

ARTICLES OF INCORPORATION
OF
GARDEN LAKES MANOR ASSOCIATION

KNOW ALL MEN BY THESE PRESENTS:

That we, the undersigned, voluntarily associated ourselves together at a meeting held at 4820 South Mill Avenue, Tempe, Arizona 85282, at 10:00 o'clock a.m. on July 21, 1986, for the purpose of forming a private, non-profit corporation, the object of which is not pecuniary profit, having the purpose hereinafter set out, under and pursuant to Chapter 5, Title 10 of the Arizona Revised Statutes, and for the further purpose of electing directors for said corporation. We do hereby adopt the following Articles of Incorporation:

1. Name: The name of the corporation (hereinafter referred to as the "Association") shall be GARDEN LAKES MANOR ASSOCIATION.

2. Purpose: The Association is organized and shall be operated for the purposes set forth for the "Association" in that certain Declaration of Covenants, Conditions and Restrictions for Garden Lakes Manor (the "Declaration") recorded on July 3, 1986 at Recorder's No. 86-342525, in the office of the Maricopa County, Arizona Recorder, including, but not limited to, the acquisition, construction, management, maintenance and care of association property, provided, how-

ever, that the foregoing shall not be construed as a limitation on the activities and businesses in which the Association may ultimately engage.

3. Business: The Association initially intends to engage in the following activities (which shall be construed as the character of the non-profit business which the Association initially intends to conduct in the State of Arizona):

- a. Provide for the acquisition, construction, management, maintenance and care of association property; and
- b. Perform all matters to be performed by the "Association," as that term is used in the Declaration. Such initial intention shall in no manner whatever limit the character of the activities and businesses in which the Association may ultimately engage.

4. Authorized Stock: The Association shall have no capital stock.

5. Statutory Agent: The name and address of the initial statutory agent of the Association is C. Randall Bain, 222 North Central Avenue, P.O. Box 400, Phoenix, Arizona 85001.

6. Known Place of Business: The known place of business of the Association shall be 4820 South Mill Avenue, Tempe, Arizona 85282, but different and other offices and places for conducting business, both within and without the State of Arizona, may be established from time to time by the board.

7. Board of Directors; Annual Meetings of Members:

The business and affairs of the Association shall be conducted by a Board of Directors (herein referred to as "the board"). The annual meetings of the members of the Association shall be held on the second Thursday of October in each year, commencing with Thursday, October 9, 1986, or such other time as the board shall designate. The following three persons, elected by the incorporators at a meeting held on July 21, 1986, at Tempe, Arizona, shall constitute the board of the Association and shall serve in such capacity until their successors are elected and qualified:

Howard J. Paynter
4820 South Mill Avenue
Tempe, Arizona 85282

Wayne H. Corbridge
4820 South Mill Avenue
Tempe, Arizona 85282

Caryn Mader
4820 South Mill Avenue
Tempe, Arizona 85282

Otherwise, the number of persons to serve on the board shall be fixed by the Bylaws of the Association but in no event shall it be less than three nor more than seven; further, each member of the board shall be elected for such term as shall be fixed by the Bylaws of the Association, provided, however, that in no event shall any change in the length of such term effected by an amendment to said Bylaws be applied so as to shorten the term being served by any member of the board at the time such amendment is adopted. No person shall be eligible for election

as a director who is not at the time of election a member of the Association, except such persons as may be designated from time to time by Realty Dealers, Ltd., an Illinois limited partnership ("Developer") (or by an assignee of Developer's rights under the Declaration), or by a corporate, partnership or other non-individual owner (or seller under a recorded executory contract) of a Lot within the Property, as those terms are defined in the Declaration. If, after election: (a) any director except for a director designated by Developer (or by an assignee of Developer's rights under the Declaration) or by a corporate, partnership or non-individual owner (or seller under a recorded executory contract) of a Lot within the Property ceases to be a member, his office shall become vacant; or (b) a corporation, partnership or other non-individual entity ceases to be a member, any director serving by virtue of having been designated for election by such corporation, partnership or other non-individual entity shall thereupon cease to be a director and his office shall become vacant.

8. Quorum: A quorum at a meeting of the board shall consist of one-half (1/2) of the number of the directors then serving (except that if three (3) directors be then serving, a quorum shall be two (2), and if one (1) director be then serving, a quorum shall be one (1)). Except as otherwise provided by the Declaration (and, in particular, except with respect to the imposition of Special Assessments or certain increases in General Assessments, with respect to which a quo-

rum at a meeting of members is to be determined as provided in the Declaration), a quorum at a meeting of members shall consist of the number of members holding ten percent (10%) of the votes in each class of members (whether represented in person or by valid proxy).

9. Incorporators: The names and addresses of the incorporators of the Association are:

Howard J. Paynter
4820 South Mill Avenue
Tempe, Arizona 85282

Wayne H. Corbridge
4820 South Mill Avenue
Tempe, Arizona 85282

10. Net Earnings: No part of the net earnings of the Association shall inure (other than by acquiring, constructing or providing management, maintenance and care of association property, and other than by a rebate to members of excess membership dues, fees and assessments (and not net earnings)) to the benefit of or be distributable to any member, director or officer of the Association, or to any private individual, except that reasonable compensation may be paid for services rendered to or for the Association and other payments and disbursements may be made in furtherance of one or more of its purposes. Upon the dissolution of the Association, the assets, both real and personal of the Association, after rebate to members of excess membership dues, fees and assessments (and not net earnings) shall be dedicated to an appropriate public agency or utility to be devoted to purposes as nearly as is

practicable the same as those to which they were required to be devoted by the Association. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed, and assigned to any non-profit corporation, association, trust or other organization to be devoted to purposes as nearly as is practicable the same as those to which they were required to be devoted by the Association.

