

BYLAWS
OF
DRAGON MOUNTAIN RANCH UNIT III
PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE I

Recitals, Definitions

1. This corporation has been formed pursuant to the non-profit corporation laws of the State of Arizona.

2. The specific and primary purposes of this corporation are as set forth in Article IV and V and the Articles of Incorporation.

3. The corporation is hereby referred to as the "Association".

4. The property which the Association shall initially maintain and improve are certain roadways, as referred to in the Declaration of Covenants, Conditions and Restrictions for Dragoon Mountain Ranch Unit III, as recorded in the records of the Cochise County, Arizona Recorder's Office, and any amendments thereto.

5. The term "developer" shall mean Council Rock, LLC, an Arizona limited liability company, and any of their successors or assigns engaged in developing the development or any portion thereof or adjacent lands.

6. The term "development" shall mean all of the real property within the boundaries of that certain real estate

subdivision in Cochise, Arizona and known as Dragoon Mountain Ranch Unit III, including any amendments and additions thereto.

7. The term "Board" shall mean the duly elected and acting Board of Directors of the Association.

8. The term "Declaration of Restrictions" or "Restrictions" shall mean the Declaration of Covenants, Conditions and Restrictions for Dragoon Mountain Ranch Unit III as recorded in the office of the Recorder of Cochise County, Arizona, as such Restrictions may from time to time be amended.

9. The term "member" as used herein shall mean a member of this Association in good standing whose rights under these Bylaws are not suspended.

10. The term "owner" shall mean the person or entity owning or holding the legal or equitable title to a parcel, which term shall include, but not be limited to, purchasers under a purchase contract who are entitled to membership in accordance with the Articles of Incorporation.

11. The term "parcel" shall mean a parcel of land as shown on the recorded survey Map within Dragoon Mountain Ranch Unit III.

12. The terms "person" or "entity" shall mean and include any individual, corporation, partnership, association or other legal entity recognized by the laws of the State of Arizona.

ARTICLE II

Principal Offices

The principal offices of the Association shall be located in such place in Cochise, or Maricopa County, Arizona, as the Board of Directors shall from time to time designate by resolution.

ARTICLE III

Membership

1. Each parcel owner who is entitled to membership in accordance with the Articles of Incorporation shall be a member of the Association.

2. Each owner who is a member shall remain a member until he no longer is an owner.

3. The Board may provide for the issuance of certificates evidencing membership in the Association which shall be in such form as determined by the Board. The name and address of each member shall be entered into a membership register maintained by the Secretary.

4. If more than one person owns a parcel, all of said persons shall be deemed one member, with only one person being recognized as a voting member.

5. The Secretary shall have the right to demand proof of parcel ownership prior to accepting a person or entity as a member.

ARTICLE IV

Membership Voting

1. The Association shall have two classes of voting membership, with the developer having seven (7) votes for each parcel it owns, except as to special assessment wherein the developer shall have three (3) votes, and all other owners one (1) vote for each parcel owned.

2. Any member may attend and vote at meetings or cast his/her ballot as the case may be, in person or by proxy holder duly appointed by a written ballot or proxy signed by the member and filed with the Secretary. Any proxy shall be for a specific matter and for a term not to exceed 11 months unless ~~otherwise~~ expressly provided therein, and may be revoked at any time by written notice delivered to the Secretary. A proxy shall be deemed revoked when the Secretary shall receive actual notice of the death or judicially declared incompetence of such a member or upon termination of such member's status as an owner.

3. When more than one person holds an interest in any parcel, only one (1) person shall be the member. Such persons holding an interest shall designate the person to be the Member and give written notice thereof to the Association. The vote for each such parcel may be exercised as the owners among themselves determine, but in no event shall more than one vote

be cast with respect to any parcel. The votes for such parcel must be cast as a unit. In the event the joint owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any owner or owners cast a vote representing a certain parcel, it will thereafter be conclusively presumed for all purposes that he or they were acting with the authority and consent of all other owners of the same parcel. In the event more than one vote is cast for a particular parcel or portion thereof, none of said votes shall be counted and said votes shall be deemed void.

4. Any matter or issue requiring the vote of the members ~~other than the election of directors~~ may be submitted for vote by written ballot, without a meeting of the members. The determination to conduct a vote in this fashion shall be made by a majority of the Board or by members having one-third of the total votes of the membership signing a written request and delivering same to the Secretary. In the event of such a vote, the Board shall give written notice thereof specifying the time and place where the ballots are to be cast and the question or questions to be voted upon. Such notice shall then be mailed to the members at least 10 days prior to the date that the ballots should be received and counted and shall include the form of ballot to be used. A quorum shall be deemed to have

been present for purposes of the vote if members, having one-third of the total votes, cast ballots in any such election. Upon tabulation of the ballots, the Board shall notify the members of the outcome of the election. If insufficient votes to constitute a quorum are cast, the Board shall notify the members and the meeting reset.

