

BYLAWS  
OF  
THOMPSON DRAW II HOMEOWNERS ASSOCIATION

Approved June 2004

ARTICLE I

Section 1. The Property. The Property is located in Gila County, State of Arizona, known as Thompson Draw Unit II.

Section 2. Application of Bylaws. All present and future owners, tenants, occupants and future tenants, occupants or their employees or any other person that might use the homes (sometimes referred to as "cabins") , homesites (sometimes referred to as "Lots") and/or common areas and facilities of the Property in any manner (sometimes separately or collectively, any such person or persons being an "occupant") are subject to the provisions of these bylaws. The ownership or rental of any of the cabins or Lots on the Property or the mere action of occupancy of any of said cabins or Lots will signify that these Bylaws are accepted, ratified and will be complied with by the occupant. Owners shall herein be referred to interchangeably as an "Owner" or, in the case of more than one (1) Owner, "Owners", and such terms shall also have the same meaning as the terms "member" or "members" as used in the Articles of Incorporation of Thompson Draw II Homeowners Association. For purposes hereof, the phrase "common areas and facilities" shall include, but not be limited to, all of the following as they may now or hereafter exist: all roadways of the Property not located within any Lot; all wells, pump houses and water lines serving and located within the Property; all recreational areas and facilities (if any) located within the Property; and all other areas and facilities within the Property which are not a part of any Lot.

ARTICLE II

Section 1. Voting. Notwithstanding the number of Owners who may jointly or otherwise own a cabin or Lot, voting on all matters shall be limited to one (1) of the Owners of each such Lot. Where two (2) or more persons own an interest in the same cabin or Lot, they shall designate to the Association, in writing, one of their number who shall have the power to vote. In the absence of such designation and until such designation is made, the Board shall make such designation.

Preprinted ballots, including absentee ballots, will be used for election of directors and officers, changes in Association documents, changes in dues and assessments and issues referred by the Board to the Owners. Votes shall be counted in the open, at the conclusion of the special or annual meeting. Voting results will be announced immediately after the count. Votes may be reviewed by any owner at that time or by scheduling an appointment with the Secretary. A file containing the original votes shall be kept by the Secretary for a minimum of one year.



**Section 2. Majority of Owners.** As used in these Bylaws, the term "majority of Owners" shall mean those Owners in good standing holding more than fifty percent (50%) of the votes. For purposes of these Bylaws, an Owner in "good standing" shall mean that such Owner is not then delinquent in the payment of any monies owed to the Association by such Owner, including without limitation all assessments, dues, fines, penalties and other charges and sums however the same may from time to time be designated (collectively herein "assessments" for purposes of Article VIII).

**Section 3. Quorum.** Except as otherwise provided in these Bylaws, the presence in person or by absentee ballot of Owners in good standing entitled to cast fifty percent (50%) of all the votes of the aggregate Owners of the Association shall constitute a quorum, and a majority of such Owners in good standing present in person or by absentee ballot at an annual or duly noticed special meeting shall be necessary to pass any proposal.

**Section 4. Proxies.** Votes by proxy shall not be permitted.

### **ARTICLE III**

**Section 1. Owners' Responsibilities.** The Owners shall have the responsibility of administering the Association, electing the Board of Directors and its officers, and exercising those duties and responsibilities provided for by law. In addition, it shall be the responsibility of at least one (1) Owner of each Lot, or such Owner's designated representative, to participate in "work days" whereby each such Owner contributes his or her physical efforts toward the care and maintenance of the general common areas and facilities of the Property. A non participation fee will be charged to any cabin not participating. Such work days shall be held on the first (1st) Saturdays in June and October of each year at a time and place designated by the Board of Directors, and/or on such other days and at such other times and places (and for such other general or special purposes) as the Board of Directors may from time to time designate.

**Section 2. Place of Meeting.** Meetings of the Owners shall be at the principal place of business of the Association or at such other suitable place convenient to the Owners as may from time to time be designated by the Board of Directors.

