

ARTICLES OF INCORPORATION
OF
SAN MARCOS COUNTRY CLUB ESTATES
HOME OWNERS ASSOCIATION

RECORDED

SEP 27 3 47 PM '91

Sonia Greer
1/2/92

In compliance with the requirements of Arizona Revised Statutes Section 10-1028 et seq., the undersigned, a resident of Arizona and of full age, has this day executed these Articles for the purpose of forming a corporation not for profit under the laws of the State of Arizona, and adopts the following Articles of Incorporation.

ARTICLE I

NAME

The name of the corporation is the San Marcos Country Club Estates Home Owners Association, hereafter called the "Association".

ARTICLE II

INCORPORATOR

The incorporator of this corporation is: Joe L. Cook, 700 N. Golden Key Street, Suite A-5, Gilbert, Arizona 85234.

ARTICLE III

PRINCIPAL OFFICE

The principal office of the association is located at 700 N. Golden Key Street, Suite A-5, Gilbert, Arizona 85234.

ARTICLE IV

STATUTORY AGENT

Joe L. Cook, whose address is 700 N. Golden Key Street, Suite A-5, Gilbert, Arizona 85234, is hereby appointed the initial statutory agent of this Association.

ARTICLE V

PURPOSE AND POWERS OF THE ASSOCIATION

This Association does not contemplate pecuniary gain or profit to the members thereof, and the specific purposes for which it is formed are to provide for maintenance, preservation and architectural control of the residence lots and common areas within certain residential areas in the city of Chandler, Arizona, in the rectangle bounded on the north by Chandler Boulevard, on the west by Alma School Road, on the south by Frye Road and on the east by Arizona Avenue (the "Rectangle"), and to promote the health, safety and welfare of the residents within the Rectangle, and in furtherance of these purposes to:

(a) exercise all of the powers and privileges and perform all the duties and obligations of the San Marcos Fairways Home Owners Association ("SMFHOA") as set forth in SMFHOA's Declaration of Covenants, Conditions and Restrictions, as it may from time to time be amended and/or restated, the original and all amendments thereto and restatements thereof hereinafter called the "Declaration", applicable to certain properties within the Rectangle and recorded in its original form in the Office of the Maricopa County Recorder at Recorder

number 83-088038, said Declaration being incorporated herein as if set forth at length;

(b) exercise all of the powers and privileges and perform all the duties and obligations as set forth in such additional declarations of Covenants, Conditions and Restrictions as the declarants and adherents to such declarations, and the Association deem appropriate;

(c) fix, levy, collect and enforce payment by any lawful means, all charges or assessments pursuant to the terms of the Declaration, or of any additional declaration or of the Association's Bylaws; to pay all expenses in connection therewith or incident to the conduct of the affairs of the Association;

(d) acquire, own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association;

(e) borrow money, and mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;

(f) dedicate, sell or transfer all or any part of any common area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members;

(g) participate in mergers and consolidations with other nonprofit corporations organized for the same purposes or annex additional residential property and common areas;

(h) have and exercise any and all powers, rights and privileges which a corporation organized under the Non-Profit Corporation Law of the State of Arizona by law may now or hereafter have or exercise.

ARTICLE VI

CHARACTER OF AFFAIRS

The character of affairs which the Association initially intends to conduct in Arizona is to carry out the duties and responsibilities of the Association as set forth in the Declaration and other relevant declarations, including providing for the operation and maintenance of common areas, levying and collecting assessments for Association expenses, and to exert architectural control over the construction and maintenance of improvements within relevant portions of the Rectangle.

ARTICLE VII

MEMBERSHIP

Every person or entity who is a record owner of a fee or undivided fee interest in any residential lot ("Lot") which is subject by covenants of record to assessment by the Association, including contract sellers (the "Assessable Owners"), or who is a record owner of a fee or undivided fee interest in any residential lot ("Lot") within the Rectangle, if designated a member by majority vote of the Association ("Invited Owners") shall be a member of the Association. The foregoing is not intended to confer membership upon persons or entities who hold an interest merely as

security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment or otherwise granted membership by the other members.

ARTICLE VIII

VOTING RIGHTS

The Association shall have two classes of voting membership:

Class A. Class A members shall be all Assessable and Invited Owners, with the exception of the Developer, and shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any Lot.