ARTICLE V

Membership Meetings

1. The first meeting of the membership shall be held as set by the initial Board of Directors. Thereafter, there shall be an annual meeting of the members as set by the elected Board of Directors. The meeting of the members shall be at the offices of the Association, at the development, or at such other reasonable place and time within Cochise or Maricopa County.

2. Special meetings of the members may be called at any time to consider any reasonable business of the Association. Said meetings shall be called by notice to the membership signed by a majority of the Board or by members having one-quarter (1/4) of the total votes of the membership, and mailed to the members not less than twenty (20) days or not more than sixty (60) days prior to the date fixed for said meeting. Said notice may be included in a newspaper or

circular, shall specify the date, time and place for a meeting and the matters to be considered thereat.

ARTICLE VI

Board of Directors

1. The corporate powers of the Association are vested in and shall be exercised by the Board consisting of not less than one (1) or more than five (5) owners as may be determined from time to time by a vote of the membership. If an owner is a partnership or corporation, the partners or officers of the corporation are eligible for election to the Board.

2. The initial directors as set forth in the Articles of Incorporation shall hold office until the first meeting of the membership to be held pursuant to Article V (1).

3. The initial Board of Directors shall select a Nominating Committee consisting of at least two (2) members, which members may also be (but need not be) Board members. The purpose of said Nominating Committee shall be to name persons to fill vacancies on the Board caused by the expiration of a Board member's term. The Nominating Committee shall prepare a slate of eligible persons, which slate shall be presented to the membership which shall vote for the appropriate number of Directors necessary to fill the vacancies on the Board. ~~No other Board nominations shall be voted upon except from the slate prepared by the Nominating Committee.~~ Nothing herein shall

preclude nominations from the floor at the time of the meeting.

The Board of Directors shall set the term of office and fill all vacancies which may arise on the Nominating Committee.

4. At each annual meeting of the members, the members shall elect the Board for the forthcoming year. Each member may cumulate his/her votes and give one or more candidates for Director a number of votes equal to the number which such member has hereunder multiplied by the number of Directors to be elected. The candidates receiving the highest number of votes up to the number of Directors to be elected shall be elected.

5. Directors shall serve a term of one (1) year or until their respective successors are elected, or until their death, resignation or removal, whichever is the earlier. Vacancies on the Board shall be filled by a majority vote of the remaining Directors even though less than a quorum, and each Director so elected shall hold office until his successor is elected by the members.

6. The membership has the power to remove the entire Board or an individual member of the Board at any time provided, however, that an individual Director shall not be removed during his/her term if the number of votes cast against his removal exceed twenty percent (20%) of the total number of votes of the ownership.

ARTICLE VII

Board Meetings

1. A regular meeting of the Board shall be held each year following the annual meeting of the membership or such other date as set for the membership meeting.

2. Special meetings of the Board shall be held when called by any officer of the Association, or by any Director, after not less than five (5) days' prior written notice, unless such notice is waived in writing by all of the Directors. Any special meeting of the Board may be held telephonically, if a quorum of the Board so agrees.

3. The Board may act without a meeting if all of the Board shall individually or collectively consent in writing to such action. Such consent shall be filed with the minutes of the Board.

ARTICLE VIII

Duties and Powers of the Board

1. To exercise all power vested in the Board under the Articles of Incorporation, these Bylaws, the Restrictions, and under the laws of the State of Arizona.

2. To appoint and remove all officers of the Association as it sees fit.

3. To appoint such agents and employ such employees, including attorneys and accountants, as it sees fit to assist

in the operations of the Association, and to fix their duties and establish their compensation.

4. Subject to the provisions of the Restrictions, to adopt and establish rules and regulations, and to take such steps as it deems necessary for the enforcement of such rules and regulations.

5. To enforce all applicable provisions of the Restrictions, these Bylaws and all other regulations relating to the control, management and use of the Association property.

6. Contract and pay premiums for casualty, liability and other insurance and bonds (including indemnity bonds) which may be required from time to time by the Association.

7. Contract for and pay for maintenance, utilities, materials, supplies, labor and services that may be required from time to time in relation to Association property.

8. Pay all taxes, special assessments and other assessments and charges which are or would become a lien on Association property.

9. To contract for and pay for construction or reconstruction of Association owned or managed property damaged or destroyed and to enter into joint maintenance and other contracts with other property owners associations.

10. To provide and maintain the roadways, as referred to in the Declaration of Covenants, Conditions and Restrictions for Dragoon Mountain Ranch Unit III.

11. The Board, through its agents or representative, shall have the right to enter upon the individual parcel in the development and structures thereon if, in the Board's opinion, it is appropriate to do so in order to properly service or maintain or prevent damage to matters or property which is the responsibility of the Association.

