

STATE OF ARIZONA
ACC/FAX
DATE FILED

ARTICLES OF INCORPORATION
OF
NEELY FARMS HOMEOWNERS' ASSOCIATION

JUL 25 1996

DATE APPR 7-25-96
TERM
BY Cheryl Lee

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.

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ARTICLE I
NAME

The name of the corporation is NEELY FARMS HOMEOWNERS' ASSOCIATION, hereinafter called the "Association".
OLMF

ARTICLE II
KNOWN PLACE OF BUSINESS

The address of the Association's known place of business is 7001 North Scottsdale Road, Suite 2050, Scottsdale, Arizona 85253, 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 Lots at that Property known as Neely Farms (the "Property"), subject to Covenants, Conditions, and Restrictions now or hereafter recorded in the records of the County Recorder, Maricopa County, Arizona, on July 24, 1996, in Instrument No. 96-0517931 as, and if amended (the "Declaration"), including but not limited to the acquisition, construction, management, maintenance, preservation, and care of the Common Areas, as defined in the Declaration, and to perform such other duties as are imposed upon the Association under the Declaration. Defined terms used and not otherwise defined herein shall have the meanings attributed to them in the Declaration.

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 1986, 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 Lot, in accepting a deed, entering into an agreement for sale, or displaying some other acceptable evidence of ownership interest in a Lot, shall be a member of the Association ("Member"). The foregoing is not intended to include persons or entities holding an interest in a Lot or Lots merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any Lot. A membership in the Association shall not be transferred, pledged or alienated in any way except by the sale of such Lot 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. Class A. Class A Members shall be all Owners but, so long as any Class B memberships are outstanding in the Property, shall not include the Developer in each Village. Each such Owner 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 such Owners among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.
2. Class B. The Class B Members shall be the Developers. Each Developer shall be entitled to three (3) votes for each Lot owned. Each Class B Member may cast its votes in such proportions as it may determine (i.e., cumulative voting shall be allowed). The Class B membership within the Project shall cease and be converted to Class A on the happening of either the following events, whichever first occurs:
 - (a) When the total votes outstanding in the Class A membership within the entire Project equal or exceed the total votes outstanding in the Class B membership within the entire Project, or
 - (b) The 31st day of December, 2001.

ARTICLE VI BOARD OF DIRECTORS

The affairs of the Association shall be managed by a Board composed initially of the five (5) Directors named herein. The number for the initial Board and for so long as there

is a Class "B" Membership outstanding shall be five (5) Directors. Thereafter, the number for the Board shall be an odd number not less than five (5) Directors nor more than seven (7) Directors, as specified in the Bylaws. For so long as there is a Class "B" Membership in the Property: the Developer for Village A shall have the sole right to appoint or elect two (2) Board members, the Developer for Village B shall have the sole right to appoint or elect one (1) Board member, the Developer for Village C shall have the sole right to appoint or elect one (1) Board member, and the Developer for Village D shall have the sole right to appoint or elect one (1) Board member. From and after the time that Class "B" Memberships cease and are converted to Class "A" Memberships, the Board members shall be elected on a Property-wide (as opposed to a Village-by-Village) basis. Except for the initial Board of Directors and any Director elected or appointed by a Developer, each Director shall be an Owner of a Lot 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:

Kurt Nelson	c/o CHI Construction Company 7001 North Scottsdale Road, Suite 1050 Scottsdale, Arizona 85253
Randy Thovson	c/o CHI Construction Company 7001 North Scottsdale Road, Suite 1050 Scottsdale, Arizona 85253
Gene Morrison	c/o Woodside Homes of Arizona, Inc. 7400 West Detroit Street, Suite 120 Chandler, Arizona 85226
Craig Krumwiede	c/o Harvard Investments, Inc. 2524 East Camelback Road, Suite 900 Phoenix, Arizona 85016
Chris Cacheris	c/o Harvard Investments, Inc. 2524 East Camelback Road, Suite 900 Phoenix, Arizona 85016

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. Except for the initial officers (set out in the Bylaws) and for so long as there is a Class "B" Membership, each officer shall be an Owner of a Lot or, if an Owner is a corporation, partnership, trust, or other legal entity, the officer may be a representative of such Owner.

