

## BYLAWS OF

### QUAIL RIDGE III HOMEOWNERS ASSOCIATION

#### ARTICLE I

##### GENERAL PROVISIONS

Section 1. Name. The name of this non-stock, non-profit cooperative corporation is the Quail Ridge III Homeowners Association ("Association"). The principle office of the Association shall be at such place in the 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". The Amended and Restated Declaration of Covenants, Conditions and Restrictions of Quail Ridge III recorded in the Office of the County Recorder of Lyon County as Document No. 156659, and all amendments thereto (the "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.

#### ARTICLE II

##### MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. Only Owners shall be Members of the Association; provided, however, that no Person shall be a Member by reason of ownership of lands used for public school or governmental or quasi-governmental purposes, or by reason of ownership of any park, public land, road, easements, right-of-way, mineral interest, mortgage or deeds of trust. Each Owner shall automatically be a Member of the Association without the necessity of any further action on his part, and Association membership shall be appurtenant to and shall run with the property interest ownership of which qualifies the Owner thereof to membership. Membership may not be severed from, or in any way transferred, pledged, mortgaged or alienated except together with the title to the property interest, ownership of which qualifies the Owner thereof to membership, and then only to the transferee of title to said property interest. Any attempt to make a prohibited severance, transfer, pledge, mortgage or alienation shall be void.

Section 2. Voting Rights. All Members of the Association, in good standing, shall have the right to cast one vote for each lot owned.

Section 3. 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.

### ARTICLE III

#### MEMBERSHIP ASSESSMENTS AND LIEN RIGHTS

Section 1. Membership Assessments. Maintenance assessments, Special Assessments and Personal Charges as provided for in the Declaration shall be paid by the Members of the Association at the time, in the manner and subject to the conditions and limitations set forth in the Declaration, and the Board shall fix, levy, collect and enforce such assessments at the time, in the manner and subject to the limitations set forth in the Declaration.

Section 2. Enforcement, Lien Rights. For the purpose of enforcing and collecting assessments, 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 at law or in equity.

### ARTICLE IV

#### 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. Subject to such limitations as may be imposed in accordance with the Declaration, each Member shall have all of the rights and privileges granted to the Members by the Declaration, including, but not limited to, property rights and rights to access over, and use and enjoyment of the Common Areas granted to the Association by easement or other document.

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 the use of the Interests as it, in its sole discretion, deems appropriate, so long only as such rules, regulations and conditions do not materially abridge the rights of Members set forth in the Declaration and in the Purchase Agreements. Upon notice and meeting, the Board may establish rules, regulations, fees for and prerequisite conditions to the use of the Units and the Common Areas and facilities thereon. All rules and regulations adopted pursuant to this Section 2 and the Declaration shall hereafter be referred to as the "Rules and Regulations".

## ARTICLE V

### MEETING OF MEMBERS

Section 1. Place of Meeting. All meetings of the Members shall be held at the Project or as close thereto as possible in the County of Lyon, State of Nevada.

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 Unit in the Project. An annual meeting shall thereafter be held in each successive year at a time and place to be selected by the Board. At the annual meetings, the Members shall elect a Board in accordance with these Bylaws. The Members may also transact such other business of the Association as may properly come before them at such annual meetings.

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 Members, provided, no special meeting may be held or called prior to the first annual meeting. Except where another express provision is made by statute, these Bylaws or the Declaration, notice of such 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 registered 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. If the notice is not given within forty-five (45) days after receipt of the request, the persons requesting the meeting may give the notice. 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 meetings shall be given to each member. All notices of any meeting shall be sent to each Member not less than thirty (30) and not more than ninety (90) days before the meeting, and shall specify the place, the day and the hour of the meeting and state generally the matters that the Board, at the time of notice is effected, 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 of other means of giving 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, shall be filed and maintained in the minute book of the Association.

Section 6. 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 filed 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 seven (7) years from the date of its execution.

Section 7. Quorum. The presence at a Members' meeting, either in person or by proxy, 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. 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 by these Bylaws, the Articles 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 one-third 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. 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 a quorum shall be twenty-five percent (25%) of the total votes. 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 affairs of the Association shall be managed by a Board of five (5) Directors each of whom must be a resident member of the Association in good standing. At the organization meeting, the Members shall elect five (5) Directors, two (2) of whom shall hold office for three (3) years; and three (3) of whom shall hold office for two (2) years. At each annual meeting of the Members thereafter, the Members shall elect a new Director to fill each 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. Any Member entitled to vote at the meeting pursuant to the provisions of these Bylaws shall be eligible as a candidate for the position of Director. Nominations shall be made as set forth in Section 2 of this Article VI. The number of Directors may be increased or decreased from time to time by an Amendment to these Bylaws as hereinafter provided, but in no event shall be less than three (3).

Section 2. Nominating Committees. The President of the Association may appoint a committee to select qualified candidates for election to the Board at least sixty (60) days before the date of the election, and the Secretary shall forward to each member, with the notice of meeting required by Article V, Section 4, a list of candidates nominated.