**Section 3. Annual Meetings.** The annual meeting of the Association shall be held on the first (1st) Saturday in October of each year or on any other date designated from time to time by the Board of Directors. At such meetings there shall be elected by ballot of the Owners a Board of Directors and its officers in accordance with the requirements of Articles IV and V of these Bylaws. The Owners may also transact such other business of the Association as may properly come before them.

**Section 4. Special Meetings.** It shall be the duty of the President to call a special meeting of the Owners as directed by resolution of the Board of Directors or upon a petition signed by a majority of the owners and having been presented to the Secretary. The notice of any special meeting shall state the time and place of meeting and the purpose or purposes thereof. No business shall be transacted at a special meeting except as stated in the notice unless by agreement of a majority of the Owners in good standing present.



Section 5. Notice of Meeting. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the proposed purpose thereof with the time and the place where it is to be held, to each Owner, at least ten (10) but not more than thirty (30) days prior to such meeting. The mailing of a notice by first class mail in accordance with the time limitations set forth in this Section 5 shall be considered notice served as of the date of such mailing.

Section 6. Adjourned Meetings. If any meeting of Owners cannot be organized because a quorum has not attended, the Owners who are present may adjourn the meeting to a time not more than forty-eight (48) hours from the time the original meeting was called.

Section 7. Order of Business. The order of business at all meetings of the Association shall be as established from time to time by the Board of Directors.

#### ARTICLE IV

Section 1. Number and Qualification of Board of Directors and Officers. The affairs of the Association shall be governed by a Board of Directors composed of not less than three (3) nor more than nine (9) persons, all of whom must be Owners or representatives of such Owners authorized in writing to the Association by such Owners, said representative being limited to immediate family members only (i.e., spouses or children of such Owners) over the age of twenty-one (21) years. The Board of Directors may (but there shall be no requirement therefor), as part of the designated number of said Board of Directors, include a water chairman ("Water Chairman") and/or a road chairman ("Road Chairman") and/or a safety and security chairman ("Safety and Security Chairman") each of whom, whether separately or collectively, may either be elected to such office by the Association or, if not so elected, then the same may from time to time, at the reasonable discretion of the Board of Directors, be appointed thereto by said Board of Directors. The powers and duties of such Chairmen (if applicable) shall be as specified in Article 5 or as otherwise designated from time to time by the Board of Directors.

Section 2. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law or by these Bylaws directed to be exercised and done by the Owners.

Section 3. Other Duties. In addition to the duties imposed by these Bylaws or by resolutions of the Association, the Board of Directors shall be responsible for the following (if and to the extent the same are or become applicable) as well as for all other duties as may be reasonable for the Board of Directors from time to time to assume:

- (a) Care, maintenance, repair and replacement of the general common areas and facilities; and
- (b) Preparation of an annual budget and allocation of the budget to the various owners on a pro rata basis; and

- (c) Collection of assessments from the Owners (and the filing of liens and foreclosures thereof) where necessary; and
- (d) Employment and dismissal of the personnel necessary for the maintenance and the operation of the Property and the general common areas and facilities thereof; and
- (e) To act as a liaison with the United States Forest Service; and
- (f) To obtain and keep in full force and effect casualty insurance on buildings, improvements and all common areas and facilities as well as public liability and other insurance as deemed necessary and advisable from time to time by the Board of Directors; and
- (g) To grant or relocate easements required for the benefit of the Association; and
- (h) Adopt and amend reasonable rules and regulations (including also reasonable fines for the violation of such rules and/or regulations) and enforce the same covering the operation and use of all of the Property and common areas and facilities thereof; and
- (i) Opening of bank accounts on behalf of the Association and designating the signatories required therefor; and
- (j) To invest any excess funds held or controlled by the Association.

