

A M E N D E D  
B Y L A W S O F  
WALLEY'S PROPERTY OWNERS ASSOCIATION

A R T I C L E I  
GENERAL PROVISIONS

Section 1. Name. The name of this non-stock, non-profit cooperative corporation is WALLEY'S PROPERTY OWNERS ASSOCIATION ("Association"). The principal office of the Association shall be at such place in the County of Washoe, State of Nevada, as the Board of Directors may designate from time to time.,

Section 2. Definitions. Unless expressly indicated to the contrary, the terms used herein shall have the following meanings:

(a) "Declaration". That certain Declaration of Time Share Covenants, Conditions and Restrictions for DAVID WALLEY'S RESORT recorded in the Office of the County Recorder of Douglas County, and all amendments thereto ("Declaration").

(b) "Additional Terms". The balance of the terms defined in the Declaration shall have the same meaning when used in these Bylaws as when used in the Declaration.

Section 3. Purpose. The Association has been formed for the purpose of exercising the powers and performing the duties of the Association set forth in these Bylaws, the Articles of Incorporation of the Association, and the Declaration.

A R T I C L E J I  
MEMBERSHIP AND VOITNG RIGHTS

Section 1. Qualifications. Each person or entity who holds an interest in a Time Share, including Declarant, is a Member of the Association. If a Time Share is owned by more than one (.1) person or entity, all named Owners shall be Members of the Association. Notwithstanding the foregoing provisions, the initial directors of the corporation named in the Articles shall be members of the corporation until the sale of the first Time Share.

Section 2. Transfer Of Membership. The Association membership of each Owner of a Time Share shall be appurtenant to the Time Share giving rise to such membership, and shall not be assigned, transferred, pledged, conveyed or alienated in any way except upon

written assignment of rights to acquire said Time Share and then only to the transferee or assignee of said Time Share. Any transfer of an Interest shall operate automatically to transfer the membership in the Association appurtenant thereto to the new Owner.

Section 3. Voting Rights. The Association shall have two classes of voting memberships. The voting rights and privileges of each class of members of the Association shall be as follows:

Class A Members. Class A Members shall be all Owners, excepting Declarant, and shall be entitled to one (1) vote for each Time Share owned or one-half (1/2) vote for each Alternate Year Time Share owned. When there is more than one Owner of a Time Share or Alternate Year Time Share, the vote for such Time Share or Alternate Year Time Share shall be exercised as those Owners among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Time Share, nor more than one-half ( 1/2) vote be cast with respect to any Alternate Year Time Share.

Class B Members. The Class B Member shall be Declarant. The Class B Member shall be entitled to one (1) vote for each Time Share owned, or to one-half (1/2) vote for each Alternate Year Time Share owned. The Class 13 membership shall cease and be converted to Class A membership on the happening of one of the following events, whichever occurs earlier: (a) when seventy-five percent (75%) of the Time Share Interests have been sold to Owners other than Declarant; or (b) seven (7) years from the first sale of a Time Share to an Owner other than Declarant.

Section 4. Majority In order to approve any Association action for which a vote of the membership is required by the Declaration, the vote or written assent of the prescribed percentage or if no higher percentage is prescribed of a majority of the total voting power of the Association shall be required.

Section 5. Joint Owner Disputes. The vote for each Time Share or Alternate Year Time Share may be cast only as a unit, and fractional votes shall not be allowed. In the event that 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 casts a single vote representing a certain Interest, it will thereafter be conclusively presumed for all purposes that the Owner or Owners were acting with the authority and consent of all other joint Owners of the same Membership. If more than one joint Owner votes separately, the votes of all such Owners shall be void.

Section 6. Members' Rights and Duties. Each Member shall have the rights, duties and obligations set forth in these Bylaws, the Articles and the Declaration, as the same may be amended from time to time,.

## A R T I C L E   I I I

### MEMBERSHIP ASSESSMENTS AND LIENS RIGHTS

Section 1. Membership Assessments. Annual Assessments, Special Assessments and Personal Charges shall be paid by the Members of the Association at the time, in the manner and subject to the conditions and limitations set forth by the Board which shall fix, levy, collect and enforce such charges at the time, in the manner and subject to any limitations set forth in the Declaration.

