

ARTICLES OF INCORPORATION

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OF

SCOTTSDALE SHADOWS VII, INC..

APPR. J. M. [unclear]
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An Arizona Nonprofit Corporation

128584

The undersigned, having legal capacity to enter into contracts under the laws of the State of Arizona, does hereby adopt the following Articles of Incorporation for the purpose of forming an Arizona nonprofit corporation pursuant to the provisions of Arizona Revised Statutes § 10-1001 et seq.

ARTICLE I

Name

The name of the corporation is SCOTTSDALE SHADOWS VII, INC.

ARTICLE II

Duration

The corporation shall exist perpetually.

ARTICLE III

Purposes and Powers

The corporation does not contemplate pecuniary gain or profit to the Members thereof, and no part of the income or profit of the corporation, if any, shall be distributable to its Members, directors or officers, except as a payment of reasonable compensation for services rendered or a distribution upon dissolution or liquidation as permitted by law. The specific purposes for which the corporation is formed is to fulfill all the duties and responsibilities, and to exercise

all the rights, powers and prerogatives, of the Association as set forth in the Declaration of Horizontal Property Regime and Declaration of Covenants, Conditions and Restrictions for Scottsdale Shadows VII (the "Declaration"), which was recorded with the County Recorder of Maricopa County, Arizona, on May 7, 1979, in Docket 13616, page 264 et seq., and to act as and constitute the council of co-owners and the governing body of and for Scottsdale Shadows VII, a horizontal property regime existing by virtue of said Declaration.

In furtherance of such purposes, the corporation shall have all powers and be authorized and empowered to perform all acts and do all things which a nonprofit corporation might now or hereafter at any time be lawfully authorized, empowered or permitted to perform, do or exercise under the laws of the State of Arizona.

ARTICLE IV

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.

ARTICLE V

Statutory Agent

The name of the corporation's initial statutory agent is Hamilton E. McRae III, and his address is 111 West Monroe, Phoenix, Arizona 85003. The initial statutory agent is an individual who has been a resident of this state for three (3) years.

ARTICLE VI

Directors

The affairs of the corporation shall be managed by a Board of Directors, the number of which shall be determined from time to time in the manner provided in the By-Laws of the corporation but shall not be less than three (3).

The number of directors constituting the initial board of directors shall be three (3), and the names and addresses of the persons who are to serve as directors until the first annual election of directors or until their successors are elected and shall qualify are as follows:

<u>Name</u>	<u>Address</u>
Carl R. Spiekerman	3240-D East Camelback Road Phoenix, Arizona 85018
Daniel Predovic	7820 East Camelback Road Scottsdale, Arizona 85251
Kenneth Mundt	7820 East Camelback Road Scottsdale, Arizona 85251

ARTICLE VII

Incorporators

The name and address of the incorporator is
James R. Huntwork, 111 West Monroe, Phoenix, Arizona 85003.

ARTICLE VIII

Membership; Classes of Members; Voting Rights

Other than its Members, the corporation shall have no shareholders, and no capital stock shall be authorized or issued. The Members of the corporation shall be the Owners of Units, as provided in the Declaration. Each Owner shall be a

Member of the corporation 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. A membership in the corporation shall not be transferred, pledged or alienated in any way, except upon the sale of the Unit to which it appurains (and then only to such purchaser) or by intestate succession, testamentary disposition, foreclosure of a mortgage of record or other legal process transferring fee simple title to such Unit (and then only to the Person to whom such fee simple title is transferred). Notwithstanding the foregoing, in the event that an Owner has granted an irrevocable proxy or otherwise pledged or alienated the voting right of his Unit regarding special matters to a Mortgagee as additional security, only the vote of such Mortgagee will be recognized in regard to such special matters, if a copy of such proxy or other instrument has been filed with the Board of Directors. In the event that more than one such instrument has been filed, the Board of Directors shall recognize the rights of the first Mortgagee to so file, regardless of the priority of the Mortgages themselves. Any attempt to make a prohibited transfer of a membership is void and will not be recognized by or reflected upon the books and records of the corporation. In the event the Owner of any Unit should fail or refuse to transfer the membership registered in his name to the purchaser of such Unit, the corporation shall have the right to record a transfer upon the books of the corporation and issue a new membership to the purchaser, and thereupon the old membership

outstanding in the name of the seller shall be null and void as though the same had been surrendered.

