

CORPORATION COMMISSION
FILED

OCT 19 2004

DOCS. SUBJECT TO REVIEW.

FILE NO. 116002 0-3

**ARTICLES OF INCORPORATION
OF
THE BOULDERS CASITAS CONDOMINIUM ASSOCIATION**

In compliance with the requirements of § 10-3201, et seq., Arizona Revised Statutes, as amended, the undersigned, who is a person capable of contracting, states as follows:

**ARTICLE 1
NAME**

The name of the corporation is The Boulders Casitas Condominium Association (the "Association").

**ARTICLE 2
DEFINED TERMS**

Capitalized terms used in these Articles without definition shall have the meanings specified for such terms in the Arizona Condominium Act, A.R.S. § 33-1201, et seq., and the Condominium Declaration for The Boulders Casitas, a condominium, to be recorded hereafter in the Official Records of the Maricopa County Recorder, Maricopa County, Arizona, as such Declaration may be amended from time to time.

**ARTICLE 3
KNOWN PLACE OF BUSINESS**

The known place of business of the Association shall be located at 15475 North Greenway-Hayden Loop, Suite B-20, Scottsdale, Arizona 85260.

**ARTICLE 4
STATUTORY AGENT**

Steven L. Lisker, whose address is Two North Central Avenue, Suite 2200, Phoenix, Arizona, 85004, and who has been a bona fide resident of the State of Arizona for more than three (3) years last past, is hereby appointed and designated as the initial statutory agent for the Association.

**ARTICLE 5
PURPOSE AND POWERS OF THE CORPORATION**

The object and purpose for which this Association is organized is to provide for the management, maintenance, and care of the Common Elements and other property placed under its jurisdiction and to perform all duties and exercise all rights imposed on or granted to the

Association by the Condominium Documents. In furtherance of, and in order to accomplish the foregoing object and purpose, the Association may transact any or all lawful business for which corporations may be incorporated under the laws of the State of Arizona, as amended from time to time.

ARTICLE 6 CHARACTER OF BUSINESS

The character of the business that the Association intends to conduct in Arizona is to provide for the management, maintenance and care of the Common Elements and other property placed under its jurisdiction and to exercise and perform such other powers and duties as are imposed on or granted to the Association under the Condominium Act and by the Condominium Documents.

ARTICLE 7 MEMBERSHIP AND VOTING RIGHTS

The Members of the Association shall be the Unit Owners. All Unit Owners shall be mandatory Members of the Association, and no Member shall have the right to resign as a Member of the Association. By acquiring fee title to a Unit or otherwise becoming a Unit Owner, a Person consents to becoming a Member of the Association. Each Unit Owner shall have such rights, privileges and votes in the Association as are set forth in the Condominium Documents. The provisions of the Declaration with respect to membership in the Association and the voting rights of the Members are incorporated in these Articles of Incorporation by reference.

ARTICLE 8 BOARD OF DIRECTORS

The number of directors constituting the initial Board of Directors shall be three (3). The names and addresses of the initial directors of the Association who shall serve as directors until their successors are elected and qualify are as follows:

| <u>Name</u> | <u>Mailing Address</u> |
|-----------------|--|
| James E. Shelly | 15475 N. Greenway-Hayden Loop Suite B-20 Scottsdale, Arizona 85260 |
| Matthew H. Cody | 15475 N. Greenway-Hayden Loop Suite B-20 Scottsdale, Arizona 85260 |
| Michael Corkle | 15475 N. Greenway-Hayden Loop Suite B-20 Scottsdale, Arizona 85260 |

The number of directors may be changed from time to time by the Board of Directors as provided in the Bylaws, but the number of directors may not be less than three (3) nor more than nine (9) and must be an odd number.

