

MAY - 2 2006

ARTICLES OF INCORPORATION
OF

FILE NO. 1282178-4 MESQUITE HILLS HOMEOWNERS ASSOCIATION, INC.

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, for the purpose of forming a non-profit corporation under the laws of the State of Arizona, does hereby adopt the following Articles of Incorporation.

1. Name and Duration: The name of this corporation (hereinafter "Association") shall be the Mesquite Hills Homeowners Association, Inc. The duration of the Association shall be perpetual.

2. Principal Place of Business: The initial known place of business and principal office for the transaction of business of the Association is located at 7742 E. Florentine Rd., Prescott Valley, Arizona 86314.

3. Statutory Agent: The name and address of the Association's initial Statutory Agent, a bona fide resident of the State of Arizona for more than three years, are: Thomas P. Kack, Esq., MUSGROVE, DRUTZ & KACK, PC, 1135 Iron Springs Rd., Prescott, AZ 86305.

4. Nonprofit Corporation: This Association is organized as a nonprofit corporation under the laws of the State of Arizona.

5. Purpose and Powers: This Association does not contemplate the distribution of gains, profits or dividends to its Members. The specific primary purposes for which it is formed are to provide for the management, operation, administration, maintenance, repair, improvement, preservation, and architectural control of the Common Area and all other areas for which the Association has such responsibility within that certain Property located in Yavapai County, Arizona, which will be more particularly described in that certain Declaration of Covenants, Conditions, Restrictions and Easements for Mesquite Hills subdivision (the "Declaration") which will hereafter be recorded in the Official Records of the Yavapai County, Arizona Recorder (as may thereafter be amended from time to time,) and to promote the health, safety and welfare of all the residents within the above-described Property and the jurisdiction of the Association for these purposes, all according to the Declaration.

In furtherance of said purposes, this Association shall have the powers as set forth and limited in Declaration and as otherwise allowed by law

6. Membership Voting Rights: The number and qualifications of Members of the Association, the property, voting and other rights and privileges of Members, their liability of assessments and the method of collection thereof shall be as set forth in the Declaration, these Articles and the Bylaws. Without limiting the foregoing, every person or entity which is a record owner of a Lot, excluding persons or entities holding an interest merely as security for the performance of an obligation, shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of a lot subject to the Declaration. **Notwithstanding the forgoing and in conformity with the Declaration, the Members, by becoming Members agree to the terms of the Articles of Incorporation, including those terms under Section 7 providing for appointment and removal of Directors by Declarant; under Section 12 providing for mediation and arbitration; and all other provisions hereof.**

7. Board of Directors: The number of Directors constituting the initial Board of Directors shall be one (1). The names and addresses of the initial Director of the Association who shall serve until their death, resignation or removal are as follows:

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Chris Read
420 Stevens Ave., #230
Solana Beach, CA 92075

The number of Directors may be changed from time to time by the Board of Directors, but the number of Directors may not be less than one (1), no more than nine (9) and must be an odd number. After there is no longer Class B Membership, the number of Directors must be at least three (3). During the time period in which there is Class B Membership, the Board of Directors shall be appointed by Declarant, may be removed by Declarant and other Directors may be appointed. Directors appointed by Declarant may not be removed by the Members while there is Class B Membership and thereafter may be removed as provided in the Bylaws. There are two Classes of Membership voting and the holder of Class B Membership (the Declarant) shall have nine (9) votes for each Lot owned by Declarant and Declarant's Affiliates while there is still Class B Membership as is more specifically provided in the Declaration.