Section 3. Removal. Any individual Director who has been elected to office may be removed from office prior to the expiration of his term of office only by a vote of at least a simple majority of the voting power.

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

Section 4. Place of Meeting. All meetings of the Board shall be held in the project, if possible.

Section 5. Meeting of the Board. Immediately following the first annual meeting and each annual meeting of the Members, the Board shall hold a regular annual meeting at the same place for the purpose of organization, election of officers and the transaction of other business. In addition to the regular annual meetings of the Board described in the preceding sentence, the Board shall hold a regular meeting within six (6) calendar months following adjournment of the preceding regular annual meeting.

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

Section 7. Notice of Board Meetings. 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, 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 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 a unanimous vote of the 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. Powers 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 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 operation, repair, and maintenance of the Common Area, and the performance of certain services relative thereto. The Members of the Board shall be allowed reimbursement by the Association for transportation expenses incurred and a reasonable per diem for attendance at regular or special meetings of the Board of Directors.

Section 13. 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 of the Board of Directors may request to be and shall be connected to a meeting by telephone conference call. If the number of Board 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 14. Vacancies. If the office of any Director becomes vacant by reason of death, resignation, removal, disqualification, or otherwise, the remaining Directors may by vote of majority of a quorum choose a successor or successors who shall hold office for the unexpired term.

## ARTICLE VII

### OFFICERS

Section 1. Enumeration of Officers. The officers of the Association shall be a President, Vice President, a Secretary, a Treasurer, a Resident Agent, 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. All officers must be full time residents and members of the Association in good standing.

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 effective 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. He shall preside at all meetings of the Members and at all meetings of the Board. He shall be ex-officio a 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 him by the Board or by these Bylaws.

Section 8. Secretary. The Secretary shall keep or cause to be kept, at the principal office or such other place as the Board may order, a book of minutes of all meetings of Directors and Members. The minutes shall specify: (a) the time and place where all regular and special meetings were held; (b) whether the meetings were regular or special, and if special how authorized; (c) the notice thereof given; (d) the names of those persons present at the Directors' meetings; (e) the number of Members present or represented at Members' meetings; and (f) 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 moneys 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 the treasurer's transactions 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. Resident Agent. The resident Agent may be either an individual or corporation and shall be either a resident or an entity located in the State of Nevada. The Resident Agent shall have those powers and duties which are set forth in the Nevada General Corporation Law.

Section 11. Vacancies. If the office of any officer 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 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.

## ARTICLE VIII

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

Section 1. Definitions. For the purpose 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, 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 suites 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 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 he 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 he reasonably believed to be in the best interest of this Association or that he had reasonable cause to believe that his conduct was unlawful. In the case of a criminal proceeding, the person must have had no reasonable cause to believe that his 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 voters 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 6. 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 8. Contractual Rights of Non-Directors and Non-Officers. Nothing contained in this Article shall effect 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.

## ARTICLE IX

### 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; and unless so authorized by the Board, no officer, Agent or employee shall have any power or authority to bind the Association by a contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

Section 2. Inspection of Bylaws. The Association shall keep at its principal office, the original or a certified copy of the Articles and Bylaws as amended to date, 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 that which is prescribed in the Declaration.

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 or in any other form capable of being converted into written, typed 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 his refusal to furnish the Association an affidavit that such inspection, extracts or audit is not desired for any purposes not related to his Interest in the Association as a Member.

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 or utilized. Such membership list shall be available only for proxy purposes or other reasons related to the business of the Association.

Section 5. Report of Members. The Association shall provide to the Members the financial reports referred to in the Declaration.

## ARTICLE X

### EVIDENCE OF MEMBERSHIP, SEAL

Section 1. Evidence of Membership. The Board shall 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 matters as may be determined by the Board.

ARTICLE XI

AMENDMENTS, CONFLICTS

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

(a) Any amendment hereto shall require at least the vote or written consent of twenty-five percent (25%) of the total voting power of the Association.

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 or the Articles and the Declaration, the Declaration shall control.

IN WITNESS WHEREOF, we, being a majority of the Members and Directors of the Quail Ridge III Homeowners Association, have hereunto set our hands this \_\_\_\_\_ day of JUL 10, 1996.

Joe Carpenter  
Joe Carpenter, President

Beverly Joanne Blashaw  
(Beverly) Joanne Blashaw, Secretary

Dorothy R Johnson  
Dorothy Johnson, Treasurer

This is to Certify:

That I am the Secretary of the Quail Ridge III Homeowners Association, a Nevada non-stock, non-profit cooperative corporation, and that the above and foregoing Bylaws were adopted by the majority vote of the members and the Board of Directors at a Member's meeting held July 10, 1996.

IN WITNESS WHEREOF, I have hereunto set my hand this 10<sup>th</sup> day of July, 1996.

Beverly Joanne Blashaw  
Secretary