The Board of Directors shall adopt the initial Bylaws of the Association. The power to alter, amend or repeal the Bylaws is reserved to the Members except that the Declarant, during the Period of Declarant Control, without the consent of any Unit Owner or other Person, may amend the Bylaws in order to: (i) comply with the Condominium Act or any other applicable law if the amendment does not adversely affect the rights of any Unit Owner; (ii) correct any error or inconsistency in the Bylaws if the amendment does not adversely affect the rights of any Unit Owner; (iii) comply with the rules or guidelines in effect from time to time of any governmental or quasi-governmental entity or federal corporation guaranteeing or insuring mortgage loans or governing transactions involving mortgage instruments, including the Veterans Administration, the Federal Housing Administration, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, or (iv) comply with the rules or requirements of any federal, state or local governmental entity or agency whose approval of the Condominium, the Plat or the Condominium Documents is required by law or requested by the Declarant.

ARTICLE 9 OFFICERS

The following persons shall be the initial officers of the Association and shall hold the positions opposite their names until their successors have been elected and qualify:

| | |
|-----------------|---------------------|
| James E. Shelly | President |
| Matthew H. Cody | Vice President |
| Michael Corkle | Secretary/Treasurer |

ARTICLE 10 LIMITATION ON LIABILITY OF DIRECTORS

The personal liability of a director of the Association to the Association or its Members for monetary damages for breach of his fiduciary duties as a director is hereby eliminated to the extent permitted by the Arizona Nonprofit Corporation Act, as it may be amended from time to time. Any repeal or modification of this Article 10 shall be prospective only and shall not adversely affect the personal liability of a director or prior director for any act or omission occurring prior to the effective date of such repeal or modification.

ARTICLE 11 INDEMNIFICATION

The Association shall indemnify any Person made a party to any civil suit or criminal, administrative or investigative action, other than an action by or in the right of the Association,

by reason of the fact that he is or was a Member, director, officer, employee or agent of the Association against expenses, including attorneys' fees, and judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, if he acted, or failed to act, in good faith and he reasonably believed (i) in the case of conduct in an official capacity with the Association, that the conduct was in its best interests, (ii) in all other cases, that the conduct was at least not opposed to its best interests and (iii) in the case of any criminal action or proceeding, that he had no reasonable cause to believe the conduct was unlawful. Any indemnification of the Members, directors, officers, employees or agents of the Association shall be governed by and made in accordance with the provisions of the Arizona Revised Statutes pertaining to nonprofit corporations. Any repeal or modification of this Article 11 shall be prospective only and shall not adversely affect, defeat or limit the right of any Person to indemnification for any act, or failure to act, occurring prior to the effective date of such repeal or modification.

ARTICLE 12 DISSOLUTION

The Association may be dissolved with the consent given in writing and signed by Members representing not less than eighty percent (80%) of the total votes in the Association and the written consent of the board of directors of the Master Association. So long as the Declarant owns one or more Units, the Association may not be dissolved without the prior written approval of the Declarant.

ARTICLE 13 AMENDMENTS

Subject to the provisions in Section 14.9 below, these Articles may be amended by Members representing at least sixty-seven percent (67%) of the total votes in the Association and the written approval of the board of directors of the Master Association, except that the Declarant, during the Period of Declarant Control, without a vote of the Members and without the consent of any First Mortgagee or other Person, shall have the right to amend these Articles in order to: (i) comply with the Condominium Act or any other applicable law if the amendment does not adversely affect the rights of any Unit Owner; (ii) correct any error or inconsistency in these Articles if the amendment does not adversely affect the rights of any Unit Owner; (iii) comply with the rules or guidelines in effect from time to time of any governmental or quasi-governmental entity or federal corporation guaranteeing or insuring mortgage loans or governing transactions involving mortgage instruments, including the Veterans Administration, the Federal Housing Administration, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or (iv) comply with the rules or requirements of any federal, state or local governmental entity or agency whose approval of the Condominium, the Plat or the Condominium Documents is required by law or requested by the Declarant. Any amendment to these Articles must be approved in writing by the Declarant during the Period of Declarant Control.

