

EXPEDITED

APR - 1 2005

APPRO: Anna Radtke
TERM: _____
DATE: 4-1-2005
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ARTICLES OF INCORPORATION
OF
SAN MARCOS TERRACE HOMEOWNERS ASSOCIATION

The undersigned hereby adopts the following Articles of Incorporation, dated March 31, 2005:

1. Name: The name of the corporation shall be SAN MARCOS TERRACE HOMEOWNERS ASSOCIATION (the "Association"), located at 5255 E. Williams Circle, Suite 6000W, Tucson, AZ 85711. *AKB*

2. Purpose: The Association is organized and shall be operated as a nonprofit corporation, for purposes of conducting any or all lawful affairs for which corporations may be incorporated under the Arizona Nonprofit Corporation Act, as in effect on the date these Articles are filed, and any amendments thereof or successor statutes thereto, and for the purposes of performing or exercising all duties, obligations, responsibilities and rights imposed upon or granted to the "Association" in the Declaration of Covenants, Conditions and Restrictions for San Marcos Terrace Homeowners Association (the "Declaration"). (References in these Articles to specific statutes shall be deemed to refer to such statutes as amended and to successor statutes thereto.)

3. Initial Activity: As its initial activity (which shall not limit the character of affair which the Association ultimately conducts), the Association intends to act as a property owners association, to own, care for, manage and maintain common area and common facilities, to adopt budgets, to collect assessments, and to take such other actions and engage in such other actions and activities as may be required of, or permitted for, the Association under the Declaration.

4. Statutory Agent: The name and address of the Association's initial statutory agent is Peggy Rau, 5255 E. Williams Circle, Suite 6000W, Tucson, Arizona 85711.

5. Board of Directors: The board of directors (the "Board") shall consist of two members, subject to increase as provided in the Association's bylaws (the "Bylaws"). The initial directors and their addresses are:

James Summerset
James Summerset
President
5255 East Williams Circle, Suite 6000W
Tucson, Arizona 85711

Peggy Rau
Peggy Rau
Secretary-Treasurer
5255 East Williams Circle, Suite 6000W
Tucson, Arizona 85711

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6. Incorporator: The name and address of the incorporator of the Association is:


Dennis Rogers II

5255 East Williams Circle, Suite 6000W
Tucson, Arizona 85711

7. Members: The members of the Association ("Members") and their voting rights shall be determined as provided in the Declaration.

8. Net Earnings; Transfer of Assets on Dissolution: No part of the net earnings of the Association shall inure to the benefit of or be distributable to any Member, director or officer of the Association, or to any private individual, except the Association may pay reasonable compensation for services and make payments in furtherance of its purposes. Upon dissolution of the Association, the assets of the Association, whether real or personal, after rebate to Members of excess assessments or fees, shall be dedicated to an appropriate public agency or utility to be devoted to purposes as close as possible to those to which they were required to be devoted by the Association. If such dedication is not accepted, such assets shall be transferred to a nonprofit corporation, trust or other organization to be devoted to purposes as close as possible to those to which they were required to be devoted by the Association. Use of funds for acquisition, construction, management or maintenance of association property or rebates to Members of excess assessments or fees shall not constitute an inurement of net earnings.

9. Amendments: Subject to any additional limitations imposed by the Declaration, these Articles may be amended by Members representing at least seventy-five percent (75%) of the total authorized votes entitled to be cast by Members of the Association; provided, however, that the Board, without a vote of Members, may amend these Articles in order to conform these Articles to the requirements or guidelines of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the Veterans Administration or any federal, state or local governmental agency whose approval of the Project, the Plat or the Project Documents is required by law or requested by the Declarant or the Association. So long as the Declarant owns any Lot, any amendment to these Articles must be approved in writing by the Declarant.

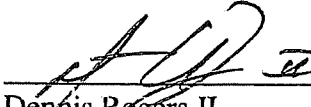
10. Indemnification: The Association shall indemnify each "director" and "officer" of the Association (as those terms are defined in A.R.S. Section 10-3850) to the fullest extent permissible: (a) under the provisions of the Arizona Nonprofit Corporation Act, including, without limitation, Chapter 31, Title 10, Article 5 of the Arizona Revised Statutes; (b) under indemnification provisions of successor or amended statutes; (c) as provided in the Declaration or the Bylaws; or (d) by any agreement adopted pursuant to the provisions of Chapter 31, Title 10, Article 5 of the Arizona Revised Statutes.

11. Director Liability: A director of the Association shall not be personally liable to the Association or its Members for monetary damages for breach of fiduciary duty as a director. This article shall not eliminate or limit the liability of a director for anything described in clauses (a) through (d), inclusive, of Section 10-3202(b)(1), Arizona Revised Statutes. If the Arizona Revised Statutes are amended to authorize further elimination or limitation of the liability of a director, then the liability of a director of the Association shall be eliminated or limited to the fullest extent

permitted by the Arizona Revised Statutes as so amended. Any repeal or modification of this article shall not increase the liability of a director of the Association arising out of acts or omissions occurring before the repeal or modification becomes effective.

12. Conflicts. In the event of any conflict between the Declaration and these Articles, the Declaration shall control. In the event of any conflict between these Articles and the Bylaws, these Articles shall control.

EXECUTED as of the date first set forth above.



Dennis Rogers II

ACCEPTANCE OF STATUTORY AGENT

Peggy Rau, having been appointed to serve as statutory agent for SAN MARCOS TERRACE HOMEOWNERS ASSOCIATION, hereby accepts said appointment and agrees to serve in that capacity until replaced by the Association in accordance with A.R.S. § 10-3502, or until the effective date of any resignation submitted by the undersigned in accordance with A.R.S. § 10-3503.

Peggy Rau

By Peggy Rau
Assistant Secretary
5255 E. Williams Circle, Suite 6000W
Tucson, Arizona 85711