Section 2. Enforcement Rights. For the purpose of enforcing and collecting Annual Assessments, Special Assessments and Personal Charges, the Association shall have the lien rights set forth in the Declaration, which lien rights shall be enforceable by the Board in the manner set forth in the Declaration. The Board shall also have and be entitled to exercise all other rights and remedies set forth in the Declaration or otherwise provided for in law or equity.

## A R T I C L E   I V

### MEMBERSHIP RIGHTS AND PRIVILEGES

Section 1. Rights and Privileges of Members. No Member shall have the right, without the prior approval of the Board, to exercise any of the powers or to perform any of the acts delegated to the Board by these Bylaws or the Declaration.

Section 2, Rules. Upon notice and meeting as provided in Section 7 of Article VI, the Board may establish such rules, regulations and prerequisite conditions to use of the Time Shares and project as it, in its sole discretion, deems appropriate, only so long as such rules, regulations and conditions do not materially or unfairly abridge the rights of Members. Upon notice and meeting, the Board may establish rules, regulations, fees for and prerequisite conditions to the use of Common Areas, Recreational Facilities **and Exclusive** Common Areas. All rules and regulations adopted pursuant to this Section 2 and pursuant to the Declaration shall hereinafter be referred to as the "Rules and Regulations."

Section 3. Suspension of Voting Rights. After the meeting of the Board as provided below, the Board shall have the right to suspend the voting rights of any Member or Members for the period during which any Annual Assessments, Special Assessments or Personal Charges owed by such Member(s) remains unpaid and delinquent for a period not to exceed thirty (30) days or for any other failure to comply with the Declaration, these Bylaws or the Rules and Regulations by any Member or Permitted User; provided, further, that any suspension of voting rights shall be made by the Board only after a meeting of the Board, at which a quorum of the Board is present, duly called and held for such purpose in the same manner as provided in these Bylaws for the noticing, calling and holding of a special meeting of the Board. Written notice of

such meeting, including notice of the proposed actions of the Board and the reasons therefor shall be given to the Member or Members whose voting rights are being sought to be suspended at least fifteen (15) days prior to the holding of such meeting. The Member or Members whose voting rights are being sought to be suspended shall be entitled to appear at such meeting and present a case as to why voting rights should not be suspended. The decision as to whether rights should be suspended shall be made by a majority of such members of the Board present at such meeting and shall be binding upon all Members of the Association. No action taken at such meeting shall be effective unless a quorum of the Board is present in person or by proxy. No suspension of voting rights shall be effective unless and until written notice has been given to the Member of the suspension and the reason(s) therefor and not less than five (5) days have elapsed after the aforesaid Board meeting.

## ARTICLE V

### MEETING OF MEMBERS

Section 1. Place of Meeting. All meetings of the Members shall be held in the state of Nevada as close to the Project as reasonably possible or at the Project.

Section 2. Annual Meetings of Members. The first annual meeting of the Association shall be held no later than one (1) year following the close of the initial sale of a Time Share in the Project. At the first annual meeting, and at all subsequent annual meetings which shall be held in each successive year at a date and time determined by the Directors, there shall be elected, by the Members, a Board in accordance with the requirements of these Bylaws. The Members may also transact such other business of the Association <sup>as</sup> may properly come before them at such annual meeting.

Section 3. Special Meetings. Special meetings of the Members, for any purpose or purposes whatsoever, may be called at any time by the President of the Association or by the vote of a majority of the Board, or by Members representing five percent (5%) or more of the total voting power of the Membership, provided, no special meeting may be held or called prior to the first annual meeting. Except in cases where another express provision is made by statute, these Bylaws or the Declaration, notice of such special meetings shall be given in the same manner as for annual meetings and may be given by any person or persons entitled to call such meeting. Notices of any special meeting shall specify in addition to the place, day and hour of such meeting, the general nature of the business to be transacted.