ARTICLE 14 DISPUTE NOTIFICATION AND RESOLUTION PROCEDURE

14.1 Obligation of Association and Unit Owners. All actions or claims (i) by the Association against any one or more of the Declarant Parties, (ii) by any Unit Owner(s) against any one or more of the Declarant Parties, or (iii) by both the Association and any Unit Owner(s) against any one or more of the Declarant Parties, arising out of or relating to the Condominium, Including the Declaration or any other Condominium Documents, the use or condition of the Condominium or the design or construction of or any condition on or affecting the Condominium, Including construction defects, surveys, soils conditions, grading, specifications, installation of Improvements (Including Dwellings) or disputes that allege negligence or other tortious conduct, fraud, misrepresentation, breach of contract or breach of implied or express warranties as to the condition of the Condominium or any Improvements (collectively, "Dispute(s)") shall be subject to the provisions of this Article 14. Declarant and each Unit Owner acknowledge that the provisions set forth in this Article 14 shall be binding upon current and future Unit Owners of the Condominium and upon the Association, whether acting for itself or on behalf of any Unit Owner(s). Nothing in these Articles or in any other Condominium Document is intended to limit, expand or otherwise modify the terms of any limited warranty provided by Declarant to a Unit Owner pursuant to a purchase agreement.

14.2 Notice. Any Person (including, without limitation, the Association) with a Dispute claim shall notify the applicable Declarant Party (the "Notified Declarant Party") in writing of the claim, which writing shall describe the nature of the claim and any proposed remedy (the "Claim Notice").

14.3 Right to Inspect and Right to Corrective Action. Within a reasonable period after receipt of the Claim Notice, which period shall not exceed sixty (60) days, the Notified Declarant Party and the claimant shall meet at a mutually acceptable place within the Condominium to discuss the claim. At such meeting or at such other mutually agreeable time, the Notified Declarant Party and the Notified Declarant Party's representatives shall have full access to the property that is the subject of the claim and shall have the right to conduct inspections, testing and/or destructive or invasive testing in a manner deemed appropriate by the Notified Declarant Party (provided the Notified Declarant Party shall repair or replace any property damaged or destroyed during such inspection or testing), which rights shall continue until such time as the Dispute is resolved as provided in this Section 14.3. The parties shall negotiate in good faith in an attempt to resolve the claim. If the Notified Declarant Party elects to take any corrective action, the Notified Declarant Party and the Notified Declarant Party's representatives and agents shall be provided full access to the Condominium and the property that is the subject of the claim to take and complete corrective action.

14.4 No Additional Obligations; Irrevocability and Waiver of Right. Nothing set forth in Section 14.3 shall be construed to impose any obligation on the Notified Declarant Party to inspect, test, repair or replace any item of the Condominium for which the Notified Declarant Party is not otherwise obligated under applicable law or any limited warranty provided by Declarant to a Unit Owner in connection with the sale of the Condominium and/or the Improvements constructed thereon. The right of the Notified Declarant Party to enter, inspect, test, repair and/or replace reserved hereby shall be irrevocable and may not be waived or otherwise terminated except by a writing executed and Recorded by the Notified Declarant Party.

14.5 Mediation. If the parties to the Dispute fail to resolve the Dispute pursuant to the procedures described in Section 14.3 above within ninety (90) days after delivery of the Claim Notice, the matter shall be submitted to mediation pursuant to the Construction Industry Mediation Rules of the American Arbitration Association (except as such procedures are modified by the provisions of this Section 14.5) or such other mediation service selected by the Notified Declarant Party. The Person who delivered the Claim Notice shall have until one hundred twenty (120) days after the date of delivery of the Claim Notice to submit the Dispute to mediation. If the Person who delivered the Claim Notice fails to timely submit the Dispute to mediation, then the claim of the Person who delivered the Claim Notice shall be deemed waived and abandoned and all applicable Declarant Parties shall be relieved and released from any and all liability relating to the Dispute. No person shall serve as a mediator in any dispute in which the person has any financial or personal interest in the result of the mediation, except by the written consent of all parties. Prior to accepting any appointment, the prospective mediator shall disclose any circumstances likely to create a presumption of bias or to prevent a prompt commencement of the mediation process. No litigation or other action shall be commenced against the Notified Declarant Party or any Declarant Party without complying with the procedures described in this Section 14.5.

