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FOR THE STATE OF AZ.  
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ARTICLES OF INCORPORATION  
OF

ANCALA CASITAS RESORT HOMEOWNERS ASSOCIATION  
An Arizona Nonprofit Corporation

234465

Pursuant to that certain Declaration OF COVENANTS, CONDITIONS AND RESTRICTIONS OF ANCALA CASITAS RESORT dated June 27, 19 91, and recorded June 27, 19 91 as Document No. 91-296768 in the office of the Maricopa County, Arizona Recorder as the same may be amended from time to time (the "Declaration"), and in compliance with the requirements of Arizona Revised Statutes Section 10-1001 et seq. (the "Act"), the undersigned, who is eighteen (18) years or more of age, has this day elected to form a non-profit corporation and does hereby adopt the following Articles of Incorporation:

ARTICLE I

NAME

The name of the corporation is ANCALA CASITAS RESORT HOMEOWNERS ASSOCIATION, hereinafter called the "Association".  
*OK/NE*

ARTICLE II

DEFINED TERMS

The capitalized terms used herein shall be deemed to have the same meanings as are given those terms in the Declaration. "Ancala Casitas Resort" as used herein to describe a place shall refer to the real property described in the Declaration as Ancala Casitas Resort. Ancala Casitas Resort may also be referred to herein as the "Property".

ARTICLE III

KNOWN PLACE OF BUSINESS

The known place of business and principal office of the Association shall initially be located at 2828 North Central Avenue, Suite 900, Phoenix, AZ 85004.

ARTICLE IV

STATUTORY AGENT

Robert M. Frank, a bona fide resident of the State of Arizona for the last three (3) years, whose address is 2828 North Central Avenue, Suite 900, Phoenix, AZ 85004, is hereby appointed the initial statutory agent of the Association.

## ARTICLE IV

### PURPOSES, POWERS AND CHARACTER OF AFFAIRS

Section 1. Purposes and Initial Purposes. The primary purpose for which the corporation is formed is to fulfill all the duties and responsibilities and to exercise the rights, powers and prerogatives of the Association as set forth in the Declaration.

(a) As provided in the Declaration, to provide for the orderly and aesthetic development, maintenance, preservation and architectural control of Ancala Casitas Resort, including without limitation the ownership and maintenance of Common Areas such as streets and tracts within the Property and the maintenance of Yard Lot Areas therein.

(b) To promote the health, safety and welfare of the Owners and residents within Ancala Casitas Resort.

Section 2. Powers. For the purposes set forth in Section 1 above, and subject to any limitations set forth in the Declaration, the Association shall have the power to:

(a) Exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in the Declaration, as the same may be amended from time to time as therein provided, said Declaration being incorporated herein by this reference;

(b) Fix, levy, collect and enforce payment of, by any lawful means, all charges and assessments pursuant to the terms of the Declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including all licenses, taxes or governmental charges levied or imposed against the property of the Association; and

(c) Have and to exercise any and all powers, rights and privileges which a corporation organized under the Act may by law now or hereafter have or exercise.

Section 3. Limitation on Purposes. This Association is not formed to provide profit to its Members. No part of the net earnings of the Association shall inure to the benefit of any member or individual (other than by acquiring, constructing or providing management, maintenance and care of the Common Area, or by a rebate of excess membership dues, fees or assessments).

Section 4. Character of Affairs. The character of business which the Association initially intends actually to conduct in Arizona is the fulfillment of the duties and responsibilities and the exercise of all its rights, powers and prerogatives as the Association under the Declaration.

## ARTICLE VI

### MEMBERSHIPS AND VOTING

Section 1. Owners of Lots. Every Owner of a Lot within the Property shall be a Member of the Association as soon and so long as he shall be an Owner. Such Membership shall automatically terminate when an Owner ceases for any reason to be an Owner and the new Owner shall likewise automatically succeed to such Membership in the corporation. Each Membership shall be appurtenant to and may not be separated from ownership of a Lot within the Property to which such Membership is attributable.

