

BY LAWS
OF
LAKE CARLOS VILLAS COOPERATIVE ASSOCIATION

These Bylaws shall be read and constructed in conjunction with the Articles of Incorporation of the Lake Carlos Villas Cooperative Association, a Minnesota Cooperative, and the Vacation - Share Plan and Declaration of Restrictions of the Lake Carlos Villas as amended from time to time. The meanings of terms hereof shall be as defined in said Declaration of Restrictions.

ARTICLE I
PRINCIPAL OFFICE

The principal office of the Cooperative shall be located at 3954 Co Rd 42 NE, Alexandria, Minnesota. The Cooperative shall have and continuously maintain an office and agent whose office shall be identical with such registered office. The address of the principal office may be changed from time to time by the Board of Directors.

ARTICLE II
MEMBERS

Section 1: Initial and Subsequent Members. Those persons or corporations who presently own or hereafter acquire a Vacation - Share Interest * from the Lake Carlos Villas Cooperative Association, hereinafter referred to as the " COOPERATIVE", shall be members.

Section 2: Voting Rights. There shall be 49 memberships per unit created by the Vacation - Share Plan and Declaration of Restrictions. In the event of joint ownership of a Vacation - Share Interest, the voting power applicable thereto shall be cast as a single undivided vote by agreement of the joint owners of a membership cast by one of their number.

Section 3: Termination of membership. Membership in this Cooperative is transferable or assignable, only with the transfer of a Vacation -Share Interest as documented upon the records of the Association.

ARTICLE III
MEETING OF MEMBERS

Section 1: Annual Meeting. An annual meeting of the members shall be held at a location fixed by the Directors of the Cooperative, at a time set by the Board, on a day set by the Board as specified in the Notice of the Annual Meeting, for the purpose of electing Directors and for the transaction of such other business as may come before the meeting. The day fixed for the annual meeting shall not be a legal holiday in the State of Minnesota. If the election of Directors shall not be held on the day designated herein for any annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the members as soon thereafter as it conveniently may be held.

Section 2: Special Meetings. Special Meetings of the members may be called by the President, the Board of Directors, or on petition of not less than one-tenth of the members' voting rights. A voting right for purposes of these Bylaws is the right to cast one vote.

Section 3: Place of Meetings. The Board of Directors may designate any place within Minnesota as the place of meeting for any meeting, and if no such designation is made, such meeting shall take place at the office of the Cooperative, Alexandria, Minnesota.

Section 4: Notice of Meetings. Subject to the provisions of Article XI below, written, printed or digital (E-mail) notice stating the place, date and hour of any meeting of members shall be delivered by digital (E-mail) means to each member entitled to vote at such meeting. If a member does not have a current email address on file with the Association, a notice shall be delivered by First Class Mail. The notice shall not be less than thirty (30) days nor more than fifty (50) days before the day of such meetings,

by or at the direction of the President, or the Secretary, or the officers or persons calling the meeting. In case of a Special Meeting, or when required by statute, or by these Bylaws, the purpose or purposes for which the meeting is called shall be stated in the notice. The notice of a meeting shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the records of the Cooperative, with postage thereon prepaid. In addition to notice as above provided, there shall be posted at a conspicuous place on the Cooperative property a notice of any such meeting at least 14 days and no more than 50 days prior to the day of such meeting, specifying the place, date and hour of such meeting.

Section 5: Informal Action by Members. Any action required by law to be taken at a meeting of the members, or any action which may be taken at a meeting of members, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the members entitled to vote with respect to the subject matter thereof.

Section 6: Quorum. Ten percent of the members of the Cooperative shall constitute a quorum for meetings of the Cooperative. If a quorum is present, unless otherwise provided by the Declaration of Restrictions, these Bylaws or Articles of the Corporation, a majority of the voting rights represented in person or by proxy at such a meeting may take corporate action. If a quorum is not present at any meeting of members, a majority of such voting rights may adjourn the meeting from time to time without further notice.

