

AZ CORP. COMMISSION  
FOR THE STATE OF AZ.  
FILED

Nov 27 3 30 PM '84

ARTICLES OF INCORPORATION

OF

THE ISLANDS COMMUNITY ASSOCIATION

APPR Louis Greer  
DATE APR 13/78  
TERM \_\_\_\_\_  
DATE \_\_\_\_\_ TIME \_\_\_\_\_

170735

The undersigned hereby adopt and approve the following Articles of Incorporation.

ARTICLE I  
NAME

The name of this Corporation shall be THE ISLANDS COMMUNITY ASSOCIATION. The principal place of business of this Corporation shall be at 2735 East Camelback Road, Phoenix, Arizona 85016, but other offices may be established and maintained at such other locations as the Board of Directors may designate from time to time.

ARTICLE II  
PURPOSE AND INITIAL BUSINESS

The initial business and primary purpose of this Corporation is to serve as a governing body for THE ISLANDS, a master planned community located in the Town of Gilbert, Arizona, in accordance with and subject to a Declaration of Covenants, Conditions and Restrictions and Easements for THE ISLANDS now or hereafter recorded in the records of the County Recorder, Maricopa County, Arizona, as, and if amended (the "Declaration"), for purposes of 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 this Corporation under the Declaration. As used herein, all capitalized terms shall have the same meaning as set forth in the Declaration.

In the conduct of its business, this Corporation shall be empowered to do any and all things that a private person might do under the Declaration and the laws of the State of Arizona.

This Corporation will not engage in any other business or activity, except as set forth herein and in the Bylaws of the Corporation. Notwithstanding any other provisions of these Articles, this Corporation shall not conduct

or carry on any activities not permitted to be conducted or carried on by an organization qualifying either under Section 528 or, if this Corporation so elects, Section 501 (c)(4) of the Internal Revenue Code of 1954, as amended from time to time (the "Code").

This Corporation does not contemplate securing any gain or profit to the Members of this Corporation, and the Members shall have no individual interest in the profits of this Corporation, if they are generated.

### ARTICLE III MEMBERSHIP

No stock shall be issued by this Corporation and no dividends or pecuniary profits shall be paid to its Members. All Members entitled to vote shall cast such votes in accordance with the terms and conditions of the Declaration, these Articles and the Bylaws of this Corporation.

Each and every Owner in accepting a deed, executing an agreement for sale, or displaying some other acceptable evidence of ownership interest in a Lot or Parcel within The Islands shall become a Member of the Association. The foregoing is not intended to include persons or entities holding an interest in a Lot or Parcel merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any Lot or Parcel. Memberships may be evidenced by an official list of Owners, which list shall be kept by the Secretary of this Corporation. Termination of Membership in this corporation shall be in accordance with the Declaration and Bylaws of this Corporation.

This Corporation shall have two (2) classes of voting membership:

1. The Class A Members shall consist of all Memberships with the exception of the Class B Membership. An Owner shall be entitled to one (1) vote for each Class A Membership held by such Owner, except that a Class A Member entitled to a reduced assessment under the Declaration shall not be entitled to vote during such period.
2. The Class B Member shall be the Declarant (as defined in the Declaration). The Class B Member shall be entitled to three (3) votes for each Lot owned by such Member. For purposes hereof the Class B Member shall at any time be deemed to be the Owner of that number of Lots which is the sum of (a) that number which equals the overall density

permitted by the Master Development Plan (or modifications thereof) Islands, and (b) that number which is the product of six times the number of net acres designated for commercial use on The Islands Master Development Plan, minus that number of Lots which equals the number of Class A Memberships then held by Class A Members.

The Class B Membership shall cease and be automatically converted to Class A Membership on the basis of the number of Lots and Parcels actually owned by the Declarant upon the first to occur of the following:

1. Within 120 days after the date when the total votes outstanding and entitled to vote in the Class A Membership equal the total votes outstanding in the Class B Membership; or
2. On January 1, 1991.

#### ARTICLE IV BOARD OF DIRECTORS

The affairs of this 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 three (3). At the first meeting of the Members when there is no longer a Class B Member, the Board shall consist of, and the voting Members shall elect, seven (7) Directors. The terms shall be two (2) Directors for a one-year term, two (2) Directors for a two-year term, and three (3) Directors for a three-year term. In succeeding years, each Directors shall be elected for a three-year term. Each Member of the Board shall be an Owner of a Lot or Parcel or shall be a representative of a corporation or other entity as defined in the Bylaws. Notwithstanding the foregoing, as long as there is a Class B membership each Member of the Board need not be an Owner of a Lot or Parcel.