If a special meeting is called by Members, the request shall be submitted by such Members in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by certified mail or by telegraphic or other facsimile transmission to the President, any Vice-President or the Secretary of the Association. The officer receiving the request shall cause notice to be promptly given to the Members entitled to vote, that a meeting will be held, and the date for such meeting, which date shall not be less

than thirty (30) nor more than ninety (90) days following the receipt of the request. Nothing contained in this paragraph shall be construed *as limiting*, fixing or affecting the time when a meeting of Members may be held when the meeting is called by action of the Board.

Section 4. Notice of Meeting. Written notice of all membership meetings shall be given to each Member. All such notices of any meeting shall be sent to each Member not less than thirty (30) and not more than ninety (90) days before such meeting, and shall specify the place, the day and the hour of such meeting and shall generally state those matters which the Board, at the time of mailing of the notice, intends to present for action by the Members.

Whenever the Members are required or authorized to take any action at a meeting, the written notice of such meeting shall be signed by the Secretary or such other person(s) as the Directors shall designate.

Section 5. Manner of Giving Notice. Notice of any meeting of the Members shall be given either personally or by mail, postage prepaid, addressed to each Member either at the address of the Member appearing on the books of the Association or the address given by the Member to the Association for the purpose of notice. If no address appears on the Association's books and no other has been given, notice shall be deemed to have been given if notice is sent to that Member by mail to the Association's principal office. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication. An affidavit of mailing or other means of giving any notice of any Members' meeting may be executed by the Secretary, or any other party of the Association giving the notice, and if so executed, may be filed and maintained in the minute book of the Association. Notice may be delivered by facsimile copy if a Member has a facsimile number in the records of the Association.

Section 6. Action Without Meeting. Any action, which may be taken at a meeting, may be taken without a meeting, provided that the following requirements are met:

(a) A written ballot is mailed to every Member entitled to vote setting forth the proposed action, providing opportunity to signify approval or disapproval and indicating a reasonable time for the Member to return the ballot to the Association. The time period in which to return ballots may be extended by the Directors as reasonably necessary.

(b) The number of votes cast by ballot within the specified time period equals or exceeds the number required for a quorum under the terms of Section 9 of this Article.

(c) The number of approvals of the action equals or exceeds the number of votes which would be required to approve such action at a meeting at which the total number of votes cast was the same as the number of written ballots returned.

(d) The written ballot distributed to Members of the Association affords an opportunity for the Member to specify a choice between approval and disapproval of each order of business proposed to be acted upon by the Association and further provides that the vote of the Member shall be cast in accordance with the choice specified.

Section 7. Record Date. The Board of Directors may fix a date in the future as a record date for the determination of the Members entitled to notice of any meeting of Members. The record date so fixed shall not be more than ninety (90) days nor less than thirty (30) days prior to any other action. When a record date is so fixed, only Members of record on that date shall be entitled to notice of the next meeting of Members.

section 8. Proxies. Every Member entitled to vote or execute consents shall have the right to do so either in person or by an Agent or Agents authorized by a written proxy executed by such Member or his duly authorized Agent and filled 'with the Secretary of the Association prior to the commencement of the meeting or at the meeting at which the proxy is to be exercised. No proxy shall be valid after the expiration of six (6) months from the date of the proxy, unless (a) the proxy is coupled with an interest, or (b) the maker of the proxy specifies therein the length of time for which it is to continue in force, which in no case shall exceed one (1) year from the date of its execution.

Section 9. Quorum. The presence either in person or by proxy at a Members<sup>o</sup> meeting of Members representing and entitled to cast not less than fifteen percent (15%) of the voting power of the Association shall constitute a quorum for any action by the Members, unless a different requirement is imposed by these Bylaws, the Articles or the Declaration, and a majority of those votes present either in person or by proxy at a meeting at which a quorum is present shall prevail at such meetings unless a different percentage is required by or permitted to be taken by these Bylaws, the Articles or the Declaration. Unless otherwise expressly authorized by these Bylaws or the Declaration, all action required or permitted to be taken by the Members may be taken only at a duly called and properly noticed annual or special meeting at which a quorum is present. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members so that less than a quorum is present if any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum. If less than thirty-three and one-third (33 1/3) of the total voting power of the Association is present, in person or by proxy, at any meeting, only those matters, the general nature of which was given in the notice of the meeting may be voted upon by the Members. If any meeting cannot be held because a quorum is not present, a majority of the Members present either in person or by proxy and entitled to vote may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called at which meeting the quorum requirements shall be ten percent (10%) of the total voting power. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of

the adjourned meeting shall be given to Members in the manner prescribed in Section 5 of Article V hereof.

