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ARIZONA CORPORATION COMMISSION

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JOANNE C. MACDONNELL  
DIRECTOR, CORPORATIONS DIVISION

DALLAS PETERSEN  
371 W CULLUMBER AVE  
GILBERT, AZ 85233

RE: DESERT CROSSING HOMEOWNER'S ASSOCIATION, INC.  
File Number: -1041322-2

We are pleased to notify you that your Articles of Incorporation were filed on August 12, 2002.

You must publish a copy of your Articles of Incorporation. The publication must be in a newspaper of general circulation in the county of the known place of business in Arizona (as filed with the Commission) for three (3) consecutive publications. A list of newspapers is available on the Commission web site. An affidavit from the newspaper, evidencing such publication, must be delivered to the Commission for filing within NINETY (90) DAYS from the File Date. Make sure the newspaper published the corporation documents using the exact name filed with the Commission.

All corporations transacting business in Arizona are required to file an Annual Report with the Commission, on the anniversary of the date of incorporation. Each year, a preprinted Annual Report form will be mailed to the corporation's known place of business approximately two months prior to the due date of the report. Should the report fail to arrive, contact the Commission. It is imperative that corporations notify the Commission immediately (in writing) if they change their corporate address, statutory agent or agent address. Address change orders must be executed (signed) by a corporate officer. Postal forwarding orders are not sufficient.

The Commission strongly recommends that you periodically check Commission records regarding the corporation. The Commission web site [www.cc.state.az.us/corp](http://www.cc.state.az.us/corp) contains information specific to each corporation of record and is a good general source of information.

If you have any questions or need further information, please contact us at (602) 542-3135 in Phoenix, (520) 628-6560 in Tucson, or Toll Free (Arizona residents only) at 1-800-345-5819.

Sincerely,  
MARGARET COTA  
Examiner  
Corporations Division

CF:04, Rev:10/2001

AZ. CORP. COMMISSION  
FILED

AUG 12 2002

APPR  
TERM  
DATE

*M. J. ...*  
*8-12-02*

ARTICLES OF INCORPORATION  
OF

DESERT CROSSING HOMEOWNER'S ASSOCIATION, INC.

1041322-2

Pursuant to that certain Declaration of Covenants, Conditions and Restrictions for Desert Crossing dated August 5, 2002 and recorded August 6, 2002 as Instrument No. 2002-0800941 in the office of the County Recorder of Maricopa County, Arizona, as the same may be amended from time to time (the "Master Declaration"), and in compliance with the requirements of Arizona Revised Statutes 10-1001 et seq. (the "Act"), the undersigned have this day voluntarily associated themselves together for the purpose of forming a nonprofit corporation and do hereby adopt the following Articles of Incorporation:

1. DEFINITIONS: The words and terms used herein shall be deemed to have the same meanings as are given those words and terms in the Master Declaration. "Declarant" as used herein shall refer to Sunstone Homes, L.L.C., an Arizona Limited Liability Corporation, and the successors and assigns of Declarant's rights and powers under the Master Declaration.
2. NAME: The name of the corporation is Desert Crossing Homeowners Association, Inc., hereafter called the "Association."
3. PRINCIPAL PLACE OF BUSINESS: The principal and known place of business and office of the association shall initially be located at 371 W. Cullumber, Gilbert, Arizona 85233.
4. STATUTORY AGENT: Dallas Petersen, a bona fide resident of the State of Arizona, whose address is 371 W. Cullumber Ave, Gilbert, AZ 85233, is hereby appointed the initial statutory agent of the Association.
5. PURPOSES, POWERS AND CHARACTER OF AFFAIRS:
  - 5.1 Purposes and Initial Purposes. This Association does not contemplate pecuniary gain for which the Association is formed or profit to the Members thereof. The specific purposes and the initial purpose are to provide for the orderly development, maintenance, preservation and architectural control, as provided in the Master Declaration; and to promote the health, safety and welfare of the Owners, Lessees and Residents within Desert Crossing and any additions thereto.
  - 5.2 Powers. For the purposes set forth in Subsection 1 above, and subject to any limitations set forth in the Master Declaration; the Association shall have the power to:
    - 5.2.1 Exercise all the powers and privileges and to perform all of the duties and obligations of the Association as set forth in the Master Declaration, as the same may be amended from time to time as therein provided, said Master Declaration being incorporated herein as if set forth at length;
    - 5.2.2 Fix, levy, collect and enforce payment of, by any lawful means, all charges or assessments pursuant to the terms of the Master Declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including all licenses, taxes or governmental charges levied or imposed against the property of the Association;
    - 5.2.3 Acquire (by gift, purchase or otherwise), 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;
    - 5.2.4 Borrow money, guarantee payment or performance of obligations, 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;

- 5.2.5 Dedicate, sell or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Association. Unless otherwise required by zoning stipulations effective prior to the date hereof or specified on a recorded subdivision plat, no such dedication or transfer shall be effective unless an instrument has been signed by the Owners of two-thirds (2/3) of the total number of Memberships attributed to both Class A and Class B Members in a recorded document agreeing to such dedication, sale or unless transfer, or such dedication or transfer is to public agencies, authorities or utilities in accordance with the Master Declaration;
- 5.2.6 Participate in mergers and consolidations with other nonprofit corporations organized for the same purposes or annex additional property and common areas; provided, however, that any such merger, consolidation or annexation shall have the assent of the Owners of two-thirds (2/3) of the total number of Memberships attributable to both Class A and Class B Members;
- 5.2.7 Establish and adopt Bylaws, the Desert Crossing Homeowners Association Rules and other rules and regulations deemed necessary and expedient to carry into effect the objects and purposes of the Association; and
- 5.2.8 Have and to exercise any and all powers, rights and privileges which a corporation organized under the Act may by law now or hereafter have or exercise.

