

AZ. CORP. COMMISSION
FOR THE STATE OF AZ.
FILED

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APPR *Quana Mendo*
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ARTICLES OF INCORPORATION
OF
TROON VILLAGE ASSOCIATION

The undersigned, as incorporators, have this date associated to form a nonprofit corporation under and pursuant to the laws of the State of Arizona, and hereby adopt the following Articles of Incorporation.

ARTICLE 1

Name; Place of Business

1.01. The name of this Corporation shall be TROON VILLAGE ASSOCIATION (the "Association"). The principal place of business of this Corporation is located at 8787 East Pinnacle Peak Road, Scottsdale, Maricopa County, Arizona 85255, but other places of business and other offices may be established and maintained at such other places as the Board of Directors may from time to time determine.

ARTICLE 2

Business and Purpose

2.01. This Association is formed pursuant to and subject to that certain Declaration of Covenants, Conditions and Restrictions for Troon Village, dated December 28, 1984, recorded December 28, 1984 as Instrument No. 84-557396 records of Maricopa County, Arizona (the "Declaration") the terms of which are incorporated herein by this reference. The Association is formed to serve as the governing body for all of the Owners of Lots and Parcels within Troon Village in Scottsdale, Arizona and for the performance of such duties and functions as are given and assigned to it by the Declaration, as the same may hereafter be amended. The capitalized terms utilized in these Articles shall have the same meanings as set forth in the Declaration.

2.02. The objects, purposes and powers of the Association and the general nature of the activities it proposes to undertake are:

- (a) To exercise its powers and functions as set forth in the Declaration, with respect to any property duly conveyed to the Association (the "Property").

(b) Subject to the restrictions and limitations contained in the Declaration, the Association may enter into contracts and transactions with others, including Candlewood Investors, an Arizona joint venture (the "Declarant") and its affiliated companies, and such contracts or transactions shall not be invalidated or in any way affected by the fact that one or more directors or officers of the Association or members of any committee are employed by or otherwise connected with Declarant or its affiliates, provided that the fact of such interest shall be disclosed or known to the other directors acting upon such contract or transaction, and provided further that the transaction or contract is fair and reasonable. Any such director, officer or committee member may be counted in determining the existence of a quorum at any meeting of the Board or committee of which he is a member which shall authorize any contract, transaction or approval with like force and effect as if he were not so interested.

(c) The Association shall maintain at least \$1,000,000 (combined limits) of insurance against liability incurred as a result of death or injury to persons or damage to property on the Property. The Association may also maintain such other insurance as the Board determines is prudent under the circumstances.

(d) The Association may improve the Property (subject to the limitations set forth in Section 3.01 of the Declaration), and shall manage and maintain the Property at a reasonably high standard of care, reflecting the first-class nature of Troon Village.

(e) The Association shall have the right to levy and collect assessments and expend funds as provided in Article 7 of the Declaration.

(f) The Association shall have the right to do such other things as are expressly authorized in the Declaration for the Association, the Board, or any committee of either to perform, as well as such things as are reasonably necessary or proper for, or incidental to, the exercise of such express powers and duties.

(g) The Association shall have the right to sue and be sued.

(h) The Association shall perform the functions and discharge the obligations delegated to or imposed upon the Association, the Board, or any committee of either.

2.03. The character of business which the Association initially intends actually to conduct in the State of Arizona consistent with the requirements of Section 528 or, if the Association so elects, Section 501(c)(4) of the Internal Revenue Code of 1954, as amended, and the regulations pertaining thereto, is the operation of a maintenance association to provide for the acquisition, construction, management, maintenance and care of the Property of the Association for the benefit of its Members.

ARTICLE 3

Restrictions

3.01. Notwithstanding anything herein contained to the contrary, no part of the activities of the Association shall be devoted to carrying on propaganda or otherwise attempting to influence legislation and the Association shall make no gift, donation or contribution to any institution or organization engaged in such activities. No part of the net earnings of the Association shall inure to the benefit of any Member or individual (other than by acquiring, constructing, or providing management, maintenance, and care of the Association's property and other than by a rebate of excess Assessments).