14.5.1 Position Memoranda; Pre-Mediation Conference. Within ten (10) days of the selection of the mediator, each party shall submit a brief memorandum setting forth its position with regard to the issues that need to be resolved. The mediator shall have the right to schedule a pre-mediation conference and all parties shall attend unless otherwise agreed. The mediation shall be commenced within ten (10) days following the submittal of the memoranda and shall be concluded within fifteen (15) days from the commencement of the mediation unless the parties mutually agree to extend the mediation period. The mediation shall be held in the county in which the Condominium is located or such other place as is mutually acceptable by the parties.

14.5.2 Conduct of Mediation. The mediator has discretion to conduct the mediation in the manner in which the mediator believes is most appropriate for reaching a settlement of the Dispute, consistent with the Construction Industry Mediation Rules of the American Arbitration Association. The mediator is authorized to conduct joint and separate meetings with the parties and to make oral and written recommendations for settlement. Whenever necessary, the mediator may also obtain expert advice concerning technical aspects of the Dispute, provided the parties agree and assume the expenses of obtaining such advice. The mediator does not have the authority to impose a settlement on the parties.

14.5.3 Exclusion Agreement. Any admissions, offers of compromise or settlement negotiations or communications at the mediation shall be excluded in any subsequent dispute resolution forum.

14.5.4 Parties Permitted at Sessions. Persons other than the parties, the representatives and the mediator may attend mediation sessions only with the permission of both parties and the consent of the mediator. Notwithstanding the foregoing, applicable contractors, subcontractors, suppliers, architects, engineers, brokers and any other Person providing materials or services in connection with the construction of any Improvement upon or benefiting the

Condominium designated by a Notified Declarant Party may attend mediation sessions and may be made parties to the mediation. Confidential information disclosed to a mediator by the parties or by witnesses in the course of the mediation shall be confidential. There shall be no stenographic record of the mediation process.

14.5.5 Expenses. The expenses of witnesses for either side shall be paid by the party producing such witnesses. All other expenses of the mediation, including the fees and costs charged by the mediator and the expenses of any witnesses or the cost of any proof or expert advice produced at the direct request of the mediator, shall be borne equally by the parties unless they agree otherwise. Each party to the mediation shall bear its own attorneys' fees and costs in connection with such mediation.

14.6 Arbitration. Should mediation pursuant to Section 14.5 above not be successful in resolving any Dispute, then the Person who delivered the Claim Notice shall have ninety (90) days after the date of termination of the mediation to submit the Dispute to binding arbitration. If timely submitted, such claim or dispute shall be resolved by binding arbitration in accordance with the Construction Industry Arbitration Rules of the American Arbitration Association as modified or as otherwise provided in this Section 14.6. If the Person who delivered the Claim Notice fails to timely submit the Claim to arbitration within the ninety (90) day period, then the claim of the Person who delivered the Claim Notice shall be deemed waived and abandoned and all applicable Declarant Parties shall be relieved and released from any and all liability relating to the Dispute. A Person with any Dispute may only submit such Dispute in arbitration on such Person's own behalf. No Person may submit a Dispute in arbitration as a representative or member of a class, and no Dispute may be arbitrated as a class action. All Declarant Parties and any Person(s) submitting a Claim Notice, together with any additional Persons who agree to be bound by this Section 14.6, such as contractors, subcontractors, suppliers, architects, engineers, brokers and any other Person providing materials or services in connection with the construction of any Improvement upon or benefiting the Condominium (collectively, the "Bound Parties"), agree that all Disputes that are not resolved by negotiation or mediation shall be resolved exclusively by arbitration conducted in accordance with this Section 14.6, and waive the right to have the Dispute resolved by a court, including the right to file a legal action as the representative or member of a class or in any other representative capacity. The parties shall cooperate in good faith to attempt to cause all necessary and appropriate parties to be included in the arbitration proceeding. Subject to the limitations imposed in this Section 14.6, the arbitrator shall have the authority to try all issues, whether of fact or law.