5.3 Limitation of Purposes. Notwithstanding 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 the benefit of any Member or individual (other than by promoting social and recreational activities for Members, by acquiring, constructing, or providing management, maintenance, and care of the Common Area, or by a rebate of excess membership dues, fees or assessments).

5.4 Character of Affairs. The character of affairs which the Association initially intends actually to conduct in Arizona is to carry out the duties and responsibilities of the Association as set forth in its Declaration, including the providing of an organizational structure for Members to engage in social and recreational activities, to provide for the operation and maintenance of Common Areas, to levy and collect assessment for the expenses of the Association and to exert architectural control over the construction and maintenance of improvements in Desert Crossing.

6. BOARD OF DIRECTORS: The control and management of the affairs of this Association shall be vested in a Board of Directors of not less than three (3) nor more than eight (8) directors who need not be Members of the Association. The names and addresses of the persons who are to serve as directors beginning with the incorporation of the Association until their successors are elected and qualified are:

<u>Names</u>	<u>Addresses</u>
Dallas Petersen	371 W. Cullumber Ave, GILBERT, AZ
Bradley Clark	371 W. Cullumber Ave. GILBERT, AZ
Lane Spencer	371 W. Cullumber Ave. GILBERT AZ

7. AMENDMENTS: Anything in the Articles to the contrary notwithstanding, the Board shall have the right to amend all or any part of the Articles to such an extent and with such language as may be required by the Federal Housing Administration ("FHA") or the Veterans Administration ("VA") and to further amend the Articles to the extent requested by any other federal, state or local governmental agency's approval of the Articles or by any federally chartered lending institution as a condition precedent to the lending funds upon the security of any Lot(s) or Parcel(s) or any portions

thereof. In the event of such an amendment, articles of amendment shall be executed, filed and published as provided under Arizona law. It is the desire of Developer to retain control of the Association and its activities through the Board of Directors during the anticipated period of planning and development of Desert Crossing and until the Class B Membership ceases pursuant to Article 6, Section 4 above. If any amendment requested pursuant to the provisions of this Section deletes, diminishes or alters such control, the Board shall have the right to prepare, provide for and adopt, as an amendment hereto, other and different control provisions. All other amendments to the Articles shall require the affirmative vote of at least two-thirds (2/3) of the owners of the Lots.

8. DURATION AND DISSOLUTION: The Association shall exist so long as the Master Declaration is in effect, which shall be for an initial period of thirty (30) years and for automatic successive extension periods of ten (10) years each unless the Master Declaration is terminated. If the Association is dissolved, the assets shall be dedicated to a public body, or conveyed to a non-profit organization with similar purposes.

9. INCORPORATOR: The name and address of the Incorporator is as follows:

<u>Name</u>	<u>Address</u>
Dallas Petersen	371 W. Cullumber Ave Gilbert, AZ 85233

10. INTERPRETATION: In the event that any provision hereof is inconsistent with derogation of the Master Declaration, the provisions of the Master Declaration shall be deemed to control.

11. INDEMNIFICATION: The Association shall indemnify all of its Directors and Officers, to the maximum extent authorized by law, against expenses incurred by them, including without limitation legal fees, and judgments and penalties rendered or levied against them are any of them in any legal action brought against any such persons for actions or omissions alleged to have been committed by any such person while acting within the scope of his or her employment as a Director or Officer of the Association, 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 matter involved in the action, and provided further that no such indemnification shall be available with respect to liabilities under the Securities Act of 1933, and provided further 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 own choosing, to defend him or her in any such legal action. Whenever any such present or former Director or Officer shall report to the President of the Association or the Chairman of the Board of Directors that he or she has incurred or may incur any such expenses, the Board of Directors shall, at its next regular meeting held within a reasonable time thereafter, determine in good faith whether such person acted, failed to act, or refused to act willfully, with a gross negligence or with fraudulent or criminal intent in regard to the matter involved in the action. If the Board of Directors 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, indemnification shall be mandatory and shall be automatically extended as specified herein, except as otherwise provided hereinbefore.

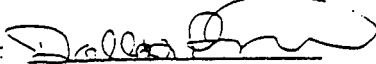
12. FHA/VA APPROVAL: If the Master Declaration and these Articles have been initially approved by the FHA or the VA in connection with any loan programs

made available by FHA or VA and any loans have been made on property in Desert Crossing which are insured or guaranteed by FHA or VA, then as long as there is Class B Membership, the following actions may require the prior approval of the FHA or VA, based on the then existing guidelines and procedures of the FHA or VA or, unless the need for such approval has been waived by FHA or VA: (i) annexation of additional properties (ii) merger, consolidation, or dissolution of the Association, (iii) mortgaging of the Common Area, (iv) dedication of the Common Area except as required by zoning stipulations effective prior to the date hereof, and (v) dissolution and amendment of these Articles.

13. MEMBERSHIP: Membership in the Association shall be limited to Owners of Lots. An Owner of a Lot shall automatically, upon becoming the Owner thereof, be a Member of the Association and shall remain a Member of the Association until such time as his ownership ceases for any reason, at which time his membership in the Association shall automatically cease.

IN WITNESS WHEREOF, for the purpose of forming this corporation under the laws of the State of Arizona, the undersigned, the Incorporator of this Association, has executed these Articles of Incorporation this 7<sup>th</sup> day of August, 2002.

Sunstone Homes, L.L.C.  
An Arizona Limited Liability Corporation

By:   
Dallas S. Petersen  
President / STATUTORY AGENT

I, Dallas Petersen having been designated to act as Statutory Agent, hereby consent to act in that capacity until removed or resignation is submitted in accordance with Arizona Revised Statutes

DATED this 7<sup>th</sup> day of AUGUST, 2002