**Section 4. Election and Term of Office.** At each annual meeting of the Association in even numbered years, the Association shall elect the specified number of directors and officers and the term of office of directors and officers shall be fixed for two (2) years. Nominations for election of directors and officers may be made from any Owner in good standing up to 30 days prior to the annual meeting in October. Additionally, the Board may appoint a Nominating Committee which shall consist of a chairman (who shall be a member of the Board of Directors) and one or more Members of the Association. If the Board determines to appoint a Nominating Committee, the Committee shall be appointed at least ninety (90) days prior to the annual meeting of the Members, to serve until the close of such annual meeting, and shall make as many nominations for election of directors and officers as it in its discretion shall determine but not less than the number of vacancies that are to be filled. At the expiration of such term of office of each respective director and officer (including also each Water Chairman, Road Chairman and Safety and Security Chairman, as applicable, each of whom shall also be both a director and an officer of the Association), his or her successor shall be elected to serve a term of two (2) years. The directors and officers (including also each such Water Chairman, Road Chairman and Safety and Security Chairman, as applicable) shall hold office until their successors have been elected and hold their first meeting.



**Section 5. Vacancies.** Vacancies in the Board of Directors (and officers, if applicable) caused by any reason other than the removal of a director (and officer, if applicable) by a vote of the Owners (as provided in Section 6 immediately below) shall be filled by vote of the majority of the remaining directors, even though they may constitute less than a quorum; and each person so elected shall be a director (and officer, if applicable) until a successor is elected at the next annual meeting of the Association.

**Section 6. Removal of Directors and Officers.** At any regular or special meeting duly called, any one or more of the directors (and officers, if applicable) may be removed with or without cause by a majority of the Owners in good standing and a successor may then and there be elected to fill the vacancy thus created. Any director (and officer, if applicable) whose removal has been proposed by the Owners shall be given an opportunity to be heard at the meeting.

**Section 7. Compensation.** No compensation shall be paid to directors or officers for their services as directors or officers. No remuneration shall be paid to a director or officer for services performed by him or her for the Association in any capacity, unless a resolution authorizing such remuneration shall have been unanimously adopted by the Board of Directors before the services are undertaken. Neither a director nor an officer may be an employee of the Association. Directors and officers, however, may be reimbursed for any actual expenses incurred in connection with their duties as such officers or directors.

**Section 8. Organization Meeting.** The first meeting of a newly elected Board of Directors shall be held within thirty (30) days of election at such place as shall be fixed by the President at the meeting at which such directors were elected.

**Section 9. Regular Meetings.** Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by the President or by a majority of the directors, but at least two (2) such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each director, personally or by first class mail, electronic mail, telephone or telegraph, at least fifteen (15) days prior to the day named for such meeting.

**Section 10. Special Meetings.** Special meetings of the Board of Directors may be called by the President or by a majority of the directors on at least seven (7) days' notice to each director, given personally or by first class mail, electronic mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting.

**Section 11. Waiver of Notice.** Before or at any meeting of the Board of Directors, any director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall be a waiver of notice by him or her of the time and place thereof. If all of the directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.



Section 12. Board of Directors' Quorum. At all meetings of the Board of Directors, a majority of the directors shall constitute a quorum for the transaction of business, and the acts of the majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If at any meeting of the Board of Directors there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 13. Indemnification. The members of the Board of Directors shall not be liable to the Association or any Owner for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The Association shall indemnify and hold harmless each of the members of the Board of Directors against all contractual liability to others arising out of contracts made by the Board of Directors on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of these Bylaws.

## ARTICLE V

Section 1. Designation of Officers. The principal officers of the Association shall be a President, Vice-President, Secretary and Treasurer (as well as a Water Chairman and/or a Road Chairman and/or a Safety and Security Chairman, if applicable).

Section 2. President. The President shall be the chief executive officer of the Association. He or she shall preside at all meetings of the Association and of the Board of Directors. He or she shall have all of the general powers and duties which are usually vested in the office of the President of the Association including, but not limited to, the power to appoint committees from among the Owners from time to time as he or she may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Association.

Section 3. Vice-President. The Vice-President shall take the place of the President and perform his or her duties whenever the President shall be absent or unable to act. If neither the President nor the Vice-President shall be able to act, the Board of Directors shall appoint some other member of the Board to so do on an interim basis. The Vice-President shall also perform such other duties as shall from time to time be designated or imposed upon him or her by the Board of Directors.