14.6.1 Place. The proceedings shall be heard in the county in which the Condominium is located.

14.6.2 Arbitrator. A single arbitrator shall be selected in accordance with the rules of the American Arbitration Association from panels maintained by the Association with experience in relevant real estate matters or construction. The arbitrator shall not have any relationship to the parties or interest in the Condominium. The parties to the Dispute shall meet to select the arbitrator within ten (10) days after service of the demand for arbitration on all respondents named therein.

14.6.3 Commencement and Timing of Proceeding. The arbitrator shall promptly commence the proceeding at the earliest convenient date in light of all of the facts and circumstances and shall conduct the proceeding without undue delay.

14.6.4 Pre-hearing Conferences. The arbitrator may require one or more pre-hearing conferences.

14.6.5 Discovery. The parties shall be entitled only to limited discovery, consisting of the exchange between the parties of only the following matters: (i) witness lists; (ii) expert witness designations; (iii) expert witness reports; (iv) exhibits; (v) reports of testing or inspections of the property subject to the Dispute, including destructive or invasive testing; and (vi) hearing briefs. The parties shall also be entitled to conduct further tests and inspections as provided in Section 14.3 above. Any other discovery shall be permitted by the arbitrator upon a showing of good cause or based on the mutual agreement of the parties. The arbitrator shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.

14.6.6 Motions. The arbitrator shall have the power to hear and dispose of motions, including motions to dismiss, motions for judgment on the pleadings and summary judgment motions, in the same manner as a trial court judge, except the arbitrator shall also have the power to adjudicate summarily issues of fact or law, including the availability of remedies, whether or not the issue adjudicated could dispose of an entire cause of action or defense.

14.6.7 Arbitration Award. Unless otherwise agreed by the parties, the arbitrator shall render a written arbitration award within thirty (30) days after conclusion of the arbitration hearing. The arbitrator's award may be enforced as provided for in the Uniform Arbitration Act, A.R.S. § 12-1501, et seq., or such similar law governing enforcement of awards in a trial court as is applicable in the jurisdiction in which the arbitration is held, or as applicable, pursuant to the Federal Arbitration Act (Title 9 of the United States Code).

14.7 WAIVERS.

NOTICE: BY ACCEPTANCE OF A DEED OR BY ACQUIRING ANY OWNERSHIP INTEREST IN ANY PORTION OF THE CONDOMINIUM, EACH PERSON, FOR HIMSELF, HIS HEIRS, PERSONAL REPRESENTATIVES, SUCCESSORS, TRANSFEREES AND ASSIGNS, AGREES TO HAVE ANY DISPUTE RESOLVED ACCORDING TO THE PROVISIONS OF THIS ARTICLE 14 AND WAIVES THE RIGHT TO PURSUE ANY DISPUTE IN ANY MANNER OTHER THAN AS PROVIDED IN THIS ARTICLE 14. SPECIFICALLY, AND WITHOUT LIMITATION, EACH SUCH PERSON WAIVES THE RIGHT TO SUBMIT A DISPUTE IN ARBITRATION AS A REPRESENTATIVE OR MEMBER OF A CLASS AND TO HAVE SUCH DISPUTE ARBITRATED AS A CLASS ACTION AND WAIVES ALSO THE RIGHT TO HAVE THE DISPUTE RESOLVED BY A COURT, INCLUDING THE RIGHT TO FILE A LEGAL ACTION AS THE REPRESENTATIVE OR MEMBER OF A CLASS OR IN ANY OTHER REPRESENTATIVE CAPACITY. THE ASSOCIATION, EACH UNIT OWNER AND DECLARANT ACKNOWLEDGE THAT BY AGREEING