## ARTICLE VI

### DIRECTORS

Section 1. Number, Qualifications, Term Of Office. The initial Board of Directors shall be a three (3) person Board. At the first annual membership meeting, the Members shall elect five (5) Directors, at least two (2) of whom must be a Member of the Association or representatives of Declarant designated by Declarant. Three (3) of the Directors shall hold office for three (3) years and two (2) of them shall hold office for two (2) years. At each annual meeting of the Members thereafter, the Members shall elect a new Director to fill any vacancy created by the expiration of a prior Director's term of office. Such new Directors shall serve for a term of two (2) years or until the later election of their successors.

Prior to the organization meeting, and thereafter until their successors are elected, the incorporator of the Association or the first Directors appointed by the incorporator shall serve as Directors of the Association. The number of Directors may be increased or decreased from time to time by an amendment to these Bylaws by the Members as hereinafter provided in these Bylaws and the Articles of Incorporation.

Upon election each Director must certify that the Director has read the Project Documents and understands them.

Section Z. Nominating Committee. The President of the Association shall appoint a committee to select qualified candidates for election to the Board prior to the time the notice of the meeting, required by Article V, Section 2 and the Secretary shall forward to each member, with the notice of meeting required by Article V, Section 4, a list of candidates, by office.

Members representing five percent (5%) of the membership may nominate candidates for directorships at any time before the twentieth day preceding such election. On timely receipt of a petition signed by the required number of Members, the Secretary shall cause the names of those candidates named on it to be placed on the ballot along with those candidates named by the nominating committee. At the meeting to elect Directors, any Member present at the meeting, in person or by proxy, may place names in nomination.

Section 3. Removal. The entire Board or any individual Director may be removed from office, with or without cause, at any duly called, noticed and held annual or special meeting of the Members, at which a quorum is present, by a two-thirds majority of the total votes present at such meeting either in person or by proxy, and entitled to vote.

In the event that any member of the Board shall be absent from four (4) consecutive regular meetings of the Board of Directors, the Board may, by action taken at the meeting during which said fourth (4th) absence occurs, declare the office of said absent Director to be vacant.

Section 4. Place of Meeting. All meetings of the Board shall be held in Nevada.

Section 5. Meetings of the Board. Immediately following the first (1st) annual meeting and each annual meeting of the Members, the Board may hold a regular annual meeting at the same place for the purpose of organization, election of officers and the transaction of other business. The Board will meet at least once every six (6) months.

Section 6. Special Meetings. Meetings of the Board for any purpose or purposes may be called by written notice at any time by the President, or if absent or unable or refuses to act, by any Vice-President, or by any two (2) Directors.

Section 7. Notice of Meeting. Notice of the time and place of all meetings and in the case of special meetings of the nature of any special business to be considered shall be given to each Director. For all regular annual and regular meetings, written notice shall be given to Directors by first-class mail at least thirty (30) days prior to the scheduled time of such meeting. For special meetings notice shall be given to Directors at least fifteen (15) days prior to the meeting. Notice of the time and place of all meetings of the Board shall be posted at a prominent place or places within the Common Areas. No notice need be given to any Director who has signed a waiver of notice or written consent to holding of this meeting.

Whenever any Director has been absent from any meeting of the Board and notice of such meeting has been duly given to such Director, an entry in the minutes to the effect that notice has been duly given shall be made.

Section 8. Quorum. A bare majority of the Board shall constitute a quorum thereof. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present, in person, or by telephone in accordance with statute, shall be regarded *as an act* of the Board.