Section 4. Secretary. The Secretary shall have the responsibility for keeping the minutes of all meetings of the Board of Directors and Association and such correspondence as shall be necessary and such other duties as shall from time to time be designated or imposed upon him or her by the Board of Directors.

Section 5. Treasurer. The Treasurer shall have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association and such depositories as shall from time to time be designated or imposed upon him or her



by the Board of Directors. The Treasurer shall pay all bills incurred by the Association by check or checks written on the checking account of the Association.

Section 6. Water Chairman. The Water Chairman (if applicable) shall be responsible for the general care and maintenance of the source and service of water within the Property to each Lot (and the facilities therefor) and/or such other powers and/or duties as shall from time to time be designated or imposed upon him or her by the Board of Directors.

Section 7. Road Chairman. The Road Chairman (if applicable) shall be responsible for the general care and maintenance of the roads and roadways within the common areas of the Property and/or such other powers and/or duties as shall from time to time be designated or imposed upon him or her by the Board of Directors.

Section 8. Safety and Security Chairman. The Safety and Security Chairman (if applicable) shall be responsible for the general care and maintenance of any safety and security equipment and devices (including but not limited to emergency, fire safety and general security) for the Property and for implementation of any plans therefor and for the promulgation of such plans to the Owners from time to time and/or such other powers and/or duties as shall from time to time be designated or imposed upon him or her by the Board of Directors.

## ARTICLE VI

Section 1. Assessments. All Owners shall be obligated to pay annual assessments for costs and expenses paid or incurred by the Association in connection with the carrying out by the Board of Directors and its officers of the responsibilities and duties imposed upon them by the Association and these Bylaws. The annual assessments, unless otherwise designated by the Board of Directors, shall be due and payable in two installments: on the first Saturday of June of each year and the first Saturday of October of each year. Payments shall be delinquent ten (10) days after each installment date. The annual Reserve Fund payment is due and payable on January 15 of each year and shall be delinquent on March 31 of such year. The assessments may include, but shall not be limited to, the cost of maintenance and repair of all common areas and facilities, utilities, taxes and assessments (if any) on the common areas and facilities, and all other items necessary for the maintenance and operation of the Association and the common areas and facilities of the Property. There shall also be included in the assessments reasonable reserves for replacements and impounds as required and the cost to the Association for the purchase, construction, development, operation and management of the common area and facilities. The assessments shall be uniformly applied to all Owners. The amount of the annual assessments (and a late penalty charge on any Owner who fails to pay his or her assessment on or before the due date) shall be established in advance each year for the immediately succeeding year. All members in good standing shall have the opportunity to vote on assessments, either by absentee ballot included in the meeting notice package, or by their presence at the annual meeting. A quorum shall consist of fifty percent (50%) of all Owners of the Association in good standing who are either present in person or who have cast an absentee ballot, and a combined majority vote of those present and those voting in absentia shall be required for acceptance of the



proposed assessment. In addition to the annual assessment, the Board of Directors may, under emergency circumstances, without the necessity of a vote of the Owners, impose special assessments uniformly upon the Owners from time to time if and when reasonably required to carry out the duties imposed upon them pursuant to these Bylaws, as well as, following an opportunity to be heard by the Board of Directors as to the facts and circumstances of such failure and reasonable notice of the time and place of such hearing, impose special assessments and/or fines upon any individual owner(s) for costs and expenses incurred by the Association due to such Owner(s) failure to abide by the rules and regulations of the Association.

By way of example but not limitation as to a fine imposed upon an individual Owner due to the violation of a rule or regulation, assume that a rule or regulation of the Association exists requiring all Owners and other occupants to turn off the water service to their cabins or Lots during the "freeze season" from October 1st through the immediately succeeding April 30th, and due to the failure of an Owner or other occupant of a cabin to turn off the water service to such cabin during said freeze season the well pump burns out, then the costs and expenses incurred by the Association as a result thereof may be specially assessed against the Owner of the cabin (or such cabin Owner may be fined) in an amount established in such rule or regulation, for example, in an amount not to exceed the greater of (a) One Thousand Dollars (\$1,000.00) or (b) one half (1/2) the repair and/or replacement costs and expenses of the burned out well pump.