8. Elimination of Director Liability: As set forth in the Arizona Nonprofit Corporation Act, each Director and officer shall be immune from civil liability and shall not be subject to suit indirectly or by way of contribution for any act or omission resulting in damage or injury if said Director or Officer was acting in good faith and within the scope of his official capacity (which is any decision, act or event undertaken by the Association reasonably believed to be in furtherance of the purpose or purposes for which it is organized), unless such damage or injury was caused by willful and wanton or grossly negligent conduct of the Director or Officer. The present and former Officers and Directors of the Association shall be indemnified against, and they shall not be liable to any person or entity for, any or all claims made against them in such capacity and present or former Officers and Directors of the Association shall not be liable to the Association for monetary damages for breach of fiduciary duty, all to the greatest extent permitted by law. If subsequent legislation permits the Association to indemnify, exculpate or limit the liability of its present and former Officers and Directors, to a greater extent than is currently permitted under existing law, then the Association shall indemnify, exculpate and limit the liability of its present and former Officers and Directors, to the extent permitted by such subsequent legislation. The rights to indemnification provided pursuant to this Article cannot be transferred or assigned to any person or entity, including, without limitation, an insurance carrier, and no person or entity may be subrogated to such rights. Without limiting the foregoing, it is the intention of this paragraph to provide for the Directors and Officers the full benefits and immunities and indemnification created by or available under the provisions of A.R.S. Sections 10-3830(D), 10-3842(D) and the provisions of Title 10, Chapter 31, Arizona Revised Statutes, as the same may be expanded or modified in the future.

9. Dissolution: The Association may be dissolved with the assent given in writing and signed by Members representing not less than sixty-seven percent (67%) of the authorized votes of the Membership. Upon the dissolution, liquidation or winding up of the Association (other than incident to a merger or consolidation), under the provisions of ARS Section 10-11401 et. seq., the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this Association was created. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed or assigned to any nonprofit corporation, association, trust or other organization to be devoted to such similar purpose, or if such action is not feasible, then any assets remaining after providing for the debts and obligations of the Association, shall be distributed the Members in accordance with their respective share of the Common Expenses.

10. Amendments: These Articles may be amended by the Board of Directors in any fashion not prohibited by the Declaration or Arizona law while there is Class B Membership. Thereafter amendments require approval of the lessor of Members holding at least sixty-seven percent (67%) of the total Membership votes cast at a meeting held for that purpose or a majority in voting power of the Members, except that the Board shall have the authority without approval of the Membership to amend these Articles in order to: (a)

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comply with the requirements of Arizona law or Federal law or any other applicable law; (b) correct any error or inconsistency in the Articles if the amendments does not adversely affect any Lot Owner; (c) comply with the requirements or guidelines in effect from time to time of any governmental or quasi-government entity or Federal Corporation guaranteeing or insuring mortgage loans or governing transactions involving mortgage instruments including, without limitation, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration or the Veterans Administration; or (d) conform the Articles to controlling provisions of the Declaration. Any amendment to these Articles must be approved in writing by the Declarant so long as the Declarant owns one or more Lots.

11. Incorporators: The name and address of the Incorporator of the Association is:

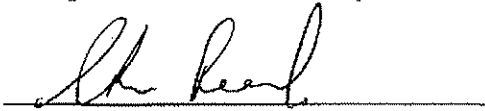
Thomas P. Kack
Musgrove, Drutz and Kack, PC
1135 Iron Springs Rd.
Prescott, AZ 863052075

Chris Read
Read Homes, Inc.
420 Stevens Ave., #230
Solana Beach, CA 92075

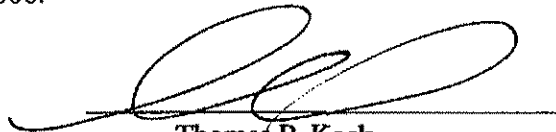
12. Mediation and Arbitration. Certain disputes among the Declarant, the Members or the Members and the Board of Directors are subject to alternative dispute resolution procedures, including mediation and arbitration, as provided in the Declaration at Article 11.

13. Definitions: All capitalized terms used herein without definition shall have the meaning set forth for such terms in the Declaration.

IN WITNESS WHEREOF, for the purpose of forming this Association under the laws of the State of Arizona, the undersigned, constituting the Incorporator of this Association, has executed these Articles of Incorporation this 25 day of April, 2006.



Chris Read

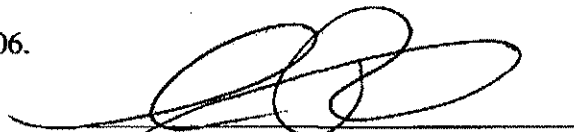


Thomas P. Kack

ACCEPTANCE OF APPOINTMENT AS STATUTORY AGENT

The undersigned, having been designated to act as Statutory Agent for this Corporation, hereby accepts such appointment and agrees to act in that capacity until removal or resignation is submitted in accordance with applicable provisions of the Arizona Revised Statutes.

Dated this 25th day of April, 2006.



Thomas P. Kack