

ARTICLES OF INCORPORATION

OF  
PEBBLECREEK GOLF RESORT HOMEOWNERS ASSOCIATION NO. 1, INC.

The undersigned, as incorporators, for the purpose of forming a nonprofit corporation (the "Corporation") under the laws of the State of Arizona, hereby adopt the following Articles of Incorporation:

ARTICLE I  
Name

The name of the Corporation is PebbleCreek Golf Resort Homeowners Association No. 1, Inc.

ARTICLE II  
Definitions

Capitalized terms used in these Articles of Incorporation without definition shall have the meanings specified for such terms in the Declaration of Covenants, Conditions and Restrictions of PebbleCreek Golf Resort recorded in the Official Records of Maricopa County, Arizona, as Instrument No. 92- 0525619 • As used in these Articles of Incorporation, the term "Subsequent Declaration" shall mean any declaration of covenants, conditions or restrictions, as amended from time to time, executed by Declarant that makes reference to these Articles of Incorporation and makes membership in the Corporation an incident of ownership of any part of the real property described therein.

ARTICLE III  
Duration

The Corporation shall exist perpetually.

ARTICLE IV  
Purposes

The object and purpose for which the Corporation is organized is to provide for the management, maintenance and care of the Common Areas, of other property owned by the Corporation and of property placed under the jurisdiction of the Corporation, and to perform all duties and exercise all rights imposed upon, granted to or permitted to the Corporation by these Articles of Incorporation or by the Declaration, any Tract Declaration or any Subsequent Declaration. Without limiting the generality of the foregoing, to the extent authorized by the Board, but subject to any limitations set forth in the Declaration, the Corporation shall be empowered:

(a) to accept such properties, improvements, rights and interests as may be conveyed, leased, assigned or transferred to

the Corporation; to assume such obligations and duties as may be contained in any lease assigned or transferred to the Corporation; to maintain, operate and otherwise manage all buildings, structures, improvements, landscaping, parking areas, walks, common elements, common areas, recreational areas and facilities now or hereafter constructed on the Common Areas; to pay all taxes and assessments that may be levied against Common Areas; to repair, rehabilitate and restore all buildings, structures and improvements on the Common Areas; to insure the Common Areas, PebbleCreek Golf Resort and buildings and structures thereon against such risks as the Board shall determine; to levy assessments for maintenance, operating charges and other matters as the Board shall determine in accordance with the Declaration, any Trust Declaration, any Subsequent Declaration, these Articles of Incorporation and the Bylaws of the Corporation and to enforce the collection of such assessments; to impose liens against Lots to secure the payment of obligations due from the Owners thereof, and to collect, sue, foreclose or otherwise enforce, compromise, release, satisfy and discharge such demands and liens in accordance with the Declaration and any Tract Declaration or Subsequent Declaration; to enforce any and all covenants, restrictions and agreements applicable to PebbleCreek Golf Resort; to pay all maintenance, operating and other costs and to perform all acts which in the sole discretion of the Board shall be deemed to be in the best interests of the members of the Corporation or for the peace, comfort, safety or general welfare of the members of the Corporation; to make and amend rules and regulations respecting the Common Areas and PebbleCreek Golf Resort; and to do all things necessary or appropriate to carry out and to enforce the terms and provisions of the Declaration, any Tract Declaration and any Subsequent Declaration;

(b) to purchase, acquire, lease, own, improve, develop, maintain, operate and hold real and personal property of every kind and description, including but not limited to the Common Areas, and to lease, mortgage, assign, pledge, sell, transfer, encumber, hypothecate or otherwise deal with such property;

(c) to borrow money and to issue notes, bonds and other evidences of indebtedness in furtherance of any or all of the objects and purposes of the Corporation, and to secure the same by mortgage, trust deed, pledge or other lien on or security interest in property of the Corporation;

(d) to enter into, perform and carry out leases and contracts of any kind necessary or incidental to, or in connection with, the accomplishment of any one or more of the objects and purposes of the Corporation;

(e) to lend or invest the Corporation's capital and reserves with or without security.

(f) to act as surety or guarantor, agent, trustee, broker or in any other capacity when appropriate for the fulfillment or the

furtherance of the Corporation's objects and purposes as reasonably determined by the Board;

(g) to procure such types and kinds of insurance as shall be required by the Declaration or deemed by the Board to be in the best interests of the Corporation;

(h) in general, to do and perform such acts and to transact such business in connection with the foregoing objects and purposes as may be necessary, required or appropriate; and

(i) to transact any and all lawful business for which nonprofit corporations may be incorporated under the laws of the State of Arizona.