Section 2. Additional Services. In addition to said assessments, the Board may in the exercise of its discretion provide that the Association shall render other services to Owners on a subscription basis (such as, but not limited to, cable TV services) and bill all charges related to said services directly to each owner who chooses to use such service.

Section 3. Annual Budget. The Board of Directors shall, at least ten (10) days, prior to each annual meeting, prepare and send to every Owner by first class mail (together with the annual report for the preceding year as provided in Section 2 of Article X), a budget for the Association for the immediately succeeding year showing the projected amount of the common charges payable by the Owners on a pro rata basis to meet the common costs and expenses (taking into account available reserves) of the Association for such succeeding year and, based upon such budget, shall propose the amount of the annual assessment payable by each owner for such succeeding year to be voted on by the Owners as provided in Section 1 of this Article.

## ARTICLE VII

### Amendments

All members in good standing shall have the opportunity to vote on amendments, either by absentee ballot or by their presence at the annual meeting or a special meeting called for such purpose where notice of the proposed amendment is included in the call or notice of the meeting along with an absentee ballot provided, however no proxy votes shall be allowed. A quorum for amendments to the Bylaws shall consist of fifty percent



(50%) of all Owners of the Association in good standing who are either present in person or who have cast an absentee ballot, and a combined majority vote of those present and those voting in absentia shall be required to pass any such amendment to the Bylaws.

## ARTICLE VIII

### Section 1. Remedies of the Association.

Each Owner shall be deemed to covenant and agree to pay to the Association the assessments provided for herein on or before the due date thereof. In the event of a default in payment of any assessment when due, the assessment shall be deemed delinquent, and in addition to any other remedies herein or by law provided, the Association may enforce each such obligation in any manner provided by law or in equity, including without limitation, by suit or by lien.

## ARTICLE IX

### Rules and Regulations

The Board of Directors may promulgate and adopt reasonable written rules and/or regulations for the management of the Property, together with reasonable fines imposed for the violation thereof, and said rules, regulations and/or fines shall apply to and govern the occupation of the various cabins and Lots and the use of the common area and facilities of the Property. The Board of Directors shall, in their reasonable discretion, uniformly enforce such rules and/or regulations and impose such fines, provided that any Owner who is alleged to have violated any such rule or regulation shall, before the actual levy of any fine, first be given an opportunity to be heard by the Board of Directors as to the facts and circumstances of such violation and be given reasonable notice of the time and place of such hearing. A copy of the most recent rules and/or regulations (and fines therefore), if any, adopted by the Board of Directors from time to time shall be sent by the Board of Directors to each Owner by first class mail within a reasonable time following each annual meeting.

## ARTICLE X

Section 1. Maintenance of Books and Records. The Board of Directors shall cause to be maintained at the principal office of the Association complete books of account concerning all Association funds, assets and liabilities. Such books of account shall be open to inspection upon the written demand of any Owner for a purpose reasonably related to his interest as an Owner and shall be exhibited at any time when required by the demand at any Association meeting of the Owners holding 50% of the total votes represented at said meeting. Such inspection by an Owner may be made in person or by agent or attorney, and the right of inspection includes the right to make extracts or to perform audits. Demand of inspection shall be made in writing upon the President or Secretary of the Board of Directors.



**Section 2. Annual Report to Owners.** Annually, at least ten (10) days prior to the annual meeting, the Board of Directors shall cause to be prepared and sent to every Owner by first class mail an annual report of the affairs of the Association. Said report shall contain a complete accounting of receipts and disbursements of all Association funds during the preceding calendar year and a balance sheet setting forth all Association assets and liabilities as of the end of the preceding calendar year.