Section 2. Tenants. Tenants of the residences erected on the Lots who are not the Owners thereof, shall not be Members of the Association.

Section 3. Declarant. The Declarant shall be a Member of the Association so long as the Declarant owns any of the Lots within the Property.

Section 4. Voting. The Association shall have two classes of voting Memberships:

Class A. Class A Member shall be all Owners except the Declarant. An Owner shall be entitled to one (1) vote for each Lot owned, subject to the authority of the Board to suspend the Owner's voting rights for violations of the Declaration as provided herein. When more than one (1) person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any one (1) Lot.

Class B. The Class B Member shall be the Declarant who shall own one (1) Class B Membership for each Lot owned. Except as otherwise provided in the Declaration, the Declarant shall be entitled to three (3) votes for each Class B Membership owned. Class B Memberships shall cease and be converted to Class A Memberships upon the earlier occurrence of any of the following events:

a. Upon the sale or other disposition of any Lot by Declarant, other than in connection with an assignment by Declarant of all or substantially all of its rights under the Declaration (including a pledge or assignment by Declarant to any lender as security), with respect to the Lot or Lots so sold or otherwise disposed of;

b. With respect to all remaining Class B Memberships, upon the first of the following to occur:

i. When the total votes outstanding in the Class A Membership equals the total votes outstanding in the Class B Membership; or

ii. Five (5) years from the date of the Declaration.

iii. When the Declarant notifies the Association in writing that it relinquishes its Class B Membership.

Section 5. Right to Vote. No change in the ownership of a Membership shall be effective for voting purposes unless and until the Board is given actual written notice of such change and is provided satisfactory proof thereof. The vote for each such Membership must be cast as a unit; fractional votes shall not be allowed. In the event that a Membership is owned by more than one person or entity and such Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any Member casts a vote representing a certain Membership, it will thereafter be conclusively presumed that he was acting with the authority and consent of all other Owners of the same Membership unless objection thereto is made to the Board, in writing at or prior to the time the vote is cast. In the event more than one vote is cast for a particular Membership, all such votes shall be deemed void.

Section 6. Membership Rights. Each Member shall have the rights, duties and obligations set forth in the Declaration, these Articles, and the Bylaws, as the same may be amended from time to time. The Association shall have no stockholders, but only Members as herein set forth. No capital stock shall be authorized or issued. The annual meeting of the Members shall be held as provided in the Bylaws.

Section 7. Transfer of Membership. The rights and obligations of the Owner of a Class A Membership in the Association shall not be assigned, transferred, pledged, designated, conveyed or alienated in any way except upon transfer of ownership to an Owner's Lot or Parcel and then only to the Transferee thereof. A transfer of ownership to a Lot may be effected by deed, intestate succession, testamentary disposition, foreclosure of a mortgage of record or such other legal process as permitted by Arizona law. Any attempt to make a prohibited transfer shall be void. Any transfer of ownership of a Lot shall automatically transfer the Membership appurtenant to said Lot to the new Owner.

## ARTICLE VII

### BOARD OF DIRECTORS

The control and management of the affairs of this Association shall be vested in a Board of Directors of not less than three (3) nor more than seven (7) directors, as specified in the Bylaws. The number of directors shall always be an odd number. Initially, directors need not be Members, however, after the termination of all Class B Membership, all directors must be Members of the Association. Directors shall be elected at the Annual Meeting of the Members for terms as provided in the Bylaws. The names and addresses of the persons who are to serve as directors beginning with the incorporation of the Association until their successors are elected and qualified are:

<u>Names</u>	<u>Addresses</u>
Anthony L. Camberlango	2828 N. Central Ave., Suite 900 Phoenix, AZ 85004
Geoffrey L. Appleyard	2828 N. Central Ave., Suite 900 Phoenix, AZ 85004
Duane Black	2828 N. Central Ave., Suite 900 Phoenix, AZ 85004

The Board of Directors shall have power and authority to enact Bylaws and amendments thereto which are not inconsistent with the provisions hereof and not inconsistent with the Declaration. The officers of the Association shall be elected by the Board of Directors as provided by the Bylaws.