Section 9. Quorum Requirement, Waiver Of Notice. The transaction of any business at any meeting of the Board, however called and noticed, or wherever held, shall be *as valid as though* made at a meeting duly held after regular call and notice, if a quorum is present, unless a quorum is expressly not required pursuant to these Bylaws, and if, either before or after the meeting, each of the Directors not present signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All **such waivers, consents or approvals shall** be filed with the corporate records and made a part of the minutes of the meeting.

Section 10. Action Without Meeting. Any action required or permitted to be taken by the Board by law, according to the Articles of Incorporation or according to these Bylaws or the Declaration may be taken without a meeting, if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board, and shall have the same force and effect as an unanimous vote of such Directors.

Section 11. Committees. The Board shall have the power to appoint committees, each committee to consist of one or more Directors, and to delegate to such committees any of the powers and authority of the Board in the management of the business and affairs of the Association.

Section 12. Power and Duties. Subject to the limitations of the Articles, these Bylaws, the Declaration and the provisions of the Non-Stock, Non-Profit Cooperative Corporation Law of the State of Nevada, or other applicable law, as to action required to be taken, authorized or approved by the Members of the Association, or a portion or percentage thereof all Association powers and duties including those set forth in the Declaration shall be exercised by, or under the authority of the Board, and the business and affairs of the Association shall be controlled by the Board. The Board shall have the power to enter into agreements in the name and on behalf of the Association for the management of the Association, external exchange affiliation, operation of time share reservations, repair and maintenance of the Project property and furniture and furnishings and the performance of services relative thereto.

Section 13. Reimbursement of Expenses. The Members of the Board shall be allowed reimbursement by the Association for reasonable transportation expenses incurred and a reasonable per diem for attendance at regular or special meetings of the Board of Directors.

Section 14. Open Meetings. The following provisions shall be operable with respect to open meetings:

(a) All meetings of the Board shall be open to all Members of the Association provided, however, that Members who are not on the Board may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board. Any Member may request to be and shall be connected to a meeting by telephone conference call at the Member's expense. If the number of Members requesting such connection make the telephone conference call impractical or impossible, a telephone conference meeting may not be held.

(b) The Board may, with the approval of a majority of a quorum of its members, adjourn a meeting and reconvene in executive session to discuss; and vote upon personnel matters, litigation in which the Association is or may become involved and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 15. Vacancies. If the office of any Director becomes vacant by reason of death, resignation, removal, disqualification, or otherwise, the directors may by vote of a majority of a quorum choose a successor or successors who shall hold office for the unexpired term. If there be less than a quorum of the Directors but at least two Directors at the time in office, the Directors may by a majority vote choose a successor or successors who shall hold office for the unexpired term(s). Vacancies in the Board of Directors may be filled for the unexpired term by the Members at a meeting called for that purpose, unless such vacancy shall have been filled by the Directors. Vacancies resulting from an increase in the number of Directors may be filled in the same manner to serve until the next annual meeting. In the event the Director whose office has been vacated was elected by the voting powers of the members other than the Declarant, the Director appointed to fill the vacancy must be a non-Declarant member.

## A R T I C L E   V I I

### OFFICERS

Section 1. Enumeration of Officers. The officers of the Association shall be a President, Vice-President, a Secretary, a Treasurer and such other officers as the Board may deem necessary. Any person may hold more than one (1) office. The President, Vice-President and Secretary shall be members of the Board. The treasurer may be, but need not be, a member of the Board. No officer need be a Member of the Association.

Section 2. Subordinate Officers. The Board may appoint, and may authorize the President or another officer to appoint, any other officers that the business of the Association may require, each of whom shall have the title, hold office for the period, have the authority, and perform the duties specified in these Bylaws or determined from time to time by the Board.

Section 3. Election. The initial officers shall be chosen by a majority vote of the Directors at the first meeting of the Board, and thereafter, officers shall be chosen, removed or replaced at any subsequent meeting of the Board by a majority vote of the total number of Directors on the Board.

Section 4. Term. All officers shall hold office at the pleasure of the Board.

section 5. Resignation of Officers. Any officer may resign at any time by giving written notice to the Association. Any resignation shall be affective at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Association under any contract to which the officer is a party.

