

ARTICLES OF INCORPORATION
OF THE
SIGNAL BUTTE RANCH COMMUNITY ASSOCIATION

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ARTICLE I

NAME

The name of the corporation, which is a nonprofit corporation, is Signal Butte Ranch Community Association and shall be referred to herein as the "Association."

ARTICLE II

PURPOSES

The primary purposes for which this corporation is formed are:

(a) to act as the "Association" in accordance with and subject to that certain Declaration of Covenants, Conditions, Restrictions and Easements for Kaufman and Broad at Signal Butte Ranch recorded as _____ in the Official Records of Maricopa County, Arizona, as the same may be amended from time to time (the "Declaration");

(b) to manage, maintain, preserve and care for the Common Areas within the Project;

(c) to perform all of the duties and obligations and to exercise all of the powers and privileges of the Association as set forth in the Declaration;

(d) to provide for the orderly development, maintenance, preservation and architectural control of the Project, as provided in the Declaration; and

(e) to do all other things and exercise all powers and rights of a corporation which are lawful and consistent with the foregoing purposes and the nonprofit character of the corporation, including but not limited to the purposes set forth in Section 10-1005(A), Arizona Revised Statutes.

Unless otherwise expressly provided herein, all capitalized terms used in these Articles shall have the meanings set forth in the Declaration. Notwithstanding any other provisions of these Articles, if the corporation elects to qualify under Section 501(c)(4) or Section 501(c)(7) of the Internal Revenue Code of 1986, as amended (the "Code"), the corporation shall not conduct or engage in any activity which would or could result in the revocation of its status as a corporation qualified under such Section of the Code. The corporation does not contemplate securing any gain or profit to the Members of the corporation; the Members shall have no individual interest in the profits of the corporation, if any; and no part of the net earnings of the corporation, if any, shall inure (other than by promoting social and recreational activities for Members, by a rebate of excess membership dues, fees or Assessments, or by acquiring, constructing or providing management, maintenance and care of Association property) to the benefit of any Member of the corporation or other individual.

ARTICLE III

INITIAL ACTIVITY

The character of the business the corporation intends to conduct initially shall be to act as a property owners' association performing the duties and exercising the rights of the Association set forth in the Declaration.

ARTICLE IV

MEMBERSHIP AND VOTING

The corporation shall be a non-stock corporation and shall be owned by all of its Members. No dividends or pecuniary profits shall be paid to the corporation's Members. Membership in the corporation shall be limited to Owners, including Declarant (for so long as Declarant is a Class A or Class B Member). All of the Owners, including Declarant (for so long as Declarant is a Class A or Class B Member), shall be Members of the corporation. An Owner's Membership in the corporation shall cease and terminate immediately when a Person ceases to be an Owner. Membership shall be appurtenant to, and may not be separated from ownership of, a Lot. Neither Membership in the corporation nor a Member's share, right, title or interest in and to the funds and assets of the corporation can be transferred, assigned or hypothecated except as an appurtenance to the Member's ownership of a Lot. Membership may be evidenced by an official list of Owners, which list shall be kept by the secretary of the corporation. Termination of Membership in the corporation shall be in accordance with the Declaration and the Bylaws of the corporation.

The corporation shall have two classes of Members. The Class A Members shall consist of all Owners. A Class A Member shall have the number of votes provided in Section 7.2 of the Declaration. The Class B Member shall be Declarant. The Class B Member shall have the number of votes provided in Section 7.2 of the Declaration. The Class B Membership shall automatically cease and be converted to Class A Membership as provided in Section 7.2 of the Declaration.

Other limitations (including suspension of voting rights), privileges, obligations and rights of Membership in the corporation are set forth in the Declaration and Bylaws.

ARTICLE V

BOARD OF DIRECTORS

The affairs of the corporation shall be conducted by a Board of Directors. The initial Board and each Board thereafter for so long as there is a Class B Member shall consist of at least three Members or other Persons with the exact number to be determined by Declarant from time to time. Commencing with the first annual meeting of the Members when there is no longer a Class B Member, the Board shall consist of, and the voting Members shall elect, a minimum of three and a maximum of seven directors, all of whom must be Members (or individuals designated by corporate, partnership or other nonindividual Members). The term of each director shall be for one year until there is no longer a Class B Member. Thereafter, the initial terms of the directors may be for different terms as set by the Members to obtain a staggered Board if desired by the Members. Until the first meeting of the Members when there is no longer a Class B Member, and until their successors are designated or elected and qualified, Declarant shall have the right to appoint and remove all directors. The following three persons shall constitute the initial Board of Directors of the corporation:

Howard Weinstein
432 N. 44th Street, Suite 115
Phoenix, Arizona 85008

John Sutherland
432 N. 44th Street, Suite 115
Phoenix, Arizona 85008

Steve Cross
432 N. 44th Street, Suite 115
Phoenix, Arizona 85008

Beth Rogers
432 N. 44th Street, Suite 115
Phoenix, Arizona 85008

ARTICLE VI

OFFICERS

Except for the initial officers designated in these Articles, the officers of the corporation shall be elected in accordance with the Bylaws of the corporation. The following persons shall be the initial officers of the corporation:

Howard Weinstein	President
John Sutherland	Vice-President
Steve Cross	Vice-President
Beth Rogers	Secretary and Treasurer

ARTICLE VII

NO PERSONAL LIABILITY

The private property of the Members, directors and officers of the corporation shall be forever exempt from the corporation's debts; provided, however, that each Owner shall be personally liable for any Assessments levied against his Lot.