ARTICLE 4

Nonprofit

4.01. This Association shall be a nonprofit corporation. No stock shall be issued by this Association and no dividends or pecuniary profits shall be paid to its Members or directors or to any private individuals. All of the earnings of this Association shall be used to further the purpose of this Association as hereinabove set forth.

ARTICLE 5

Board of Directors

5.01. The Board of Directors of this Association shall be comprised of at least three (3) but no more than five (5) members who shall be appointed or elected to serve one (1) year terms as more particularly set forth in these

Articles and the Bylaws of this Association. The initial members of the Board of Directors having been designated by the incorporators of the Association, who shall hold office until their successors have been duly appointed, are as follows:

Jerry Nelson
8787 E. Pinnacle Peak Rd.
Scottsdale, AZ 85255

Robert A. Bradburn
230 Bentall Bldg.
Edmonton, Alberta
Canada T5J 0W5

Douglas Simonson
8787 East Pinnacle Peak Rd.
Scottsdale, AZ 85255

ARTICLE 6

Membership

6.01. Each and every Owner at Troon Village shall be a Member of this Association. An Owner shall remain a Member of this Association until such time as he ceases to be an Owner, at which time his membership in this Association shall automatically cease. Ownership of a Lot or Parcel shall be the sole qualification and criterion for membership.

6.02. A membership in this Association shall not be transferred, pledged or alienated in any way, except upon the sale of a Lot or Parcel and then only to the purchaser, or by intestate succession, testamentary disposition, foreclosure of mortgage of record or other legal process. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of this Association. In the event an Owner fails or refuses to transfer the membership registered in his name to the purchaser of such Lot or Parcel, the Association shall have the right to record the transfer upon the books of the Association and thereupon the old membership outstanding in the name of the seller shall be null and void as though the same had been surrendered.

6.03. If a Lot or Parcel is owned by two or more persons in joint tenancy, tenancy in common, or as community property or other form of joint ownership, the membership as to such Lot or Parcel shall nevertheless be a single membership and the joint Owners shall designate to the Association, in writing, the person who shall have the power to vote the membership. In the absence of such a designation, and until such a designation is made, the Board shall make the designation. No certificates of membership shall be issued, and memberships shall be evidenced by an official list of Owners kept by the secretary of the Association.

ARTICLE 7

Voting Rights

7.01. Each Owner shall have the following number of votes in the Association, which such Owner may exercise in the manner and at the times specified in the Declaration and the Bylaws.

(a) One (1) vote for each Lot owned by the Owner.

(b) One (1) vote for each acre, or fraction thereof, in each Parcel owned by the Owner. However, if an apartment building or other multi-family building is constructed on a Parcel and unless the provisions of Paragraph (c) below apply, then, upon issuance of a certificate of occupancy or other evidence of substantial completion of the building and thereafter until such time, if ever, that the building no longer exists, the votes with respect to that Parcel shall be determined by allocating one-half (1/2) vote for each residential apartment or residential dwelling unit on the Parcel.

(c) If a horizontal property regime establishing a condominium has been recorded with respect to a Parcel, then upon issuance of a certificate of occupancy or other evidence of substantial completion of the condominium building and thereafter until such time, if ever, that the building no longer exists, the votes with respect to that Parcel shall be determined by allocating one (1) vote for each condominium unit owned.

7.02. Except as provided in Section 7.01(b) above, fractional votes shall not be allowed. However, if an Owner holds more than one vote, the votes needs not be cast as a unit.

ARTICLE 8

Private Property

8.01. The incorporators, members, directors, and officers of this Association shall not be individually liable for the Association's debts or other liabilities and the private property of such incorporators, members, directors and officers shall be exempt from all corporate debts and obligations. However, nothing herein contained shall limit or re-

strict any liability, obligation or responsibility of the members hereof to each other or to this Association as set forth in the Declaration, as amended or supplemented from time to time. Similarly, nothing in these Articles shall limit or restrict any liability, obligation or responsibility of directors and officers to this Association.

ARTICLE 9

INDEMNIFICATION

9.01. This Association shall indemnify any and all of its present or former directors, officers or employees against any expenses incurred by them, including legal fees, or judgments or penalties rendered or levied against any such person while acting within the scope of his authority, provided that the Board of Directors shall determine 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 matters involved in the action or omission.