Class B. The Class B member shall be the Developer (Focus Development Corporation) and shall be entitled to four (4) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership upon the earlier to occur of either of the following events (the "Triggering Event"):

- (a) the total votes outstanding in the Class A membership equal or exceed the total votes outstanding in the Class B membership; or
- (b) January 1, 2007.

ARTICLE IX

BOARD OF DIRECTORS

The affairs of this Association shall be managed by a Board of not less than three (3) nor more than nine (9) Directors, who need not be members of the Association. Until the Triggering Event there shall be three (3) Directors, thereafter there shall be nine (9). The names and addresses of the persons who are to act in the capacity of Directors until the selection of their successors are:

Joe L. Cook
700 N. Golden Key Street
Suite A-5
Gilbert, Arizona 85234

David W. Lords
1745 S. Alma School Road
Number 145
Mesa, Arizona 85210

Steve Pettigrew
560 W. San Marcos Drive
Chandler, Arizona 85224

ARTICLE X

DISSOLUTION

The Association may be dissolved with the assent given in writing and signed by not less than three-fifths (3/5) of the qualified votes of the entire membership. Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall either be dedicated to an appropriate public agency to be used for purposes similar to those for which this Association was created, or granted, conveyed and assigned to a nonprofit corporation, association, trust or other organization to be devoted to such similar purposes.

ARTICLE XI

DURATION

The corporation shall exist perpetually.

ARTICLE XII

AMENDMENTS

Amendment of these Articles shall require the assent of fifty-five percent (55%) of the qualified votes of the entire membership.

ARTICLE XIII

INDEMNIFICATION

To the fullest extent permitted by law, the Association shall indemnify every officer and director of the Association, and every other person serving as an employee or direct agent of the Association, or on behalf of the Association as a member of the committee or otherwise, may, in the discretion of the Board, be indemnified by the Association, against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed upon him in connection with any proceedings to which he may be a party, or in which he may become involved, by reason of his being or having served in such capacity on behalf of the Association, or any settlement thereof, whether or not he is a director, officer or serving in such other specified capacity at the time such expenses are incurred, provided that the Board shall determine, in good faith, that such officer, director, or other person, did not act, fail to act, or refuse to act willfully or with gross negligence or fraudulent or criminal intention the

performance of his duties. The foregoing rights of indemnification shall be in addition to and not exclusive of all other rights to which such persons may be entitled at law or otherwise.

ARTICLE XIV

LIMITATION OF DIRECTOR LIABILITY

No director of the Association shall be personally liable to the Association or its members for monetary damages for breach of fiduciary duty as director; provided, however, that this Article XIV shall not eliminate or limit the liability of a director to the extent provided by applicable law for:

(a) any breach of the director's duty of loyalty to the Association or its members;

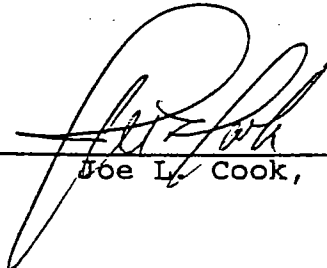
(b) acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law;

(c) violation of Section 10-1026 of the Arizona Revised Statutes;

(d) any transaction from which the director has ceased to occupy such position as to acts or omissions occurring during such director's term or terms of office, and no amendment or repeal of this Article XIV shall apply to or have any effect on the liability or alleged liability of any director of the Association for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

IN WITNESS WHEREOF, for the purposes of forming this

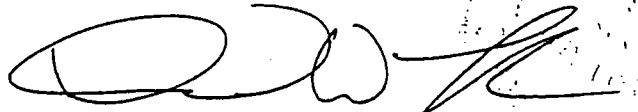
corporation under the laws of the State of Arizona, the undersigned incorporator of this Association, has executed these Articles of Incorporation this 27th day of December, 1991.



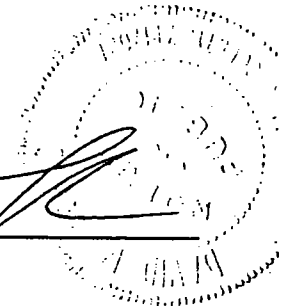
Joe L. Cook, Incorporator

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 27th day of December, 1991, by Joe L. Cook.



Notary Public



My commission expires:

11/9/94