ARTICLE VIII

INDEMNIFICATION OF DIRECTORS AND OFFICERS, LIMITATION ON DIRECTORS' LIABILITY

A. Subject to any limitations imposed by Arizona law, the corporation shall indemnify any and all of its existing and former directors, officers and committee members (including, but not limited to, existing and former members of the Design Review Committee) against all expenses incurred by all or each of them, including but not limited to, legal fees and costs, judgments, penalties and amounts paid in settlement or compromise, which may arise or be incurred, rendered or levied in any legal action brought or threatened against any one of them for or on account of any act or omission alleged to have been committed by such person while acting within the scope of his or her employment as a director, officer or committee member of the corporation, whether or not any action is or has been filed against the person and whether or not any settlement or compromise is approved by a court. Except as

otherwise required by Arizona law, whenever such a director, officer or committee member reports to the President of the corporation or to the Board that he or she has incurred or may incur such expenses, the Board shall, at its next regular meeting or at a special meeting held within a reasonable time thereafter, determine in good faith whether, in regard to the matter involved in the action or contemplated action, such person (i) acted, failed to act, or refused to act in good faith, and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation, and (ii) with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. Upon an affirmative determination by the Board with respect to the foregoing, indemnification shall be mandatory and shall be automatically extended as specified herein to the extent permitted by Arizona law, provided, however, that the corporation shall have the right to refuse indemnification in any instance in which the person to whom indemnification would otherwise have been applicable shall have unreasonably refused to permit the corporation, at its own expense and through counsel of its own choosing, to defend him or her in the action.

B. A director shall have no personal liability to the corporation or its Members for monetary damages for breach of fiduciary duty as a director; provided that the foregoing shall not eliminate or limit the liability of a director for any of the following:

(a) Any breach of the director's duty of loyalty to the corporation 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 § 10-2326, Arizona Revised Statutes;

(d) Any transaction from which the director derived an improper personal benefit, including, but not limited to, embezzlement; and

(e) A violation of § 10-2550, Arizona Revised Statutes.

ARTICLE IX

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, the 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 X

APPROVALS REQUIRED

For as long as there is a Class B Member and if VA or FHA certification is desired by Declarant, the following actions will require the prior approval of the VA and FHA, unless such agencies have waived such requirements or unless the last sentence of this section applies: (i) annexation of additional properties into the Project (unless such annexation is in accordance with a plan of annexation or expansion previously approved by such agencies); (ii) mergers and consolidations; (iii) mortgaging or otherwise encumbering Common Area; (iv) dedication or other transfer of Common Areas; (v) dissolution of the corporation; and (vi) amendment of these Articles, the Declaration or the Bylaws. Consent of the FHA and VA to the foregoing will not be required if the FHA and VA have elected not to approve the Project for certification or if such approval has been revoked, withdrawn, canceled or suspended.

ARTICLE XI

AMENDMENTS

Subject to the provisions of Article VIII and Article IX hereof, the Members may, at any duly noticed and convened regular or special meeting called for such purpose, amend, alter or repeal any provision of these Articles by the affirmative vote of sixty-seven percent (67%) of the votes of all Class A and Class B Members. Anything in this Article to the contrary notwithstanding, Declarant reserves the right to amend these Articles as may be requested or required by the FHA, VA or any other governmental agency with whom Declarant elects to do business as a condition precedent to such governmental agency's approval of these Articles. Any such amendment shall be effected by Declarant filing with the Arizona Corporation Commission, in accordance with applicable law, a Certificate of Amendment duly executed by Declarant specifying the governmental agency requesting the amendment.

and setting forth the requested or required amendment(s). Filing of such a Certificate shall be deemed conclusive proof of the governmental agency's request or requirement and such Certificate, when filed, shall be binding upon the Property and all persons having an interest therein.

ARTICLE XII

BYLAWS

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

ARTICLE XIII

KNOWN PLACE OF BUSINESS

The known place of business of the corporation shall be Box 25466, Tempe, Arizona 85285, or such other place as may be designated from time to time by the Board. In addition, different and other offices and places for conducting business, both within and without the State of Arizona, may be established from time to time by the Board.

ARTICLE XIV

STATUTORY AGENT

Mark A. Vander Stoep, 6303 South Rural Road, Tempe, Arizona 85283, is hereby appointed the initial statutory agent of the corporation upon whom all notices and process, including summonses, may be served. The Board may revoke the appointment of such agent at any time, and shall have the power to fill any vacancy.

ARTICLE XV

DISSOLUTION

Upon dissolution of the corporation, or the winding up of its affairs, the assets of the corporation shall be distributed exclusively to one or more public agencies, utilities, non-profit corporations, trusts or other organizations to be devoted to purposes as nearly as is practicable to those to which they were required to be devoted by the Association. If the corporation has elected to qualify as a non-profit corporation under Internal Revenue Codes Section 501(c)(4) or 501 (c)(7), then

distribution may be only made to permitted recipients under the applicable Code Section. Subject to the restrictions imposed by the Declaration and by Article IX of these Articles of Incorporation, the corporation may be dissolved with the written consent of not less than two-thirds of each class of Members.

ARTICLE XVI

INCORPORATOR

The name and address of the incorporator are:

Howard Weinstein
432 North 44th Street, Suite 115
Phoenix, Arizona 85008

IN WITNESS WHEREOF, the undersigned incorporator has hereunto set his hand this ____ day of _____, 1996.

Howard Weinstein, Incorporator

**ACCEPTANCE OF APPOINTMENT
BY STATUTORY AGENT**

The undersigned hereby acknowledges and accepts appointment as statutory agent of the above named corporation, effective this 11th day of November, 1996.


Mark A. Vander Stoep