#### ARTICLE V Character of Affairs

The character of affairs that the Corporation initially intends actually to conduct in Arizona is the fulfillment of all of the Corporation's duties and responsibilities and the exercise of all the Corporation's rights, powers and prerogatives under the Declaration.

#### ARTICLE VI Membership; Voting Rights; Declarant Control; Management Fee

As provided in the Declaration, each Owner including Declarant, shall be a Member of the Corporation so long as such Owner shall be an Owner. Each Owner shall have one Membership for each Lot owned by the Owner. A Membership in the Corporation shall not be transferred, pledged or alienated in any way, except upon transfer of the Lot to which it appertains to a new Owner. A Membership shall automatically be transferred to the new Owner upon the transfer of the Lot to which the Membership appertains (and then only to such transferee), whether the Lot is transferred by sale, intestate succession, testamentary disposition, foreclosure of a lien or other legal process.

Except to the extent expressly provided otherwise herein or in the Declaration, no Members other than Declarant shall have any voting rights until the Transition Date. Subject to Declarant's right to control the Corporation and to Declarant's right to three votes for each Membership held by Declarant from and after the Transition Date or such other date as Declarant ceases to control the Corporation, and as provided in the Declaration, the voting rights of the Owners shall be as follows: Each Membership shall be entitled to one vote. In the event that more than one person or entity constitutes the Owner of a Lot, all such persons and/or entities shall be deemed to be Members of the Association, but they shall collectively hold only a single Membership. The voting for such Lot shall be as they determine among themselves, but in no event shall the vote be split or more than one vote cast with respect to any such Membership. If such persons and/or entities

are unable to agree on how their single vote is to be cast, their vote shall not be counted.

The Corporation is not organized for the purpose of gaining pecuniary profit and shall not have or issue shares of stock. No dividend may be paid and no part of the income or profit of the Corporation may be distributed to its Members, directors or officers in violation of Arizona nonprofit corporation law.

Notwithstanding anything in these Articles of Incorporation to the contrary, until the Transition Date (as defined in the Declaration), Declarant shall have the right and power to maintain absolute control over the Corporation, including without limitation the right and power to amend these Articles of Incorporation (through control of the Board), appoint the officers of the Corporation, appoint all (or, at Declarant's option, a majority) of the members of the Board, and appoint members of the committees of the Corporation. Until the Transition Date, Declarant shall appoint three directors, and, at such time as is deemed appropriate by Declarant in its sole discretion, the Members of the Corporation other than Declarant shall elect two persons to serve on the Board for two-year terms. In addition, unless otherwise approved by Declarant in its sole discretion or otherwise required by the Declaration, until the Transition Date only Declarant shall be entitled to cast any vote with respect to any matter requiring approval of the Members. Declarant voluntarily may (but shall not be required to) relinquish control of the Corporation and thereby require the Members to assume control of the Corporation at any time. From and after the Transition Date, the date Declarant relinquishes to the Members control of the Corporation - or the date Declarant otherwise ceases to control the Corporation, whichever first occurs, Declarant shall have three (3) votes for each Membership held by Declarant. From and after the date of the Declaration and until the date fifteen (15) years after the Transition Date, Declarant or its designee shall have the right to serve as manager of the Corporation and receive from the Corporation a management fee of five percent (5%) of the total gross revenues of the Corporation from all sources as reported in the Corporation's annual financial statements.

#### SECTION VII Statutory Agent

FC Service Corporation, an Arizona corporation, whose address is Two North Central, Suite 2200, Phoenix, Arizona 85004-2390, is hereby appointed the initial statutory agent for the Corporation.

#### ARTICLE VIII Board of Directors and Officers

The business, property and affairs of the Corporation shall be managed, controlled and conducted by the Board. Until the Transition Date, the number of directors, who shall serve without

compensation, shall not exceed five (5) . After the Transition Date, the number of directors, who shall serve without compensation, shall not be less than three (3) nor more than nine (9), as shall be specified in the Bylaws. The initial Board shall consist of three (3) directors, all of whom shall be appointed by Declarant. Except for directors nominated or appointed by Declarant, each director shall be a Member or the spouse of a Member. If a director shall cease to meet such qualifications during his term, he will thereupon cease to be a director and his place on the Board shall be deemed vacant, unless the director was appointed by Declarant, in which case the vacancy shall be filled immediately by another appointee of Declarant. A director shall serve his term until he resigns or is removed and his successor is elected and qualified, except that Declarant shall have the absolute power and right to appoint and remove directors appointed by Declarant until the Transition Date. All directors shall serve two-year terms, except that prior to the Transition Date, Declarant need not periodically re-elect or re-appoint directors appointed by Declarant. The following individuals shall serve as directors until their successors are elected and qualified:

Edward J. Robson  
25612 E. J. Robson Blvd.  
Sun Lakes, Arizona 85248

Donald V. Drake  
25612 E. J. Robson Blvd.  
Sun Lakes, Arizona 85248

Michael R. Osborn  
25612 E. J. Robson Blvd.  
Sun Lakes, Arizona 85248

The Board shall have the power to adopt and amend Bylaws. The Bylaws shall prescribe, among other things, the date of the annual meeting of the members of the Corporation.

Unless otherwise required by these Articles, the Declaration or by applicable law, the acts of a majority of the directors present at a meeting at which a quorum is present shall constitute an act of the Board.

The principal officers of the Corporation shall be a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers as the Board may desire. All officers of the Corporation shall be elected by the Board of Directors. The officers of the Corporation shall have those powers, duties and responsibilities provided in the Bylaws.

ARTICLE IX  
Incorporators

The names and addresses of the Incorporators are:

Edward J. Robson  
25612 E. J. Robson Blvd.  
Sun Lakes, Arizona 85248

Steven S. Robson  
25612 E. J. Robson Blvd.  
Sun Lakes, Arizona 85248

ARTICLE X  
Private Property

The Members, directors and officers of the Corporation shall not be individually or personally liable for the debts or other liabilities of the Corporation, and the private property of the Members, directors and officers of the Corporation shall be forever exempt from corporate debts and liabilities of every kind whatsoever.

ARTICLE XI  
Indemnification

To the fullest extent permitted by law, the Corporation shall indemnify each of its committee members, directors and officers, and former committee members, directors and officers, against expenses incurred by them, including legal fees incurred by, and judgements and penalties rendered or levied against, each such person in any legal actions brought against each such person for acts or omissions alleged to have been committed by such person while acting within the scope of such person's authority as a committee member, director or officer of this Corporation, or exercising the powers of the Board.

ARTICLE XII  
Limitation of Director Liability

No director of the Corporation shall be personally liable to the Corporation or its Members for monetary damages for breach of fiduciary duty as a director; provided, however, that this Article shall not eliminate or limit the liability of a director for (a) any breach of the director's duty of loyalty to the Corporation or its members; (b) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (c) any violation of Arizona Revised Statutes Section 10-1026; (d) any transaction from which the director derived an improper personal benefit; or (e) any violation of Arizona Revised Statutes Section 10-1097.

ARTICLE XIII  
Known Place of Business

The known place of business of the Corporation shall be located at 25612 E. J. Robson Boulevard, Sun Lakes, Arizona 85248. The Corporation may establish such other offices, both within and outside the State of Arizona, as the Board may from time to time designate.

ARTICLE XIV  
Amendments

Until the Transition Date, these Articles of Incorporation may only be amended by the Board. Thereafter these Articles of Incorporation may be amended at a lawfully held meeting of the Members of the Corporation by the affirmative vote of a majority of the votes held by those Members present, whether in person or by valid proxy, after the Board has first adopted a resolution setting forth the proposed amendment and directed that it be submitted to vote by the Members; provided, however, that these Articles of Incorporation shall not be amended to contain any provision which would be contrary to or inconsistent with the Declaration or any Tract of Subsequent Declaration, and any provision or purported amendment to these Articles of Incorporation which is contrary to or inconsistent with the Declaration or any Tract or Subsequent Declaration shall be void to the extent of such inconsistency.

ARTICLE XV  
Conflicts

In the event of any conflict or inconsistency between the Declaration and these Articles, the Declaration shall govern and control.

IN WITNESS WHEREOF, the undersigned incorporators have executed these Articles of Incorporation this 21st day of September, 1992.

INCORPORATORS:

  
\_\_\_\_\_  
Edward J. Robson

  
\_\_\_\_\_  
Steven S. Robson

CONSENT TO ACT AS STATUTORY AGENT

FC SERVICE CORPORATION, an Arizona corporation, hereby consents to act as initial statutory agent for PebbleCreek Golf Resort Homeowners Association No. 1, Inc.

DATED this 3rd day of September, 1992.

FC SERVICE CORPORATION

By 

Peter M. Gerstman  
Two North Central Avenue  
Suite 2200  
Phoenix, Arizona 85004-2390