

STATE OF ARIZONA
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JUN 28 2000

JUN 20 2000

ARTICLES OF INCORPORATION
OF
THE SUN GROVES HOMEOWNERS ASSOCIATION

DATE APPR 06-20-2000
TERM
BY Mindy Robinson
-0953952-9

THESE ARTICLES OF INCORPORATION OF THE SUN GROVES HOMEOWNERS ASSOCIATION (the "Articles") are effective as of the 20th day of June, 2000.

The undersigned hereby voluntarily set forth the following statements for the purpose of forming a nonprofit corporation under and pursuant to the laws of the State of Arizona, and for that purpose hereby adopt these Articles of Incorporation.

ARTICLE I
NAME

The name of the corporation is The Sun Groves Homeowners Association, an Arizona non-profit corporation, hereinafter called the "Association".

ARTICLE II
KNOWN PLACE OF BUSINESS

The address of the Association's known place of business is 1121 West Warner Road, Suite 109, Tempe, Arizona 85284, 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 the development known as "Sun Groves" (the "Property"), subject to the Declaration of Covenants, Conditions and Restrictions, as amended from time to time (the "Declaration"), recorded or to be recorded in the official records of the County Recorder, Maricopa County, Arizona, and to perform such other duties as are imposed upon the Association under the Declaration. Vanderbilt Farms, L.L.C., an Arizona limited liability company, shall be referred to herein as "Declarant". The term "Designated Builders" (and singularly, a "Designated Builder") as used herein shall have the meaning set forth in the Declaration, of which CHI Construction, Inc., an Arizona corporation ("CHI") and Standard Pacific of Arizona, a Delaware corporation ("SP"), are "Designated Builders" for the purposes of these Articles.

The Association shall not engage in any other business or activity, except as set forth herein and in the Bylaws of the Association (the "Bylaws"). 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

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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.

Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Declaration.

ARTICLE IV MEMBERSHIP AND VOTING RIGHTS

The Association shall have members in accordance with the terms of the Declaration (the "Members") and their voting rights shall be as provided in the Declaration. It is hereby acknowledged that the Declaration may be amended from time to time to change the qualifications and requirements of Members and their respective voting rights. Pursuant to the terms of the Declaration, the Association shall have two (2) classes of Members, as follows:

Class A. Class A Members shall be all Owners, except that until the conversion of Declarant's or a Designated Builder's Class B membership to a Class A membership, as provided below, Declarant and each Designated Builder shall be a Class B Member, not a Class A Member. Subject to the authority of the Board to suspend an Owner's voting rights in accordance with the provisions of the Declaration, a Class A Member shall have one vote for each Lot owned by such Member; and

Class B. The Class B Members shall be Declarant and the Designated Builders. Declarant and each Designated Builder as a Class B Member shall be entitled to three (3) votes for each Lot owned by Declarant and such Designated Builders. Subject to the terms of the Declaration, Declarant and each Designated Builder shall have the right, at any time and from time to time, to assign all or any part of its voting rights appurtenant to its Class B membership (as well as all or any other rights appurtenant thereto) to one or more Persons acquiring, for purposes of development and sale, any part of the respective Declarant's Parcel or the respective Designated Builder's Parcel. Also subject to the terms of the Declaration, the Class B membership automatically shall cease as to Declarant or an individual Designated Builder and be converted to a Class A membership upon the happening of the first of the following events: (a) the date which is 90 days after the date upon which the total number of votes of the Class A Members equals the total number of votes of the Class B Member; (b) the date which is ten (10) years after the date the Declaration is recorded in the official records of Maricopa County, State of Arizona; or (c) the date of which Declarant or a Designated Builder (as applicable) records a written notice in the official records of Maricopa County, State of Arizona electing to convert the Class B membership to a Class A membership.

ARTICLE V
BOARD OF DIRECTORS

The affairs of the Association shall be managed by a Board of Directors (the "Board") which shall possess all of the rights, powers, privileges, duties and obligations assigned to the Board in the Declaration. The Board shall consist of not less than five (5) Members (a "Director"). Except for Directors appointed by Declarant or the Designated Builders, 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. CHI shall appoint one (1) Director, SP shall appoint one (1) Director and Declarant shall appoint three (3) Directors at each annual meeting until the Declarant's or such Designated Builder's Class B membership is converted into a Class A membership in accordance with the terms of the Declaration, whereupon the Class A Members shall appoint the Director.

