

**BYLAWS OF THE BOARD OF DIRECTORS FOR
THE PINE/STRAWBERRY WATER IMPROVEMENT DISTRICT
(AS AMENDED)**



I. PINE/STRAWBERRY WATER IMPROVEMENT DISTRICT BOARD.

The Pine/Strawberry Water Improvement District (the "District"), representing citizens and residents of the communities of Pine, Arizona and Strawberry, Arizona (collectively, the "Communities"), was duly created and formed on July 2, 1996 by the Gila County Board of Supervisors in accordance with State Statute A.R.S. §§48-903 and 1012. At the same time, a Board of Directors was created to oversee the activities of the District (the "Board"). The purpose of the Board is to represent the interests of the Communities in securing long term and reliable sources of water for the Communities, and performing such other duties as required or provided by applicable State statute.

II. MEMBERSHIP.

Section 2.1 Members. The Board is comprised of those residents and property owners of the Communities appointed by the Gila County Board of Supervisors on July 2, 1996 as thereafter modified by resignations or replacements of those appointed, valid public elections held in conformity with applicable state and local laws, and any additional appointments made pursuant to State Statute, A.R.S. §48-1012C (collectively, the "Members" and individually, a "Member").

Section 2.2 Initial Members and Terms. As of July 2, 1996, the Gila County Board of Supervisors appointed the following original Board Members, who currently serve either two-year or four-year terms as follows:

Two-Year

Jerry Fleming
Richard J. Hall
Howard Matthews

Four-Year

William J. Johnson
Melvin Van Vorst
Edwin Welge
Charles R. Sterbach

Section 2.3 Resignation. A Member resigning from the Board shall give written notice of such resignation to the Chairman, other Members, the Gila County Attorney's Office, and the Gila County Board of Supervisors.

Section 2.4 Vacancy. If a Member resigns or is removed, the Board will notify the Gila County Attorney's Office and the Gila County Board of Supervisors of such resignation or removal. The Board shall consider recommendations regarding a replacement Member. Pursuant to State Statute, A.R.S. §48-1012(C), and following consideration of such recommendations, the Board will appoint a replacement Member to fill a vacancy, and notify the Gila County Board of Supervisors of the replacement Member. Any replacement Member shall have all the rights and duties of any original Member, but shall not act on any existing committee or subcommittee until appointed thereto by the Chairman.

III. MEETINGS.

Section 3.1 Place of Meetings. Meetings must be held in person, and conform to applicable state law regarding open public meetings, and at places designated by the Board. Regular meetings of the Board shall be held in public places as designated from time-to-time by the Board.

Section 3.2 Notice. Notices of any Board meeting shall be called after at least three days' public notice to the Communities and to each Member of the Board, pursuant to State Statute, A.R.S. §38-431.02. The primary purpose of all meetings shall be set forth in the public notice.

Section 3.3 Participation in Meetings by Conference Telephone. Members of the Board may participate in a meeting of the Board through the use of a conference telephone, so long as all participants in such meeting can hear and communicate with one another.

Section 3.4 Quorum. A number greater than fifty percent (50%) of the Board, or any committee (or subcommittee formed thereunder, as the case may be) constitutes a quorum of the Board (or of any committee or subcommittee) for the transaction of business at a meeting. Members present by telephone shall count toward the quorum. Except as otherwise required by these Bylaws, every act or decision done or made by a majority of the Members at a meeting duly held at which a quorum is present shall constitute the act of the Board (or committee or subcommittee). A meeting at which a quorum was initially present may continue to transact business notwithstanding the withdrawal of members, if any action taken is approved by at least a majority of the required quorum at such meeting.

Section 3.5 Adjournment. A majority of the Members of the Board whether or not a quorum is present, may adjourn any meeting of the Board to another time and place. If a meeting is adjourned for less than twenty-four hours, reasonable notice of the time and place of holding the adjourned meeting shall be given to Members of the Board who were not present at the time of adjournment.

Section 3.6 Minutes. The Secretary shall record minutes at each Board meeting and, when feasible, the minutes shall be distributed before the next scheduled meeting in draft form for Board approval and ratification. Three (3) business days after approval and ratification by the Board, Board meeting minutes will be available for the public upon request made to any Member.

IV. THE FUNCTIONS OF THE BOARD.

Section 4.1 Board Functions. In the exercise of its powers and duties under applicable State Statutes, and in particular A.R.S. §48-1014, the Board shall, as it determines to be appropriate: (a) investigate current and potential sources of water for the Communities as well as the costs associated with maintaining or expanding present and potential sources; (b) formulate a plan or plans for improving present water sources of the

Communities (including formulation of a plan or plans for funding such improvements); (c) consult with the Gila County Board of Supervisors, the Gila County Attorney's Office, and other Federal, State, and Local government officials or agencies concerning development of long-term reliable water sources for the Communities; and (d) implement and formulate plans as necessary to provide long-term available water to Communities.

V. OFFICERS.

Section 5.1 Officers. The officers of the Board shall be: (a) a Chairman, (b) a Vice-Chairman, (c) a Secretary, and (d) a Treasurer, each to be elected by a majority vote of a quorum of the Board. Each officer shall be elected annually at the Board's first meeting following the November elections, shall assume office on January 2 immediately following the November election, and shall serve a term of one year or until his/her successor is elected. The Chairman shall be the primary representative of the Board. In his absence, the Vice-Chairman shall be the primary representative of the Board.