Section 6. President. The President shall be the chief executive officer of the Association and shall, subject to the control of the Board, have supervision, direction and control of the business and affairs of the Association. The President shall preside at all meetings of the Members and at all meetings of the Board. The President shall be an ex-officio member of all standing committees, and shall have the general powers and duties of management usually vested in the office of President of a Nevada non-stock, non-profit cooperative corporation, and shall have such powers and duties as may be prescribed by the Board or by these Bylaws.

Section 7. Vice-President. In the absence or disability of the President, the Vice-President shall perform all the duties of the President, and when so acting shall have all powers of, and be subject to all the restrictions upon, the President. The Vice-President shall have such other powers and perform such other duties as from time to time may be prescribed for the office by the Board or by these Bylaws.

Section 8. Secretary. The Secretary shall keep or cause to be kept, a book of minutes at the principal office or such other place as the Board may order, of all meetings of Directors and Members, with the time and place of holding, whether regular or special, and if special how authorized, the notice thereof given, the names of those persons present at the Directors' meetings, the number of Members present or represented at Members' meetings and the proceedings thereof.

The Secretary shall give, or cause to be given, notice of all the meetings of the Members and of the Board required by the Bylaws or by law to be given, and shall have such other powers, and perform such other duties as may be prescribed by the Board or the Bylaws.

The Secretary shall keep, or cause to be kept, at the principal office, as determined by resolution of the Board, a record of the Members, showing the names of all Members, and their addresses.

Section 9. Treasurer The Treasurer shall keep and maintain, or cause to be kept or maintained, adequate and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital and surplus. The books of account shall at all times be open to inspection by any Director. 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. The Treasurer 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 account of all of 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 the Bylaws. The Board may delegate the performance of the foregoing duties, subject to the supervision by the Treasurer, to the Managing Agent retained by the Association.

Section 10. Vacancies. If the office of any officer becomes vacant by reason of death, resignation, removal, or disqualification, the Directors may by vote of a majority of a quorum choose a successor or successors who shall hold office until the next annual meeting. If there be less than a quorum of Directors, but at least two Directors at the time in office, the Directors may by a majority vote choose a successor or successors who shall hold office until the next annual meeting. At the next annual meeting, the Members shall elect a successor to serve for the unexpired term or if the vacancy arises through the increase of the number of Directors for the terms assigned.

## ARTICLE VIII

### INDEMNIFICATION OF DIRECTORS, OFFICER, EMPLOYEES, AND OTHER AGENTS EMPLOYEES, AND OTHER AGENTS

Section 1. Definitions. For the purposes of this Article,

(a) "Agent" means any person who is or was a Director, officer, employee, or other agent of this Association, or is or was serving at the request of this Association as a Director, officer, employee, or Agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise;

(b) "Proceeding" means any threatened, pending, or completed action or proceeding, whether civil, criminal, administrative or investigative, and

(c) "Expenses" includes, without limitation, all attorneys' fees, costs, and any other expenses incurred in the defense of any claims or proceedings against an Agent by reason of his position or relationship as Agent and all attorneys' fees, costs, and other expenses incurred in establishing a right to indemnification under this Article.

Section 2. Successful Defense by Agent. To the extent that an Agent of this Association has been successful on the merits in the defense of any proceeding referred to in this Article, or in the defense of any claim, issue, or matter therein the Agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection with the claim. If an Agent either settles any such claim or sustains a judgment rendered against him, then the provisions of Sections 3 through 5 shall determine whether the Agent is entitled to indemnification.

Section 3. Actions Brought by Persons Other Than Association. Subject to the required findings to be made pursuant to Section 5 below, this Association shall indemnify any person who was or is a party, or is threatened to be made a party, to any proceeding (other than an action brought by, or on behalf of, this Association) by reason of the fact that such person is or was an Agent of this Association, for all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with the proceeding.

Section 4. **Action brought** By or on Behalf of the Association.