Until the first meeting of the Members when there is no longer a Class B Member and until their successors are designated or elected or qualified, the following persons shall constitute the Board of Directors of this Corporation:

Mark A. Voigt	-	2735 East Camelback Road Phoenix, Arizona 85016
Andrew F. Ligget		2735 East Camelback Road Phoenix, Arizona 85016
Sue E. Graham	-	2735 East Camelback Road Phoenix, Arizona 85016

ARTICLE V  
OFFICERS

The affairs of this Corporation shall be administered by officers elected by the Board of Directors at its first meeting, and 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 and such other officers as the Board shall, at the sole discretion, establish. The initial officers of this Corporation shall be:

Mark A. Voigt	President
Andrew Liggett	Vice President
Sue E. Graham	Secretary
Sue E. Graham	Treasurer

who shall serve until their successors are appointed and qualified. Except for the initial officers designated herein and for so long as there is a Class B Membership, each officer shall be an Owner of a Lot or Parcel. If an Owner is a corporation, partnership or trust, the officer may be an officer, director, partner, beneficiary, or trustee of such Owner.

ARTICLE VI  
NO PERSONAL LIABILITY

The private property of the Members, directors, and officers of this Corporation shall be forever exempt from this Corporation's debts and obligations, except as otherwise provided herein or in the Bylaws of this Corporation.

ARTICLE VII  
INDEMNIFICATION

This Corporation shall indemnify any and all of its directors, officers, or former directors and officers against any expenses incurred by them, including legal fees, or judgments or penalties rendered or levied against any such person while acting within the scope of his authority as a director or officer of this Corporation, provided that the Board of Directors shall determine in good faith that such person 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 VIII  
DISSOLUTION

Upon dissolution of this Corporation, or the winding up of its affairs, the assets of this Corporation shall be distributed exclusively to charitable, religious, scientific, literary or educational organizations which would then qualify under the provisions of Section 501(c)(4) of the Code or to an organization then subject to and qualifying under Section 528 of the Code as this Corporation shall then elect. Subject to and in accordance with the restrictions imposed within the Declaration and by the Federal Housing Administration or the Veterans Administration, this Corporation may be dissolved with the assent given in writing and signed by not less than two-thirds (2/3) of each Membership entitled to vote.

ARTICLE IX

Thomas Lucas, 2735 East Camelback Road, Phoenix, Arizona 85016, who has been a bona fide resident of the State of Arizona for at least three (3) years, is hereby appointed Statutory Agent of this Corporation 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 X  
DURATION

The duration of this Corporation shall be perpetual.

ARTICLE XI  
FISCAL YEAR

The fiscal year of this Corporation shall be the calendar year and begin on the first day of January of every year, except that the first fiscal year of this Corporation shall begin as of the date of incorporation. The fiscal year may be changed by the Board of Directors from time to time.

ARTICLE XII  
CONFLICT WITH DECLARATION AND OTHER

To the extent that these Articles shall be contrary to or inconsistent with provisions of the Declaration, or laws, rules and regulations of or pertaining to the Federal

Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Veterans Administration and/or the Federal Housing Administration, these Articles shall be considered superseded by such provisions, rules and/or regulations.

#### ARTICLE XIII APPROVALS REQUIRED

For so long as there is a Class B Membership the following actions will require the prior approval of the Veterans Administration or the Federal Housing Administration, unless such agencies have waived such requirement:

- (1) Mergers and Consolidations;
- (2) Mortgaging of the Common Areas;
- (3) Dedications of Common Areas (except if required as of the date of incorporation of this Corporation); and
- (4) Dissolution and amendment of these Articles.

#### ARTICLE XIV AMENDMENTS

These Articles shall not be amended to contain any provision 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 which is contrary to or inconsistent with the Declaration shall be void to the extent of such inconsistency. Subject to the foregoing and Article XIII hereof, if appropriate, this Corporation may at any regular or special meeting called for such purpose, amend, alter or repeal any provision hereof by the affirmative vote of seventy-five percent (75%) of each Membership class then entitled to vote in person or by proxy, after notice of the meeting has been published in a newspaper having general circulation in Maricopa County, Arizona.

ARTICLE XV  
INCORPORATORS

The names and addresses of the Incorporators are as follows:

Kathy Williams	2735 East Camelback Road Phoenix, Arizona 85016
M. Virginia Novak	2735 East Camelback Road Phoenix, Arizona 85016

IN WITNESS WHEREOF, we have hereunto set our hands  
this 27th day of November 1984.

Kathy Williams  
Kathy Williams

M. Virginia Novak  
M. Virginia Novak

STATE OF ARIZONA        )  
                                  ) ss.  
County of Maricopa     )

On this 28th day of November 1984, before me, the undersigned Notary Public, personally appeared Kathy Williams and M. Virginia Novak known to me 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.

A. Claudia S. Blaine  
Notary Public

My commission expires:

April 23, 1988

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