#### ARTICLE VII

##### FIRST MEETING OF MEMBERS

The first annual meeting of the Members of the corporation shall be held within thirty (30) days after the conversion of all the Class B Memberships to Class A Memberships, as provided above, or at such earlier time as the Board of Directors shall designate. The dates of subsequent annual meetings shall be as provided in the Bylaws of the corporation. Until such time as the first annual meeting is required to be held, as heretn provided, the provisions of Arizona Revised Statutes 10-1013B are hereby waived.

#### ARTICLE IX

##### AMENDMENTS

Section 1. Amendments. The Articles may be amended by the affirmative vote of seventy-five percent (75%) of the votes of Members of the Association cast at a duly called meeting of the Members, provided, however, that for purposes of an election to amend these Articles, the Declarant shall have only one (1) vote per Class B Membership.

Section 2. Right of Amendment if Requested by Governmental Agency or Federally Chartered Lending Institution. Anything in the Articles to the contrary notwithstanding, the Board shall have the right to amend all or any part of the Articles to such an extent and with such language as may be requested by the Federal Housing Administration ("FHA"), the Veterans Administration ("VA"), the Federal Home Loan Mortgage Corporation ("FHLMC") or the Federal National Mortgage Corporation ("FNMA") and to further amend the Articles to the extent required or requested by any other federal, state or local governmental agency which requests such an amendment as a condition precedent to such agency's approval of the Articles or by any federally chartered lending institution as a condition precedent to lending funds upon the security of any Lot(s) within the

Property. In the event of such an amendment, articles of amendment shall be executed, filed and published as provided under Arizona law. Declarant shall retain control of the Association and its activities by electing the Board of Directors during the anticipated period of planning and development of the Property and until the Class B Membership ceases pursuant to Article VI, Section 4 above. Any amendment which deletes, diminishes or alters such control must be approved by the Declarant.

ARTICLE X

DURATION

The corporation shall exist perpetually.

ARTICLE XI

INCORPORATOR

The name and address of the incorporator is as follows:

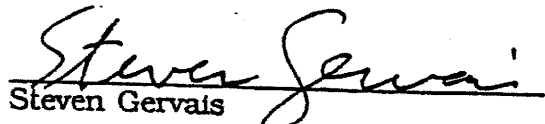
<u>Name</u>	<u>Address</u>
Steven Gervais	2828 N. Central Ave., Suite 900 Phoenix, AZ 85004

ARTICLE XII

INDEMNIFICATION AND LIMITATION OF LIABILITY

The Association shall indemnify all of its directors, committee members and officers, and its former directors, committee members and officers, to the maximum extent authorized by law, against expenses incurred by them, including without limitation legal fees, and judgments and penalties rendered or levied against them or any of them in any legal action brought against any such person for actions or omissions alleged to have been committed by any such person while acting within the scope of his or her authority as a director, committee member or officer of the Association, provided that the Association 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 Association, at its own expense and through counsel of its own choosing, to defend him or her in any such legal action.. Except as prohibited by the Act, directors, committee members and other persons serving on the Board or a committee in an advisory capacity shall have no personal liability to the Association or its Members for monetary damages for a breach of fiduciary duty.

Dated this 27th day of June, 1991.

  
Steven Gervais

from time to time by resolution create. When the Declarant is not longer a Class B Member, the President, Vice-President, Secretary and Treasurer shall each be an Owner or an employee, officer, director, shareholder or partner of an Owner.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

Section 3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year or until his successor shall have been elected and qualified, unless he shall be removed or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may from time to time determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer replaced.

Section 7. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one or any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. Except as otherwise provided by resolution of the Board and except to the extent such duties are delegated to a manager, the duties of the officers are as follows:

(a) President: The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all notices, leases, mortgages, deeds and other written instruments on behalf of the Association; and shall have general and active management of the business of the Association.

(b) Vice President: The Vice President shall act in the place and stead of the President in the event of his absence or inability or refusal to act and shall exercise and discharge such other duties as may be required of him by the Board.