TO RESOLVE ALL DISPUTES AS PROVIDED IN THIS ARTICLE 14, THEY ARE GIVING UP THEIR RESPECTIVE RIGHTS TO HAVE SUCH DISPUTES TRIED BEFORE A JURY. THE ASSOCIATION, EACH UNIT OWNER AND DECLARANT FURTHER WAIVE THEIR RESPECTIVE RIGHTS TO AN AWARD OF PUNITIVE AND CONSEQUENTIAL DAMAGES RELATING TO A DISPUTE. BY ACCEPTANCE OF A DEED OR BY ACQUIRING ANY OWNERSHIP INTEREST IN ANY PORTION OF THE CONDOMINIUM, EACH UNIT OWNER HAS VOLUNTARILY ACKNOWLEDGED THAT HE IS GIVING UP ANY RIGHTS HE MAY POSSESS TO PUNITIVE AND CONSEQUENTIAL DAMAGES OR THE RIGHT TO A TRIAL BEFORE A JURY RELATING TO A DISPUTE.

14.8 Statutes of Limitation or Repose. Nothing in this Article 14 shall be considered to toll, stay, reduce or extend any applicable statute of limitation or repose.

14.9 Required Consent of Declarant to Modify. This Article 14 may be amended only in accordance with Article 13 of these Articles and with the express written consent of the Declarant.

14.10 Required Consent of Unit Owners for Legal Action. Any action or claim instituted by the Association (which action or claim shall be subject to the terms of this Article 14) against any one or more of the Declarant Parties, arising out of or relating to the Condominium, including the Declaration, these Articles or any other Condominium Documents, the use or condition of the Condominium or the design or construction of or any condition on or affecting the Condominium, including construction defects, surveys, soils conditions, grading, specifications, installation of Improvements (including Dwellings) or disputes that allege negligence or other tortious conduct, fraud, misrepresentation, breach of contract or breach of implied or express warranties as to the condition of the Condominium or any Improvements, shall have first been approved by Unit Owners representing seventy-five percent (75%) of the votes in the Association who are voting in person or by proxy at a meeting duly called for such purpose.

14.10.1 Notice of Unit Owners.

(i) Prior to obtaining the consent of the Unit Owners in accordance with Section 14.10, the Association must provide written notice to all Unit Owners, which notice shall (at a minimum) include (a) a description of the nature of any action or claim (the "Claim"), (b) a description of the attempts of Declarant to correct such Claim and the opportunities provided to Declarant to correct such Claim, (c) a certification from an engineer licensed in the State of Arizona that such Claim is valid along with a description of the scope of work necessary to cure such Claim and a resume of such engineer, (d) the estimated cost to repair such Claim, (e) the name and professional background of the attorney proposed to be retained by the Association to pursue the Claim against Declarant and a description of the relationship between such attorney and member(s) of the Board of Directors (if any), (f) a description of the fee arrangement between such attorney and the Association, (g) the estimated attorneys' fees and expert fees and costs necessary to pursue the Claim against Declarant and the source of the funds which will be used to pay such fees and expenses, (h) the estimated time necessary to conclude the action

against Declarant, and (i) an affirmative statement from the Board of Directors that the action is in the best interest of the Association and its Members.

(ii) In the event the Association recovers any funds from Declarant (or any other Person) to repair a Claim, any excess funds remaining after repair of such Claim shall be paid into the Association's reserve fund.

14.10.2 Notification to Prospective Purchasers. In the event that the Association commences any action or claim, all Unit Owners must notify prospective purchasers of such action or claim and must provide such prospective purchasers with a copy of the notice received from the Association in accordance with Section 14.10.

ARTICLE 15 DURATION

The Association shall exist perpetually.

ARTICLE 16 ASSESSMENTS AND FEES

Each Member shall be obligated to pay Assessments and other fees and charges to the Association in accordance with the Condominium Documents.

ARTICLE 17 INCORPORATOR

The name and address of the incorporator of the Association is:

Name

Address

James E. Shelly

15475 North Greenway-Hayden Loop,
Suite B-20
Scottsdale, Arizona 85260

Dated this 19 day of October, 2004.


James E. Shelly