ARTICLE VIII 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 IX INDEMNIFICATION

The Association shall indemnify any person against expenses, including without limitation, attorneys' fees, judgements, 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 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 X 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 an organization then subject to and qualifying under Section 528 of the Internal Revenue Code of 1986, or to a public body (to the extent permitted under Section 528) as the Association shall elect.

ARTICLE XI INCORPORATORS

The names and address of the Incorporators are as follows:

Scott K. Risley

Titus, Brueckner & Berry, P.C.
7373 North Scottsdale Road, Suite B-252
Scottsdale, Arizona 85253

Belle Taylor

Titus, Brueckner & Berry, P.C.
7373 North Scottsdale Road, Suite B-252
Scottsdale, Arizona 85253

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

ARTICLE XII
STATUTORY AGENT

FC Service Corporation, Two North Central, Suite 2200, Phoenix, Arizona 85004-2390, 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 XIII
DURATION

The duration of the Association shall be perpetual.

ARTICLE XIV
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 or pertaining to the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Administration, the Veterans Administration and/or the Federal Housing Administration, applicable to the Association, these Articles shall be considered superseded by the Declaration or such laws, rules and/or regulations.

ARTICLE XV
AMENDMENTS

Subject to the provisions of Article XIV 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 two-thirds (2/3) 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 and, if required by law, after publications in a newspaper having general circulation in Maricopa County, Arizona. As long as there is a Class "B" Membership, any amendment to the

Association's Articles of Incorporation shall require, to the extent then required by applicable regulations of the Veterans Administration or the Federal Housing Administration, the prior written approval of the Federal Housing Administration or the Veterans Administration. Whenever the approval of the Federal Housing Administration or Veterans Administration is required under this Article, such approval shall be deemed given unless a disapproval or statement requesting additional time is issued by such agency to the Association within thirty (30) days following submission to such agency.

ARTICLE XVI
FHA/VA APPROVALS

As long as there is a Class "B" Membership, the following actions shall require the prior written approval, to the extent then required by applicable regulations of the Veterans Administration or Federal Housing Administration, of the Federal Housing Administration or the Veterans Administration:

- 1. The annexation of additional properties;
- 2. A merger or consolidation to which the Association is a party;
- 3. The mortgage or dedication of all or part of the Common Area, as defined in the Declaration;
- 4. The dissolution of the Association; or
- 5. The amendment of the Association's Articles of Incorporation.

Whenever the approval of the Federal Housing Administration or the Veterans Administration is required under this Article, such approval shall be deemed given unless a disapproval or statement requesting additional time is issued by such agency to the Association within thirty (30) days following submission to such agency.

ARTICLE XVII
"LIMITATION" OF DIRECTOR LIABILITY

A director of the Association shall not be personally liable to the Association or its Members for monetary damages for breach of fiduciary duty as a director, except for liability for any of the following:

- (a) any breach of the director's duty of loyalty to the Association or its Members,

- (b) acts or omissions which are not in good faith or which involve intentional misconduct or a knowing violation of law,
- (c) a violation of Arizona Revised Statutes Section 10-1026,
- (d) any transaction from which the director derived an improper personal benefit, or
- (e) a violation of Arizona Revised Statutes Section 10-1097.

Any repeal or modification of the foregoing paragraph shall not adversely affect any right or protection of a director of the Association existing hereunder with respect to any act or omission occurring prior to or at the time of such repeal or modification.

IN WITNESS WHEREOF, we have hereunto set our hands this 25th day of July, 1996.

[Signature]
 Incorporator
Belle Taylor
 Incorporator

STATE OF ARIZONA }
 County of Maricopa } ss.

On the 25th day of July, 1996, before me, the undersigned Notary Public, personally appeared Scott K. Risley and Belle Taylor known 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.

[Signature]
 Notary Public

My Commission Expires

3500.17/articles