ARTICLE 10

Statutory Agent

10.01. General Investment Company, 3100 Valley Bank Center, Phoenix, Arizona 85073, is hereby appointed as the statutory agent of this Association upon which all notices and process, including summons, may be served. The Board of Directors may revoke the appointment of such agent at any time and shall have the power to fill any vacancy.

ARTICLE 11

Fiscal Year

11.01. The fiscal year of the Association shall be the calendar year and shall begin on the first day of January of every year, except that the first fiscal year of the Association shall begin on the date of incorporation. The commencement date of the fiscal year herein established shall be subject to change by the Board should corporate practice subsequently dictate.

ARTICLE 12

Conflict

12.01. These Articles shall not be amended or otherwise changed or interpreted, for any reason, so as to be

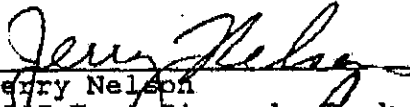
inconsistent with the Declaration. To the extent that these Articles shall be contrary to or inconsistent with provisions of the Declaration, these Articles shall be considered superseded by the Declaration.

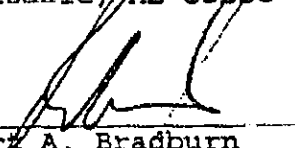
ARTICLE 13

Amendments

13.01. Prior to the Change Date, these Articles may be amended by the majority vote of the Board at a meeting of the Board duly called pursuant to the Bylaws for the adoption of the amendment. After the Change Date, the Articles may be amended by the affirmative vote of Owners holding at least seventy-five percent (75%) of the total voting power in the Association at a meeting of the Association duly called pursuant to the Bylaws for the adoption of the amendment. Written documentation of any amendment to these Articles, duly signed and acknowledged by the president or vice president and attested by the secretary or assistant secretary of the Association and, if the amendment is adopted prior to the Change Date by the Board, shall be filed with the Arizona Corporation Commission.

IN WITNESS WHEREOF, for the purpose of forming this Association under the laws of the State of Arizona, we, the undersigned, constituting the incorporators of this Association, have executed these Articles of Incorporation this 1st day of June, 1985.


Jerry Nelson
8787 East Pinnacle Peak Road
Scottsdale, AZ 85255


Robert A. Bradburn
230 Bental Bldg.
Edmonton, Alberta
Canada T5G 0W5

STATE OF ARIZONA)
COUNTY OF MARICOPA) ss.

The foregoing instrument was acknowledged before me
this 1st day of June, 1988 by JERRY NELSON.

Barbara J. Williams
Notary Public

My commission expires:
My Commission Expires April 30, 1986

STATE OF Arizona)
COUNTY OF Maricopa) ss.

The foregoing instrument was acknowledged before me
this 1st day of June, 1985 by ROBERT A.
BRADBURN.

Barbara J. Williams
Notary Public

My commission expires:
My Commission Expires April 30, 1986

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ACCEPTANCE OF STATUTORY AGENT

General Investment Company, an Arizona corporation, having been designated to act as Statutory Agent of TROON VILLAGE ASSOCIATION, hereby consents to act in that capacity until resignation is submitted in accordance with the Arizona Revised Statutes.

GENERAL INVESTMENT COMPANY

By Roberta Hightower
Roberta Hightower
Assistant Secretary



ARIZONA CORPORATION COMMISSION

AUGUST 1, 1985

TROON VILLAGE ASSOICATION

The purpose of this letter is to notify you that your Articles of Incorporation have been approved.

Within sixty (60) days from the filing date you must have published in a newspaper of general circulation in the county of the known place of business, for three (3) consecutive publications, a copy of the articles of incorporation. An Affidavit evidencing such publication must be delivered to the Commission for filing within ninety (90) days after filing the articles of incorporation.

All corporations are required to file an annual report. Since your Fiscal Year End is DECEMBER 31, 1985, the annual report is due on that date and becomes delinquent after three (3) months and fifteen (15) days.

If you are in need of further information, you may contact us at (602) 255-3135.

Very truly yours,

FILED IN
MARICOPA COUNTY

GRACIE MENDOZA

Examiner Technician
Incorporating Division
Arizona Corporation Commission