Section 7: Proxies. At any meeting of members, a member entitled to vote may vote by proxy executed in writing by the member or by his duly authorized Attorney-in-Fact. The form of such proxies shall be substantially as follows, to-wit:

The proxy shall:

(a) state that it is revocable at any time at the pleasure of the Interest Owner or Owners executing it, as the case may be;

(b) designate the interest number owned by the person or persons granting such proxy;

(c) contain a designation as to the meeting concerning which such proxy is to be used (and shall be good as to any such meeting and continuations or adjournments thereof within 90 days from the date of the first meeting for which it was given unless otherwise provided);

(d) contain a statement that the person or persons granting such proxy will not be available for the designated meeting, and

(e) contain the name and address of the person or persons authorized to cast such proxy vote.

Only individuals shall be authorized to hold proxies.

Section 8: Voting by Mail. Where Directors or Officers are to be elected by members or any class or classes of members, such election may be conducted by mail in such manner as the Board of Directors shall determine.

Section 9: Secret Ballot. Notwithstanding anything herein to the contrary, any vote to amend the Declaration of Restrictions relating to a change in the method of calculating a percentage of ownership in the Cooperative or share of the common expenses shall be done by secret ballot.

ARTICLE IV BOARD OF DIRECTORS

Section 1: General Powers. The affairs of the Cooperative shall be managed by its Board of Directors. Said Board shall have and execute all powers necessary to accomplish its duties and obligations

relative to the Cooperative and the Project. Directors need not be members of the Cooperative.

Section 2: Number, Tenure and Qualifications. There shall be nine (9) Directors of the Association. For the term beginning June 1, 1987, three (3) Directors shall be elected and serve for a term of three (3) years; three (3) Directors shall be elected and serve for a term of two (2) years; three (3) Directors shall be elected and serve for a term of one (1) year. Thereafter, Directors shall be elected for three-year terms. The Directors shall be elected at the meeting by the members of the Cooperative, the candidates receiving a plurality of the votes cast shall be duly elected Directors of the Cooperative for the specified term. Each Director thereafter shall hold office until the annual meeting of the members for the year in which his/her term expires and until his/her successor shall have been elected and qualified at said annual meeting, or until removed by written agreement of the members owning a majority of the voting rights or by such a majority of all voting rights at a special meeting of the members called by ten (10%) percent of the Voting Rights for that purpose.

Section 3: Regular Meetings. A regular annual meeting of the Board of Directors shall be held immediately after and at the same place as the annual meeting of members.

Section 4: Special Meetings. Special meeting of the Board of Directors may be called by or at the request of the President or any two (2) Directors. The person or persons authorized to call special meetings of the Board may fix any place within Minnesota as the place for holding any special meetings of the Board called by them.

Section 5: Notice. Notice of any special meeting of the Board of Directors shall be given at least ten (10) days previous thereto by written notice delivered personally or sent by mail to each Director at his address as shown by the records of the Cooperative. If mailed, such notice shall be deemed to be delivered when deposited in the United States mails in a sealed envelope so addressed, with postage thereon prepaid. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. The business to be transacted at the meeting need not be specified in the notice or waiver or notice of such meeting, unless specifically required by law or by these bylaws.

Section 6: Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board; but if less than a majority of the Directors are present at said meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

Section 7: Manner of Acting. The act of a majority of the Directors present at a meeting at which quorum is present shall be the act of the Board of Directors, unless a greater number is required by law and by these Bylaws.

Section 8: Attendance of Members. All meetings of the Board of Directors of the Cooperative shall be open to all Owners and notices of such meetings shall be posted conspicuously at least 48 hours in advance of such meeting for the attention of Owners except in the case of an emergency. Such notices shall specify the day, hour and place of all such Board of Directors meetings.

