

**BYLAWS
OF
CARRIZO RANCHES OWNERS ASSOCIATION, INC.**

ARTICLE I

NAME AND LOCATION

The name of the corporation is Carrizo Ranches Owners Association, Inc. hereinafter referred to as the "Association". The principal office of the corporation shall be located in the City of Chandler, State of Arizona, but meetings of members and directors may be held at such places within the State of Arizona, as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

Section 1. "Articles of Incorporation" shall mean, unless otherwise noted, the duly recorded Articles of Incorporation of the Association as amended.

Section 2. "Association" shall mean and refer to Carrizo Ranches Owners Association, Inc., an Arizona nonprofit corporation, its successors and assigns.

Section 3. "Board of Directors" or "Board" shall mean members of the Association duly elected to act on behalf of any and all members of the Association.

Section 4. "Declaration" shall mean and refer to the Road Easement Maintenance Obligation, and all amendments thereto, applicable to the Properties, which will be recorded in the office of the County Recorder of Apache County, Arizona.

Section 5. "Parcel" shall mean and refer to a separately designated and legally described freehold estate consisting of any plot of land and the improvements thereon shown upon any recorded survey of plat of the Properties. If a parcel is owned by two (2) or more persons, or a parcel has been divided into two (2) or more parts, the membership and voting rights shall be as set forth in Article V, Section 2, of the Articles of Incorporation. If a parcel has been divided into two (2) or more parts and the Owner has informed the Association, in writing, of the name and address of the Owner of the other part(s) the assessment shall be equally divided among those Owners.

Section 6. "Member" shall mean and refer to those persons entitled to membership as provided in the Articles of Incorporation.

Section 7. "Owner" shall mean and refer to the record owner (whether one or more persons or entities) of equitable title in fee simple (or legal title if equitable title has merged) which is a part of the Properties. Owner shall not include a person or entity having an ownership interest merely as security for the performance of an obligation.

Section 8. "Properties" shall mean and refer to that certain real property described in the Articles of Incorporation, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 9. "Road Right-of-Ways" the right-of-ways for the main roads in and over (i) the Properties established by grant of easement as to private lands and (ii) the easements granted by the State of Arizona and Bureau of Land Management as to public lands as reflected in the Road Easement Maintenance Obligation.

ARTICLE III

MEETING OF MEMBERS

Section 1. Annual Meeting. The first annual meeting of the Members shall be held in July, beginning with the year 2001, on such date, place and at such time as is decided by the Board and noticed to the Members, and each subsequent regular annual meeting of the Members shall be held on like notice of each year thereafter.

Section 2. Special Meeting. 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.

Section 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, at least fifteen (15) 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 case of a special meeting, the purpose of the meeting.

Section 4. Quorum. The presence at the meeting of Members entitled to cast or of proxies entitled to cast one-tenth (1/10th) of the votes of Members shall constitute a quorum for any action except as otherwise provided in the

Articles of Incorporation, the Declaration, and 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.

Section 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 of the Association. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Parcel.

ARTICLE IV

BOARD OF DIRECTORS SELECTION AND TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by a Board of Directors consisting of an odd number of not less than three (3) nor more than nine (9) persons, and such other officers as the Board of Directors may select from time to time, including a President, a Vice President, a Secretary and a Treasurer. The same person may not hold any two (2) offices, except that the Secretary may at the same time hold the office of the Treasurer.

Section 2. Term of Office. At the first annual meeting, the Members shall elect three (3) directors for a term of one (1) year; and at each annual meeting thereafter, the Members shall elect directors, as the case may be, for a term of one (1) year to replace the outgoing directors. A director may be reelected any number of times.

ARTICLE V

NOMINATIONS AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election of the Board of Directors shall be made by a nominating committee. Nominations may also be made from the floor at the annual meeting. The nominating committee shall consist of a chairman, who shall be a member of the Board of Directors, and two (2) or more persons appointed by the Board of Directors. The nominating committee shall be appointed by the Board of Directors prior to such annual meeting. The nominating committee shall make as many nominations for election to the Board of Directors as it, in its discretion, determines but not less than the number of vacancies that are to be filled. Such nominations may be made from among Members or non-members when permitted.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. At such elections, the Members or their proxies may cast, in

respect to such vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is required for the election of directors.

ARTICLE VI

MEETING OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held without notice at such place and hour as may be fixed from time to time by resolution of the Board.

Section 2. Special Meeting. 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.

Section 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.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have the power to:

(a) Adopt and publish rules and regulations governing the use of the Road Right-of-Ways and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

(b) Suspend the voting rights of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association or on notice from Declarant in the payment under any Agreement for Deed to purchase a Parcel. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations;

(c) Exercise for the Association all powers, duties and authority vesting in or delegated to this Association not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation or the Declaration;

(d) To authorize the officers to enter into one (1) or more management agreements with third parties in order to facilitate efficient

operation of the Road Right-of-Ways. It shall be the primary purpose of such management agreements to provide for the administration, management, repair and maintenance of the Road Right-of-Ways, and the receipt and disbursement of funds as may be authorized by the Board of Directors. The terms of said management agreement shall be as determined by the Board of Directors to be in the best interest of the corporation, and shall be subject in all respects to the Articles of Incorporation, these Bylaws and the Declaration. Any agreement for professional management of the Road Right-of-Ways or any other contract providing for services by Declarant shall provide for termination by either party without cause or payment of a termination fee, upon ninety (90) days or less written notice, and shall provide for as reasonable contract term of from one (1) to three (3) years and be renewable only by consent of the Association and the other party. Further, any such agreement shall provide for termination by either party for cause upon thirty (30) days written notice. In lieu of engaging a management company the Board of Directors may act as the management company.