11. Members: The members of the Association and their voting rights shall be determined in the manner set forth in the Declaration.

12. Amendments: The Articles and the Bylaws of the Association may be amended by following the procedure hereinafter set out. The board shall adopt a resolution setting forth the proposed amendment and directing that it be submitted to a vote at a meeting of members entitled to vote on the proposed amendment, which may be either an annual or a special meeting, and if approved by members holding (either personally or by valid proxy) the Applicable Percentage (defined below) of the votes eligible to be cast on the amendment (including votes otherwise eligible to be cast but not represented personally or by valid proxy at such meeting), such amendment shall have been adopted, provided, however, that a copy of any such proposed amendment or a summary of the changes to be effected shall have been given to each member in good standing at least ten (10) days prior to said meeting of the members. For purposes hereof, the "Applicable Percentage" shall mean, in the case of

an amendment to the Articles, seventy-five percent (75%), and in the case of an amendment to the Bylaws, fifty-one percent (51%). Any number of amendments may be submitted and voted upon at any one meeting. Notwithstanding the foregoing, so long as the Class "B" membership is in existence, the following actions shall require the prior approval of the Federal Housing Administration and the Veterans Administration: (a) amendment of these Articles of Incorporation or of the Bylaws of the Association; (b) dissolution of the Association; (c) merger or consolidation of the Association with any other entity; (d) dedication by the Association of any or all of the Common Area (as defined in the Declaration); and (e) annexation of any additional properties.

13. Private Property: Private property of the incorporators, members, directors and officers of the Association shall be forever exempt from all corporate debts of any kind whatsoever, provided, however, that nothing contained in this Article shall limit the liability of members' property for payment of assessments levied by the Association.

14. Fiscal Year: The fiscal year of the Association shall run from January 1 through December 31 of each year.

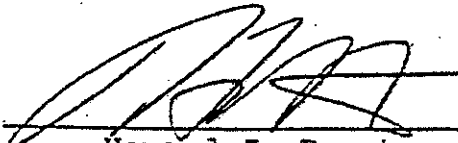
15. Indemnification of Officers, Directors, Employees and Agents: Subject to the further provisions hereof, the Association shall indemnify any and all of its existing or former directors, officers, employees and agents against all expenses incurred by them and each of them, including but not

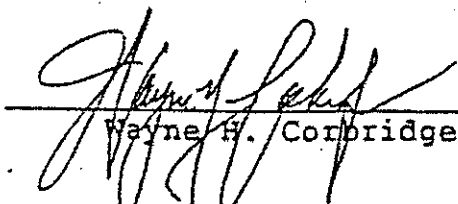
limited to, legal fees, judgments, penalties and amounts paid in settlement or compromise, which may arise or be incurred, rendered, or levied in any legal action brought or threatened against any of them for or on account of any action or omission alleged to have been committed while acting within the scope of his or her service as a director, officer, employee or agent of the Association, whether or not any action is or has been filed against them and whether or not any settlement or compromise is approved by a court. Indemnification shall be made by the Association whether the legal action brought or threatened is by or in the right of the Association or by any other person. Whenever any existing or former director, officer, employee or agent shall report to the president of the Association or the chairman of the board that he or she has incurred or may incur expenses, including, but not limited to, legal fees, judgments, penalties and amounts paid in settlement or compromise in a legal action brought or threatened against him or her for or on account of any action or omission alleged to have been committed by him or her while acting within the scope of his or her service as a director, officer, employee or agent of the Association, the board shall, at its next regular or at a special meeting held within a reasonable time thereafter, determine in good faith whether, in regard to the matter involved in the action or contemplated action, such person acted, failed to act or refused to act willfully or with gross negligence or with fraudulent or criminal intent. If the board

determines in good faith that such person did not act, fail to act or refuse to act willfully or with gross negligence or with fraudulent or criminal intent in regard to the matter involved in the action or contemplated action, indemnification shall be mandatory and shall be automatically extended as specified herein, provided, however, that the Association shall have the right to refuse indemnification in any instance in which the person to whom indemnification would otherwise have been applicable shall have unreasonably refused to permit the Association, at its own expense and through counsel of its choosing, to defend him or her in the action. The indemnification provided by this Article 15 is not exclusive of any other rights to indemnification provided by Section 10-1005 of Arizona Revised Statutes (or the corresponding provision of any future Arizona Nonprofit Corporation Act) or otherwise provided by law.

IN WITNESS WHEREOF, for the purpose of forming the Association under the laws of the State of Arizona, we, the undersigned incorporators, have executed these Articles of Incorporation as of the 21st day of July, 1986.

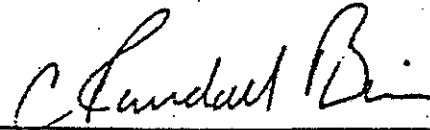
INCORPORATORS:


Howard J. Paynter


Wayne H. Corbridge

ACCEPTANCE OF STATUTORY AGENT

The undersigned, having been appointed to serve as statutory agent for Garden Lakes Manor Association, hereby accepts said appointment and agrees to serve in such capacity until replaced by the Association in accordance with A.R.S. § 10-1009(A) and (B), or until the effective date of any resignation submitted by the undersigned in accordance with A.R.S. § 10-1009(C).



C. Randall Bain