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:

J. Carl Mulac
Standard Pacific of Arizona
6710 N. Scottsdale Road
Scottsdale, AZ 85253

Brandon Wolfswinkel, John Beerling
and C. Dale Willis, Jr.
Vanderbilt Farms, L.L.C.
1121 West Warner Road
Suite 109
Tempe, AZ 85284

Mandi Larsen
Continental Homes, Inc.
7001 N. Scottsdale Rd.
Suite 2050
Scottsdale, AZ 85253

ARTICLE VI
OFFICERS

The affairs of the Association shall be administered by officers elected by the Board at its first meeting following each annual meeting of the Members, or at other meetings called for such purpose. The principal officers of the Association shall be a president, a vice president, a secretary and a treasurer. The officers shall have the rights and duties set forth in the Bylaws.

ARTICLE VII
ELIMINATION OF DIRECTOR LIABILITY

To the fullest extent permitted by Arizona law as the same exists or may be hereafter amended, neither Declarant, the Designated Builders nor any Director shall be liable to the Association or its Members for monetary damages for any action taken or any failure to take any action as Declarant, Designated Builder or as a Director. No repeal, amendment or modification of this article, whether direct or indirect, shall eliminate or reduce its effect with respect to any act or failure to act of Declarant, a Designated Builder or a Director occurring prior to such repeal, amendment or modification.

ARTICLE VIII
INDEMNIFICATION

To the fullest extent permitted by the Arizona Revised Statutes as the same exist or may be hereafter amended, the Association shall indemnify and advance expenses to any person who incurs expenses or liabilities by reason of the fact he or she is or was an officer or director of the Association or is or was serving at the request of the Association as a director, officer, employee or agent of another corporation, partnership, limited liability company, trust or other entity. The foregoing indemnification and advancement of expenses shall be mandatory in all circumstances in which the same are permitted by law. No repeal, amendment or modification of this article, whether direct or indirect, shall eliminate or reduce its effect with respect to any matter giving rise to indemnification and advancement of expenses occurring prior to such repeal, amendment or modification.

ARTICLE IX
DISSOLUTION

The Association may be dissolved by the affirmative vote of not less than two-thirds (2/3) of Class A Members and, so long as a Class B membership exists, not less than two-thirds (2/3) of the Class B 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 X
INCORPORATOR

The name and address of the Incorporator is as follows:

Jeffrey S. Pitcher - 3003 N. Central Avenue
Suite 2600
Phoenix, AZ 85012

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

ARTICLE XI
STATUTORY AGENT

FC Service Corporation, 3003 North Central Avenue, Suite #2600, Phoenix, Arizona 85012, is hereby appointed Statutory Agent of the Association upon whom all notices and process, including summons, 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 XII
DURATION

The duration of the Association shall be perpetual.

ARTICLE XIII
CONFLICT WITH DECLARATION

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 applicable to the Association, these Articles shall be considered superseded by the Declaration or such laws.

ARTICLE XIV
AMENDMENTS

Subject to the provisions of Article XIII hereof and the terms of the Declaration regarding amendment to the Articles, the Articles may be amended, altered, or repealed at any regular or special meeting called for such purpose, upon receipt of two-thirds (2/3) of the votes of each membership class then entitled to vote in person or by proxy authorizing such action, and upon ten (10) days prior written notice to all first mortgagees who have previously notified the

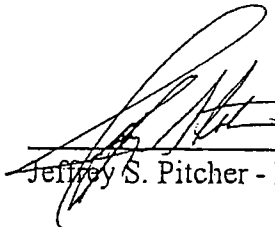
Association in writing, to be notified of any amendment to the Articles and, if required by law, after publications in a newspaper having general circulation in Maricopa County, Arizona. Notwithstanding any foregoing provision, the Articles may not be amended at any time (either before or after the date in which all of the Class B memberships are converted to Class A memberships) to diminish any of the rights of Declarant or any Designated Builder under these Articles, the Bylaws of the Association, or the Declaration, including, but not limited to, Declarant's or a Designated Builder's liability limitations as set forth in Article VII hereof, without the express written consent of Declarant or such Designated Builder (as applicable).

ARTICLE XV
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 these Articles.

IN WITNESS WHEREOF, the undersigned has executed these Articles as of the date first set forth above.



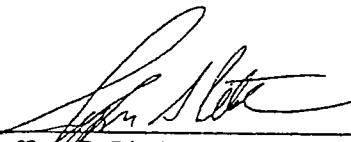
Jeffrey S. Pitcher - Incorporator

CONSENT OF STATUTORY AGENT
OF
THE SUN GROVES HOMEOWNERS ASSOCIATION

The undersigned, having been named in the Articles of Incorporation of The Sun Groves Homeowners Association, as its statutory agent for the State of Arizona, hereby confirms that it has been notified of the appointment and that it accepts the appointment.

DATED: as of June 20, 2000

FC SERVICE CORPORATION,
an Arizona corporation

By: 

Jeffrey S. Pitcher, Esq.
Authorized Representative
3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012-2913