The corporation shall have two classes of voting membership:

Class A. Class A members shall be all Owners with the exception of the Declarant under the Declaration and, except as hereafter provided in the case of election of directors, shall be entitled to one vote for each Unit owned, which vote shall be weighted as to all matters in accordance with the percentage of the undivided ownership of the Common Elements of Scottsdale Shadows VII appurtenant thereto. When more than one Person holds an interest in any Unit, all such Persons shall be Members. The voting for such Unit shall be exercised as such Persons among themselves determine, but in no event shall more than one vote be cast with respect to any Class A Unit.

Class B. The Class B member shall be the Declarant under the Declaration, who shall hold one (1) Class B membership for each Unit owned and shall be entitled to three (3) votes for each Unit owned, which vote shall be weighted as to all matters in accordance with the percentage of the undivided ownership of the Common Elements appurtenant to such Unit. Each such vote may be cast in such proportions on any matter as such Declarant may determine. Class B memberships shall cease and be converted to Class A memberships, without further act or deed, upon the happening of any of the following events:

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

(b) With respect to all remaining Class B memberships, upon the first to occur of the following:

(i) Within one hundred twenty (120) days following the first date when the total votes outstanding in the Class A membership equal or exceed the total votes outstanding in the Class B membership, or

(ii) On January 1, 1986, unless such Declarant shall have then commenced or completed construction of Building 7-B of Scottsdale Shadows VII or other Building in accordance with paragraph 34 of the Declaration or shall have applied for or been granted a permit therefor, in which event the provisions of subparagraph (i) shall apply; provided, however, that if the Class B memberships have ceased due to the provisions of subsection (i) of this subsection (b), such Class B memberships and the relative rights of the Class A and the Class B memberships shall be reinstated as to all Units upon the completion

of Building 7-B and the sale and occupancy of the first Unit therein and shall remain in full force and effect until the provisions of such subsection (i) have again been fulfilled.

If any lender to whom such Declarant has or may hereafter assign, as security, all or substantially all of its rights under the Declaration succeeds to the interests of such Declarant by virtue of said assignment, the Class B memberships shall not be terminated thereby, and such lender shall hold the Class B memberships on the same terms as they were held by such Declarant. If and so long as any Class B membership is outstanding, the Class A memberships shall not be entitled to cast any vote with respect to the election of directors.

ARTICLE IX

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 above provided, or at such earlier time as the Board of Directors shall designate. The dates of subsequent annual meetings shall be as provided in the By-Laws of the corporation. Until such time as the first annual meeting is required to be held, as herein provided, the provisions of Arizona Revised Statutes § 10-1013.B are hereby waived.

ARTICLE X

Provisions Respecting Amendments

These Articles of Incorporation shall not be amended to contain any provisions which would be contrary to or inconsistent with the Declaration as in effect from time to time, and any provision of or purported amendment to these Articles of Incorporation which is contrary to or inconsistent with the Declaration as in effect from time to time shall be void to the extent of such inconsistency.

ARTICLE XI

Indemnification

In addition to and not in limitation of any power or duty of the corporation to indemnify any person, the corporation shall pay all expenses, including attorney's fees, incurred by any present or former officer or director of the corporation in defending a civil or criminal action, suit or proceeding in advance of the final disposition thereof upon the making of the determination provided for in Arizona Revised Statutes § 10-1005.B.4 and the satisfaction of the condition provided for in Arizona Revised Statutes § 10-1005.B.5; 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 in any such action, suit or proceeding, unless and until such person is successful on the merits or otherwise in defense

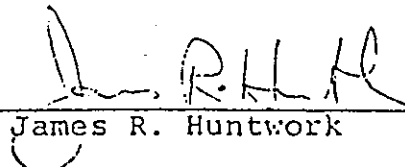
of any such action, suit or proceeding; and further provided that the corporation shall have the right to refuse indemnification as to any matter subject to this Article which is settled or compromised prior to determination on the merits, unless such settlement or compromise is approved in advance by the board of directors of the corporation.

ARTICLE XII

Definitions

The words used herein shall be deemed to have the same definitions as in the Declaration, unless otherwise required by context.

IN WITNESS WHEREOF, the undersigned incorporator has executed these Articles of Incorporation this 22nd day of September, 1980.



James R. Huntwork