

BYLAWS
OF
DESERT CROSSING HOMEOWNERS
ASSOCIATION, INC.

1. **NAME AND LOCATION:**

The name of the corporation is the DESERT CROSSING HOMEOWNERS ASSOCIATION hereinafter referred to as the "Association." The location of the principal office of the Association shall be as provided in the Articles of Incorporation. Meetings of Members and Directors may be held at such places within the State of Arizona, Maricopa County, as may be designated by the Board of Directors.

2. **DEFINITIONS:**

The words and terms used herein shall be deemed to have the same meanings as are given those words and terms in that certain Declaration of Covenants, Conditions, and Restrictions dated August 5, 2002 record on August 6, 2002 in Instrument 2002-0800941 in the office of the County recorder of Maricopa County, Arizona (the "Master Declaration") as the same may be from time to time amended. The term "Declarant" shall refer to Sunstone Homes LLC, an Arizona Limited Liability Corporation and the successors and assigns of Declarant's rights and powers under the Master Declaration.

3. **MEETING OF MEMBERS:**

3.1. **Annual Meetings.** The First annual meeting of the Members shall be held within one (1) year from the date of incorporation of the Association, and each subsequent regular annual meeting of the Members shall be held on the same day of the same month of each year thereafter. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

3.2. **Special Meetings.** Special meetings of the Members may be called at any time by the President or by the Board of Directors, or upon written request of the Members who are entitled to vote one-fourth (1/4) of all of the votes of the Class A membership.

3.3. **Notice of Meetings.** Written notice of each meeting of the Members shall be given by, or at the direction of, the Secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, not less than fifteen (15) days nor more than fifty (50) days before such meeting to each Member entitled to vote thereat, addressed to the Member's address last

appearing on the books of the Association or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting and, in the case of a special meeting, the purpose of the meeting.

3.4. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Master Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

3.5. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot or termination of his Lease.

4. BOARD OF DIRECTORS: SELECTION; TERM OF OFFICE:

4.1. Number. The affairs of this Association shall be managed by a Board of Directors, who need not be Members of the Association. The Board shall have the exclusive right of determining the affairs of the Association. The board shall consist of not less than three (3) nor more than eight (8) directors. The Board initially shall consist of the three (3) directors designated in the Articles.

4.2. Term of Office. The directors designated in the Articles shall hold office until the first annual election of directors, which shall take place at the first annual meeting of Members, or until their successors are elected and qualified. At the first annual meeting, the Members shall elect one (1) director for a term of three (3) years and two (2) directors for a term of two (2) years. At each annual meeting thereafter, the Members shall elect directors to replace those directors whose terms have expired and all such directors shall be elected for a term of three (3) years. The length of terms may be modified by the Members and the number of directors may be increased to not more than nine (9) by the vote of the Members or the Board. In the event of an increase in the number of directors, the Members, at the first annual meeting after the increase, shall designate the terms for the new directorships. If the new directorships are created and filled by the Board between annual meetings, the newly-elected directors shall serve until the next annual meeting of the Members.

4.3. Removal and Vacancies. Any director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. In the event of the death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board and such successor shall serve for the unexpired term of his predecessor.

4.4. Compensation. No director shall receive compensation for any service he may render to the Association in such capacity. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties as a director and may receive a salary or wages if he is employed by the Association in a capacity in addition to serving as a director.

4.5. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

5. NOMINATION AND ELECTIONS OF DIRECTORS:

5.1. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting of the Members. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more persons who are either Members of the Association, officers of a corporate Member, or partners in a partnership Member. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among Members or non-Members.

5.2. Election. Election to the Board of Directors shall be by secret written ballot. At such election the members of their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Master Declaration. The persons receiving the largest number of votes shall be elected.

6. MEETINGS OF DIRECTORS:

6.1. Regular Meetings. Regular meetings of the Board of Directors shall be held quarterly without notice, at such place and hour as may be fixed from time to time by the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

6.2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two (2) directors, after not less than three (3) days notice to each Director.

6.3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

7. POWERS AND DUTIES OF THE BOARD OF DIRECTORS:

7.1. Powers. The Board of Directors shall have power to:

7.1.1. adopt and publish rules and regulations governing the use of the Common Area, the personal conduct of the Members and their guests thereon, and any other matters contemplated by the Master Declaration or articles and to establish penalties for the infraction thereof;

7.1.2. suspend the voting rights and right to use of the Common Area of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended (i) for a period not to exceed sixty (60) day for infraction of the Master Declaration, or the Association Rules and (ii) for successive (60) day periods if any such infraction is not corrected during any prior (60) day suspension period; however, no such suspension may be made toward restricting the use of the Common Area, which would prevent the use and enjoyment of the Owner's Lot as a residence or restrict his access or parking rights;

7.1.3. exercise for the Association all powers, duties and authority vested in, or delegated to, this Association and not reserved to the membership by other provisions of these Bylaws, the Articles or the Master Declaration;

7.1.4. declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and

7.1.5. employ a manager, independent contractors, or such other employees as they deem necessary and to prescribe the duties of such persons. All contracts for professional management must be cancelable without payment of penalty on not more than thirty (30) days notice.

