Arizona, 85016, who has been a bona fide resident of the State of Arizona for not less than three (3) years, is hereby appointed the initial statutory agent of the 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 seven (7) nor more than nine (9), as shall be specified in the By-Laws; however, the initial Board of Directors shall consist of three (3) Directors. Each Director shall be an Owner or the spouse of an Owner (or if an Owner is a corporation, partnership or trust, a Director may be an officer, employee, partner or beneficiary of such Owner); provided, however, that Directors elected while any Class B Membership is outstanding need not meet such qualification. If a Director shall cease to meet such qualifications during his term, he will thereupon cease to be a Director, and his place on the Board shall be deemed vacant. A Director shall serve until the next annual meeting of the corporation or until removed, or until his successor is elected and qualified. The persons who are to serve as directors until the first annual meeting of the Membership or until their successors are elected and qualified are:

R. Richard Rea	2525 E. Arizona Biltmore Circle Suite 212 Phoenix, Arizona 85016
Trent K. Harrington	2525 E. Arizona Biltmore Circle Suite 212 Phoenix, Arizona 85016
Karl Zinner	2525 E. Arizona Biltmore Circle Suite 212 Phoenix, Arizona 85016

The Board of Directors shall have the power to adopt By-Laws. The By-Laws shall prescribe, among other things, the date of the annual meeting of the Members of the corporation.

The principal officers of the corporation shall be a President, one (1) or more Vice Presidents, a Secretary and a Treasurer, all of whom shall be elected by the Board of Directors. The office of President must be held by a person who is a Director. Any one (1) person may hold two (2) or more offices at the same time, except that no one (1) person shall simultaneously hold the office of President and Secretary.

ARTICLE IX
INCORPORATORS

The names and addresses of the incorporators are:

Jonathon M. Yarger	2111 East Highland Avenue, Suite 255 Phoenix, Arizona 85016
Terrance L. Sims	2111 East Highland Avenue Suite 255 Phoenix, Arizona 85016

All powers, duties and responsibilities of the incorporators shall cease at the time of delivery of these Articles of Incorporation of the Arizona Corporation Commission for filing.

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 or 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 or shareholder, were not interested in such transaction, contract or act.

ARTICLE XII
INDEMNIFICATION

Subject to the limitations set forth in Section 10-1005(B), Arizona Revised Statutes, this corporation shall indemnify any and all of its Directors and officers, or former Directors and officers, against expenses incurred by them, including legal fees or judgments or penalties rendered or levied against any such person or entity in a legal action brought against any such person or entity for acts or omissions alleged to have been committed by any such person or entity while acting within the scope of his or its authority as a Director or officer of this corporation, or exercising the powers of the Board of Directors, provided that the Board of Directors shall determine, in good faith, that such person or entity 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 or entity 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 the expenses, judgments or penalties in any instance in which such person or entity shall have refused unreasonably to permit this corporation, at its own expense and through counsel of its own choosing, to defend him or it in the action or to compromise and settle the action. The corporation shall also indemnify the employees and direct agents of the corporation as provided in the Declaration in the same manner and with the same limitations as provided above with respect to Directors and officers.

ARTICLE XIII
AMENDMENTS

These Articles of Incorporation may be amended only at a lawfully held meeting of the Members by the affirmative vote of three-fourths (3/4) of the Owners and upon ten (10) days' prior written notice to all first Mortgagees; 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. These Articles of Incorporation shall not be amended to contain any provision which would be contrary to or inconsistent with the Declaration or the regulations of VA/FHA, and any provision of or purported amendment to these Articles of Incorporation which is contrary to or inconsistent with the Declaration or the regulations of VA/FHA shall be void to the extent of such inconsistency.

ARTICLE XIV
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, this 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.

ARTICLE XV
BY-LAWS

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

IN WITNESS WHEREOF, the undersigned incorporators have hereunto affixed their signatures this 19th, day of November, 1986.

Jonathon M. Yarger

Terrance L. Sims