- (a) Claims settled out of court. If any Agent settles or otherwise disposes of a threatened or pending action brought by or on behalf of this Association, with or without approval, the Agent shall receive no indemnification for either amounts paid pursuant to the terms of the settlement or other disposition or for any expenses incurred in defending against the proceeding.

(b) Claims and suits awarded against Agent. This Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit brought by or on behalf of this Association by reason of the fact that the person is or was an Agent of this Association, for all expenses actually or reasonably incurred in connection with the defense of that action, provided that both of the following are met:

(i) The determination of good faith conduct required by Section 5, below, must be made in the manner provided for in that Section; and

(ii) Upon application, the court in which the action was brought must determine that, in view of all of the circumstances of the case, the Agent should be entitled to indemnity for the expenses incurred. If the Agent is found to be so entitled, the court shall determine the appropriate amount of expenses to be reimbursed.

Section 5. **Determination** of **agent's Good Faith Conduct.** The indemnification granted to an Agent in Sections 3 and 4, above, is conditioned on the following:

(a) **Required standard of conduct.** The Agent seeking reimbursement must be found, in the manner provided below, to have acted in good faith, in a manner the Agent believed to be in the best interest of this Association, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use in similar circumstances. The termination of any proceeding by judgment, order, settlement, conviction, or on a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith or in a manner which the Agent reasonably believed to be in the best interest of this Association or that the Agent had reasonable cause to believe that the conduct was unlawful. In the case of a criminal proceeding, the person must have had no reasonable cause to believe that the conduct was unlawful.

(b) **Manner of determination of good faith conduct.** The determination that the Agent did act in a manner complying with subparagraph (a) above shall be made by:

(i) The Board by a majority vote of a quorum consisting of Directors who are not parties to the proceeding; or

(ii) If such a quorum of disinterested Directors so orders, by independent legal counsel in a written opinion; or

(iii) If such a quorum of disinterested Directors cannot be obtained, by independent legal counsel in a written opinion; or

(iv) The affirmative vote or written ballot of a majority of the votes of the Members represented and voting at a duly held meeting with the persons to be indemnified not being entitled to vote thereon; or

(v) The court in which the proceeding is or was pending. Such determination may be made on application brought by this Association or the Agent or the attorney or other person rendering a defense to the Agent, whether or not the application by the Agent, attorney or other person is opposed by this Association.

Section \_\_\_\_\_ Limitations. No indemnification or advance shall be made under this Article, except as provided in Sections 2 or 5(b)(v), in any circumstance when it appears:

(a) That the indemnification or advance would be inconsistent with a provision of the Articles, a resolution of the members, or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(b) That the indemnification would be inconsistent with any condition expressly imposed by a court in approving a settlement.

Section 7. Advance of Expenses. Expenses incurred in defending any proceeding may be advanced by this Association before the final disposition of the proceeding on receipt of an undertaking by or on behalf of the Agent to repay the amount of the advance unless it is determined ultimately that the Agent is entitled to be indemnified as authorized in this Article VIII.

section Contractual Rights of Non-Directors and Non-Officers. Nothing contained in this Article shall affect any right to indemnification to which persons other than Directors and officers of this Association, or any subsidiary hereof, may be entitled by contract or otherwise.

Section 9. Insurance. The Board may adopt a resolution authorizing the purchase and maintenance of insurance on behalf of any Agent of the Association against any liability asserted against or incurred by the Agent in such capacity or arising out of the Agent's.

status as such, whether or not this Association would have the power to indemnify the Agent against the liability under the provisions of this Section.

## A R T I C L E   I X

### MISCELLANEOUS

Section 1. Contracts, Etc., How Executed. The Board, except *as* otherwise provided in these Bylaws, may authorize any officer or officers, Agent or Agents, to enter into any contract or execute any instrument in the name and on behalf of the Association, and such authority may be general or confined to specific instances.

Section 2. Inspection of Documents. The Association shall keep at its principal office, the original or a certified copy of the Articles and Bylaws as amended to date, and such documents as are required to be delivered to Association by Declarant under the Declaration, which shall be open to inspection by the Members at all reasonable times during office hours.

Section 3. Fiscal Year. The fiscal year of the Association shall be as recommended by corporate accountants.