7.2. Duties. It shall be the duty of the Board of Directors to:

7.2.1. cause to be kept a complete record of all of its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the members, or at any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A Members who are entitled to vote;

7.2.2. supervise all officers, agents and employees of this Association, and to see that their duties are properly performed; as more fully provided in the Master Declaration;

7.2.3. fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period; and

7.2.4. take such action, as and when the Board deems such action appropriate, but after notice as provided in the Master Declaration, to foreclose the lien against any property for which assessments are not paid and/or to bring an action at law against the Member personally obligated to pay the same.

7.2.5. issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificates shall be conclusive evidence of such payment, as against any bona fide purchaser of, or lender on, the Lot in question;

7.2.6. procure and maintain adequate liability and hazard insurance on the general Common Area:

7.2.7. cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

7.2.8. cause the maintenance responsibilities of the Association set forth in the Master Declaration to be performed.

8. OFFICERS AND THEIR DUTIES:

8.1. Enumeration of Offices. The officers of this Association shall be a President and Vice President, who shall at all times be members of the Board of Directors, a Secretary, and a Treasurer, and such other officers as the Board may from time to time by resolution create.

8.2. Election of Officers. The election of officers shall take place at the first meeting of the Board of directors following each annual meeting of the Members.

8.3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall be removed or otherwise disqualified to serve.

8.4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may from time to time determine.

8.5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by filing written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

8.6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer replaced.

8.7. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one (1) of any of the other offices except in the case of special offices created pursuant to Subsection 4 of this Article.

8.8. Duties. The duties of the officers are as follows:

8.8.1. President. The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments; and shall co-sign all checks and promissory notes.

8.8.2. Vice President. The Vice President shall act in the place and stead of the President in the event of his absence or inability or refusal to act and shall exercise and discharge such other duties as may be required of him by the Board.

8.8.3. Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their current addresses; and perform such other duties as required by the Board.

8.8.4. Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association; shall keep proper books of account; shall cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and statement of income and expenditures to be presented to the membership at its regular annual meeting and delivered to the Members.

8.8.5. Delegation. The Board may delegate the duties listed above or other duties to a manager or managing agent, or other; however, such

delegation shall not relieve any member of the Board of his responsibility for such duties.

9. COMMITTEES:

The Board of Directors shall appoint a Nominating Committee as provided in the Master Declaration and these Bylaws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out the purpose of the Association.

10. BOOKS AND RECORDS:

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member. The Master Declaration, the Articles and the Bylaws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

11. ASSESSMENTS:

As more fully provided in the Master Declaration, each Member is obligated to pay to the Association, Annual Assessments, Supplemental Assessments, and special Assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid on the due date, the assessment shall bear a late fee, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, as provided in the Master Declaration. Costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his Lot.

12. AMENDMENTS:

12.1. Amendments. These Bylaws may be amended in a manner not inconsistent with the Master Declaration or Articles, at a regular or special meeting of the Members, by a vote of a majority of a quorum of Members present in person or by proxy; provided however, the Federal Housing Administration ("FHA") or the Veterans Administration ("VA"), as applicable, shall have the right to veto amendments while there is a Class B membership if the Master Declaration and these Bylaws have been initially approved by the FHA or VA in connection with any loan programs made available by FHA or VA and any loans have been made within Superstition Heights which are insured or guaranteed by FHA or VA.

12.2. Right of amendment if Requested by Governmental Agency or Federally Chartered Lending Institutions. Anything in the Bylaws to the

contrary notwithstanding, the Board reserves the right to amend all or any part of the Bylaws to such an extent and with such language as may be requested by the FHA or the VA and to further amend the Bylaws to the extent requested by any other federal, state or local governmental agency which requests such an amendment as a condition precedent to such agency's approval of the Bylaws or by any federally chartered lending institution as a condition precedent to lending funds upon the security of any Lot(s). It is the desire of the Declarant 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 the Master Declaration. 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.

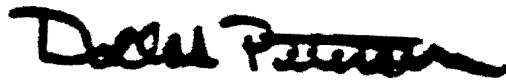
13. INTERPRETATION.

In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Master Declaration and these Bylaws, the Master Declaration shall control.

14. FISCAL YEAR.

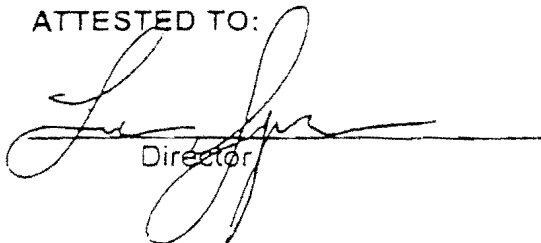
The fiscal year of the Association shall begin on the 1st day of January and end on the 31st day of December, of each year, except that the first fiscal year shall begin on the date of incorporation of the Association and shall end on the 31st day of December thereafter.

DATED this 7th day of August 2002.



President

ATTESTED TO:



Director