Section 2. Duties. It shall be the duty of the Board of Directors to:

(a) Cause to be kept a complete record of all 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 (1/4th) of the Class A Members who are entitled to vote;

(b) Supervise all officers, agents and employees of this Association, and see that their duties are properly performed;

(c) As more fully provided in the Declaration, to:

1. Fix the initial amount of the annual assessment against each Parcel and send written notice thereof to each Owner at least thirty (30) days in advance of a change in annual assessment; and

2. Foreclose the lien against any property for which assessments are not paid within twenty (20) days after due date or to bring an action at law against the Owner personally obligated to pay the same;

(d) Issue, or to cause an appropriate officer to issue, upon demand, by any person, certificates 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 certificate shall be conclusive evidence of such payment;

(e) Procure and maintain adequate liability insurance and to procure any other advisable insurance on Road Right-of Ways as the Board deems advisable;

(f) Cause all officers or employees having fiscal responsibilities to be bonded as it may deem appropriate;

(g) Cause the Road Right-of-Ways to be maintained.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. 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.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors and each annual meeting of the members of the Board of Directors.

Section 3. Term. The officers of this Association shall be elected annually by the Board of Directors and each shall hold office for one (1) year unless he shall sooner resign or shall be removed or otherwise disqualified to serve.

Section 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.

Section 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, giving 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.

Section 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 he replaces.

Section 7. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than

one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers are as follows:

(a) 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 applications for easement renewals with the State of Arizona, contracts and other written instruments and shall co-sign all checks, if so decided by the Board;

(b) Vice-President. Shall act in the place and stead of the President in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board;

(c) 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 addresses, and shall perform such other duties as required by the Board; and

(d) 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 of the Association; keep proper books of account; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting and deliver a copy of each to the Members.

ARTICLE IX

BOOKS AND RECORDS

The books and records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member. The Declaration, the Articles of Incorporation, the Bylaws of the Association, other rules concerning the project and the books, records and financial statements of the Association shall be available for inspection, upon request, during normal business hours or under other reasonable circumstances at the principal office of the Association, or such other place as the Directors may designate to any Member of the Association or lender, and to holders, insurers or guarantors of any first mortgage. Copies may be purchased at reasonable costs. Further, any holder, insurer or guarantor of a first mortgage shall be entitled, upon written request, to an unaudited financial statement for the

preceding fiscal year, free of charge to the party so requesting. Any financial statement so requested shall be furnished within a reasonable time following such request.

ARTICLE X

ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the Parcel of the respective Owners against which the assessment is made. Any assessments, which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of twelve percent (12%) per annum and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the Parcel and interest, costs and reasonable attorney's fees for 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 non-use of the Road Right-of-Ways or other common areas, or abandonment of his Parcel. Notwithstanding the foregoing, any assessments due on Parcels owned by Declarant under the Declaration may be paid by credits for road work paid for by Declarant, or paid by Declarant during or at the end of a fiscal year to make up any short fall between the budget and amounts to be paid by other Owners for that fiscal year; and except as stated in this sentence there shall be no assessments against any unsold Parcels owned by Declarant.

ARTICLE XI

AMENDMENTS

Section 1. These Bylaws may be amended, 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.

Section 2. 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 Declaration and these Bylaws, the Declaration shall control.

Section 3. Any amendment to these Bylaws will not be effective until approved by a majority of the Members; provided, however, that as long as Carrizo Ranch, L.L.C. owns a Parcel in the Properties, its consent must be obtained as to any amendment.

ARTICLE XII

FISCAL YEAR

The fiscal year of the Association shall begin on the 1st day of April and end on the 31st day of March, except that the first fiscal year shall begin on the date of incorporation.

ARTICLE XIII

NOTICE TO FIRST MORTGAGEES

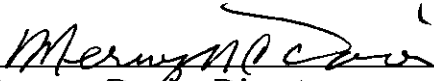
Written notice shall be given to the institutional holders of first mortgage liens on Parcels in the Association for the following:

- (a) Abandonment or termination of the Association; and
- (b) Any material amendment to the Declarations, Bylaws or Articles of Incorporation.

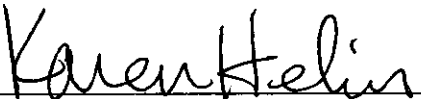
IN WITNESS WHEREOF, we being all the directors of Carrizo Ranches Owners Association, Inc. have herein set our hands this 5 day of APRIL, 2000.



M. Curtis Davis, Director



Merwyn Davis, Director



Karen Helin, Director

CERTIFICATION

I, the undersigned, do hereby certify:

THAT, I am the duly elected and acting Secretary of Carrizo Ranches Owners Association, Inc., and,

THAT, the foregoing Bylaws constitute the original Bylaws of the Association, as duly adopted at a meeting of the Board of Directors hereof, held on the 5 day of APRIL, 2000.



Secretary

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