12. If and when the Board deems it appropriate, to delegate its duties and powers hereunder to the officers of the Association.

13. To establish and thereafter levy assessments on the members of the Association and to collect same in accordance with the Restrictions provided that no annual or special assessment shall exceed that reasonably necessary as determined by the Board to meet the needs of the Association in accordance with the Restrictions.

14. To perform all acts required of it under the Restrictions including, but not limited to, the enforcement of collection of the assessments and acting as an Architectural Control Committee if so appointed.

15. To maintain a full set of books and records showing the financial condition of the affairs of the Association in a

manner consistent with generally accepted accounting principles, and at no greater than annual intervals cause to be prepared a financial statement, a copy of which shall be mailed to each member within thirty days after completion.

16. To appoint a Nominating Committee for the nomination of persons to be elected to the Board, and to prescribe rules under which said Nominating Committee is to act.

17. To appoint such other committees as it deems necessary from time to time in connection with the affairs of the Association.

ARTICLE IX

Officers

1. The officers of the Association shall be members of the Association and shall consist of a President, Secretary and Treasurer. If a member is a partnership, corporation, or other legal entity under Arizona law, then the member or employees shall qualify to be officers. The Association may also have, at the discretion of the Board, one or more vice presidents, assistant secretaries, or assistant treasurers, and such other officers as may be appointed in accordance with the provisions of paragraph 3 following. One person may hold two or more offices.

2. The officers of the Association, except such officers as may be appointed in accordance with the provisions of

paragraphs 3 and 5 following, shall be chosen annually by the Board and each shall hold his office until he shall resign or be removed or otherwise disqualified to serve, or his successor be elected and qualified.

3. The Board may appoint, and may empower the President to appoint, 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 are provided for in these Bylaws or as the Board may from time to time determine.

4. Any officer may be removed, either with or without cause, by a majority vote of the Board ~~or by any officer upon whom such power of removal may be conferred by the Board, provided, however, that no such officer shall remove an officer chosen by the Board.~~ Any officer may resign at any time by giving written notice to the Board or to the President or to the Secretary. Any such resignation shall take effect at the date of the receipt of such notice or at any later times specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

5. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall

be filled in the manner prescribed in these Bylaws for regular appointments to such office.

6. The President shall be elected by the Board from among the Directors. He/she shall be the chief executive officer of the Association and shall, subject to the control of the Board, have general supervision, direction and control of the affairs and officers of the Association. He/she shall preside at all meetings of management usually vested in the office of President of a corporation, together with such other powers and duties as may be prescribed by the Board or these Bylaws.

7. The Secretary need not be a Director, but shall be elected by the Board of Directors. He/she shall keep or cause to be kept, at the Association's principal office or such other place as the Board may order, a book of minutes of all meetings of Directors and members, with the time and place of holding same, whether regular or special, and, if special, how authorized, the notice thereof given, the names of those present at Directors' meetings, the number of members present in person or by proxy at members' meetings, and the proceedings thereof. The Secretary shall keep, or cause to be kept, appropriate current records showing the members of the Association, together with their addresses. He/she shall give, or cause to be given, notice of all meetings of the Board

required by the Bylaws or by law to be given, and he/she shall kept the seal of the Association in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

8. The Treasurer need not be a Director, but shall be elected by the Board of Directors. He/she shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts and disbursements. The books of account shall at all reasonable times be open to inspection by any Director or member. The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Association with such depositories as may be designated by the Board. He/she shall disburse the funds of the Association as may be ordered by the Board, shall render to the President and Directors, whenever they request it, an accounting of all of his/her transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board or these Bylaws.

ARTICLE X

Miscellaneous

1. All books, records and papers of the Association shall at all times during reasonable business hours be subject

to the inspection of any member at the offices of the Association.

2. The Board may, from time to time, employ the services of a manager to manage the affairs of the Association, and to the extent not inconsistent with the laws of the State of Arizona, and upon such conditions as are otherwise deemed advisable by the Board, the Board may delegate to the manager any of its powers under these Bylaws and the Restrictions.

3. These Bylaws may only be amended or repealed, and new Bylaws adopted by the members by a two-thirds (2/3) vote of the total votes cast by the membership, provided, however, that Article III, paragraphs 1, 2 and 4, or Article VII shall not be amended or repealed without the affirmative vote of members having at least two-thirds (2/3) of the total votes of the membership approving such amendment or repeal.

4. Any notice or other document permitted or required to be delivered as provided herein may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered forty-eight (48) hours after a copy of same has been deposited in the United States Mail, postage prepaid, to the last known address of the addressee.

5. These Bylaws have been adopted by unanimous vote of the membership and supersede any prior By-Laws.

DATED this ___ day of _____, 2003.

Secretary