Section 4. Maintenance and Inspection of Other Corporate Records. The accounting books, records and minutes of proceedings of the Members and the Board of any committee(s) of the Board shall be kept at such place or places designated by the Board, or in the absence of such designation, at the principal office of the Association. The minutes shall be kept in written or typed form, and the accounting books and records shall be kept either in written or typed form or in any other form capable of being converted into written, type or printed form. The minutes and accounting books and records shall be open to inspection by any Member in good standing, upon at least five (5) days written demand. Such Member is entitled to inspect in person or by Agent or attorney, during normal business hours, the books of account and all financial records of the Association, to make extracts therefrom, and to conduct an audit of such records; provided, (i) all cost of making extracts of record or conducting an audit shall be borne by such Member, and (ii) the foregoing inspection and audit rights may be denied to any Member upon the Member's refusal to furnish the Association an affidavit that such inspection, extracts or audit is not desired for any purposes not related to the Owner's Interest in the Association as a Member and that such information will not be used for commercial purposes.

Notwithstanding any of the foregoing provisions, (a) the minutes, accounting books and records shall be open to inspection on the authenticated written demand of any Member together with the fee prescribed by the Board to defray reproduction costs, at any reasonable time during usual business hours, for a purpose reasonably related to the Member's interest as a Member; (b) the inspection may be made in person or by an Agent or attorney, and shall include the right to copy and make extracts; (c) the Board shall establish reasonable rules - with respect to (i) notice to be given to the custodian of the records by the Member desiring to

make the inspection, (ii) hours and days of the week when such an inspection may be made, and (iii) payment of the cost of reproducing copies of documents requested by a Member; and (d) every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association, which right includes the right to make extracts and copies of documents. The Association may require that the Member agree in writing not to use, or allow the use of, information from the membership register for commercial or other purposes and for violation of such prohibition pay a penalty of Five Dollars (\$5.00) per individual name and/or address improperly disclosed.

Section 5. Report of Members. The Association shall make available to the Members annual financial reports.

## **A R T I C L E X**

### EVIDENCE OF MEMBERSHIP SEAL

Section 1. Evidence of Membership. The Board may issue or cause the issuance of a certificate of membership in the Association to the. Members in such form as the Board shall determine.

Section 2. Seal. The Association may have a seal in circular form having within its circumference the name of the Association, its date of incorporation and such other matter as may be determined by the Board.

## **A R T I C L E X I**

### **AMENDMENTS. CONFLICTS**


Section 1. Amendments. These Bylaws may be amended from time to time in accordance with the following provisions:

- (a) A majority of the Directors at a duly called meeting; and
- (b) A vote or written consent of twenty-five percent (25%) of the total voting power of the Association, exclusive of the Declarant; and the consent of Declarant.

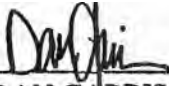
The percentage of the voting power of the Association and of Members other than Declarant required to amend any specific clause or provisions herein shall not be less than the percentage of affirmative votes or written consents prescribed for any action to be taken under that clause or provisions.

Section 2. Conflicts. In the event of any inconsistency between these Bylaws and the Articles, the Articles shall control, and in the event of any inconsistency between these Bylaws and the Declaration, the Declaration shall control.

IN WITNESS WHEREOF, we, being all of the Directors of WALLEY ' S  
PROPERTY OWNERS ASSOCIATION, have hereunto set our hands this 25th day of  
January, 2000.

  
\_\_\_\_\_  
ROBERT SEWELL

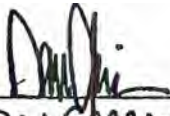
  
\_\_\_\_\_  
ROBERT W. DUNBAR

  
\_\_\_\_\_  
DAN GARRISON

This is to Certify:

That I am the Secretary of WALLEY'S PROPERTY OWNERS ASSOCIATION, a Nevada non-stock, non-profit cooperative corporation, and that the above and foregoing Bylaws were adopted by the Board of Directors by written consent on January, 2000.

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of  
*January, 2000.*

  
\_\_\_\_\_  
DAN GARRISON, Secretary