(c) Secretary: The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses; and perform such other duties as required by the Board.

(d) Treasurer: The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks of the Association; shall keep proper books of account; shall prepare an annual budget and statement of income and expenditures to be presented to the membership at its regular annual meeting; and, in general, perform all the duties incident to the office of treasurer.

Section 9. Compensation. The officers shall receive such compensation as the Board shall determine.

## ARTICLE IX

### COMMITTEES

The Board of Directors shall appoint a Nominating Committee as provided in these Bylaws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out the purpose of the Association. The Architectural Committee shall be composed of three (3) regular members and one (1) alternate member, which shall be appointed and/or elected as provided in the Declaration.

## ARTICLE X

### BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member, prospective buyer or by holders, insurers or guarantors of first mortgages that are secured by a Lot within the Property. The Declaration, the Articles and the Bylaws of the Association shall be available for inspection by any Member or prospective buyer at the principal office of the Association, where copies may be purchased at reasonable cost.

## ARTICLE XI

### ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association Annual Assessments, Special Assessments, and Maintenance Charges which are secured by a continuing lien upon the property against which



the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid on the due date, the assessment shall bear interest, and the Association may bring legal action against the Owner personally obligated to pay the same or foreclose the lien against the property, as provided in the Declaration. Interest, costs and reasonable attorneys' fees of any such action shall be added to the amount of such Assessment along with any assessments or fines charged under Article V, Sections 9 and 10. No Owner may waive or otherwise escape liability for the Assessments provided for herein by nonuse of the Common Area or abandonment of his Lot.

## ARTICLE XII

### AMENDMENTS

Section 1. Amendments. These Bylaws may be amended from time to time in a manner not inconsistent with the Declaration or Articles by a majority vote of the Board or at a regular or special meeting of the Members by a vote of a majority of a quorum of Members present in person or by proxy; provided however, the Federal Housing Administration ("FHA") or the Veterans Administration ("VA") shall have the right to veto amendments while there is a Class B Membership in the Declaration and if these Bylaws have been initially approved by the FHA or VA in connection with any loan programs made available by FHA or VA and any loans have been made within Ancala Casitas Resort which are insured or guaranteed by FHA or VA.

Section 2. Right of Amendment if Requested by Governmental Agency or Federally Chartered Lending Institutions. Anything in the Bylaws to the contrary notwithstanding, the Declarant reserves the right to amend all or any part of the Bylaws to such an extent and with such language as may be requested by the FHA, VA, FHLMC or FNMA and to further amend the Bylaws to the extent requested by any other federal, state or local governmental agency which requests such an amendment as a condition precedent to such agency's approval of the Bylaws or by any federally chartered lending institution as a condition precedent to lending funds upon the security of any Lot(s) or any portions thereof. Any amendment which deletes, diminishes or alters the rights of the Declarant must be approved by the Declarant.

## ARTICLE XIII

### INTERPRETATION

In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control. In the event of any interpretation or application of the provisions of the ARTICLES, Declaration, or these Bylaws, the determination thereof by the Board shall be final and binding.

ARTICLE XIV

FISCAL YEAR

The fiscal year of the Association shall begin on the 1st day of January and end on the 31st day of December of each year. Except that the first fiscal year shall begin on the date of incorporation of the Association and shall end on the 31st day of December thereafter.

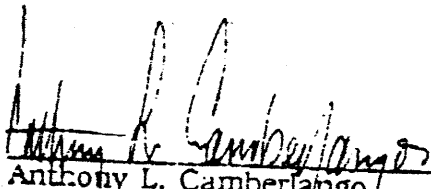
DATED June 27, 1991

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting President of the ANCALA CASITAS RESORT HOMEOWNERS ASSOCIATION, as adopted by the Board of Directors thereof, on the 27th day of June, 1991.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 27th day of June, 1991.

  
\_\_\_\_\_  
Anthony L. Camberlango  
President

ATTEST:

  
\_\_\_\_\_  
Duane Black, Secretary