Section 5.2 Duties of the Chairman. The Chairman shall: (a) convene timely and regular meetings of the Board; (b) preside at the meeting of the Board; (c) cause agendas to be prepared for the meetings of the Board with the assistance of all other Members; (d) appoint Members to committees and subcommittees; (e) serve as an ex-officio member of all committees and subcommittees to which the Chairman is not appointed as a member; and (f) perform such other duties as may be reasonably delegated to the Chairman by the Board, which are not inconsistent with applicable State Statutes and these Bylaws.

Section 5.3 Vice-Chairman. In general, the Vice-Chairman shall act for, and in place of, the Chairman, and perform all duties of the Chairman in the Chairman's absence.

Section 5.4 Secretary. The Secretary shall: (a) prepare and distribute in advance of each meeting the agenda for each meeting of the Board as developed and agreed pursuant to Section 5.2, above; (b) prepare for the Chairman a form of "Public Notice" for each meeting; (c) make physical arrangements appropriate for meetings of the Board; (d) cause attendance rosters for meetings of the Board to be completed, and retain all attendance rosters; (e) take, transcribe, distribute and retain the minutes of each meeting of the Board to other Members and to such other persons as the Board may direct; (f) distribute such notices and materials as directed by the Chairman; (g) keep files of all retained records of the Board; and (h) perform such other duties as may be directed by the Board, and which are not inconsistent with applicable State Statutes and these Bylaws.

Section 5.5 Treasurer. The Treasurer shall: (a) insure that all income received by the District is deposited with the Gila County Treasurer; (b) pay all expenses of the District in accordance with procedures adopted by the Board from time-to-time; (c) report all income, expenses, assets, and liabilities monthly to the Board; and (d) perform such other duties as may be directed by the Board, and which are not inconsistent with applicable State Statutes and these Bylaws. All checks or warrants issued by the

Treasurer in payment of expenses shall be signed by two officers as may be designated by the Board from time-to-time. The Treasurer will be responsible for handling any correspondence or contact with the Gila County Treasurer and the Gila County Finance Office.

VI. COMMITTEES AND SUBCOMMITTEES.

Section 6.1 Meetings. Committees and subcommittees consisting of two or more Members may be established by the Chairman and the Board. Any Member may attend any committee or subcommittee meeting.

Section 6.2 Duties. The duties and authority of a committee or subcommittee shall be determined in accordance with any actions taken by the Board at the time of such establishment of such committee or subcommittee.

Section 6.3 Action. Action by the committee or subcommittee shall require the affirmative vote of no less than a majority of Board members.

VII. CONTINUING RIGHT OF MEMBERS TO ACT IN INDIVIDUAL CAPACITY.

Section 7.1 Right to Act. While the Members acknowledge that they are acting in a fiduciary capacity as defined by law, nothing contained in these Bylaws shall: (a) prevent any Member from exercising or seeking to enforce or protect any of his/her rights as a homeowner or member of the Communities, or (b) otherwise affect the ability of any Member to act in his/her capacity as a private citizen. Actions taken by any Member in his/her capacity as a homeowner or private citizen shall not constitute action by the Board, nor shall such action bind the Board in any way.

VIII. CONFLICTS OF INTEREST.

Section 8.1 Disclosure. Every Member shall disclose any interest he/she may hold that is adverse to the Board, or the efforts of the Board. Such disclosure shall be in writing and submitted to the Chairman. Any Member directly financially interested in any matter that comes before the Board must recuse himself from the Board meeting during its discussion of and vote on that matter. Those Members with a financial interest in the matter shall nevertheless be counted for a quorum for the meeting.

IX. REIMBURSEMENT.

Section 9.1 Reimbursement. Reasonable expenses of the Board Members incurred in connection with Board business may be submitted to the District for reimbursement by the District, in accordance with A.R.S. §48-1013.

Section 9.2 Limitation. Request for reimbursement of expenses shall be limited to those reasonable items supported by receipts and itemized with particularity.

Section 9.3 Delivery. All requests for reimbursement expenses shall be forwarded to the Chairman for submission to the Board. Concurrently, with transmittal to the Chairman, copies of such requests shall be sent to other Members who so request.


X. AMENDMENTS.

Section 10.1 Amendments. These Bylaws may only be amended by a vote of a majority of the Members of the Board.

CERTIFICATION.

The undersigned certify that they are duly appointed Members of the Pine/Strawberry Water Improvement District Board, and that the foregoing is a true and correct copy of the Bylaws as amended by the Board at a duly noticed meeting of the Board held on January 8, 2000.

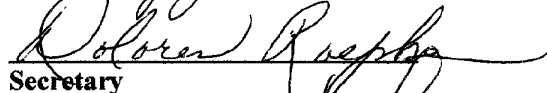
DATED March 11, 2000.


Chairman

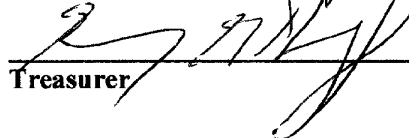
DATED March 11, 2000.


Vice-Chairman

DATED March 11, 2000.


Secretary

DATED March 11, 2000.


Treasurer