Section 9: Vacancies. Any Vacancy in the Board of Directors and any directorship to be filled by reason of death, disability, resignation or removal, shall be filled through election by the Board of Directors. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

Section 10: Compensation. Directors shall not receive any compensation for acting as such, but nothing herein contained shall be constructed to preclude any Director from serving the Association in any other capacity and receiving compensation hereof.

ARTICLE V
OFFICERS

Section 1: Officers. The Officers of the Cooperative shall be a President, a Vice President, a Secretary, and a Treasurer, and such other officers as may be elected in accordance with the provisions of this Article. The Board of Directors may elect or appoint such other officers, including one or more Vice Presidents, one or more Assistant Secretaries, and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed, from time to time, by the Board of Directors. Any two or more offices may be held by the same person, except offices of President and Secretary.

Section 2: Election and Term of Office. The present officers of the Cooperative or their successors as elected by the Board of Directors of the Cooperative, in the event of resignation or disability, shall serve until the next annual meeting of the Board of Directors of the Cooperative. Thereafter, the officers of the Cooperative shall be elected annually by the Board of Directors. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. New officers may be created and filled at any meeting of the Board of Directors. Each officer shall hold office until his/her successor shall have been duly elected and shall have qualified.

Section 3: Removal. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Cooperative would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the officer so removed.

Section 4: Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

Section 5: President. The President shall be the principal executive officer of the Cooperative and shall in general supervise and control all of the business and affairs of the Cooperative. He/she shall preside at all meetings of the members and of the Board of Directors and shall execute any deeds, mortgages, bonds, contracts or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws or by statute to some other officer or agent of the Cooperative; and, in general, he/she shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6: Vice President. In the absence of the President, or in the event of his/her inability or refusal to act, the Vice President(or, in the event there be more than one Vice President, the Vice Presidents in the order of their election), shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President shall perform such other duties as, from time to time, may be assigned to him/her by the President or by the Board of Directors.

Section 7: Treasurer. The treasurer shall have charge and custody of and be responsible for all funds and securities of the Cooperative, receive and give receipt for monies due and payable to the Cooperative from any source what-so-ever, and deposit all such monies in the name of the Cooperative in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Article VII of these Bylaws; and in general, perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him/her by the President or by the Board of Directors.

Section 8: Secretary. The Secretary shall keep the minutes of the meeting of the members and of the Board of Directors in one or more books provided for that purpose, which such minutes shall be kept in a business-like manner and shall be available for inspection by Owners or their authorized representatives and Board Members at all reasonable times and shall be retained so long as the Cooperative shall exist; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the corporate records and of the Seal of the Cooperative and see that the Seal of the

Cooperative is affixed to all documents, the execution of which on behalf of the Cooperative under its Seal is duly authorized in accordance with the provisions of these Bylaws; keep a register of the post office address of each member which shall be furnished to the Secretary and such other duties as from time to time may be assigned to him/her by the President or by the Board of Directors.

Section 9: Assistant Treasurers and assistant Secretaries. If required by the Board of Directors, the Assistant Treasurers shall give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Treasurers and Assistant Secretaries, in general, shall perform such duties as shall be assigned to them by the Treasurer or the Secretary, or by the President or the Board of Directors.

Section 10: Compensation. Officers of the Cooperative shall receive only the compensation provided for by the Board of Directors for action as such, and nothing herein contained shall be contained to preclude any officer from serving the Cooperative in any other capacity and receiving compensation therefor.

ARTICLE VI COMMITTEES

Section 1: Committees of Directors. The Board of Directors, by resolution adopted by a majority of the Directors in office, may designate one or more committees, each of which shall consist of two or more Directors, which committees, to the extent provided in said resolution, shall have and exercise the authority of the Board of Directors in the management of the Cooperative; but the designation of such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any individual Director, of any responsibility imposed upon it or him by law.

Section 2: Other Committees. Other committees not having and exercising the authority of the Board of Directors in the management of the Cooperative may be designated by a resolution adopted by a majority of the directors present at a meeting at which a quorum is present. Except as otherwise provided in such resolution, members of each such committee shall be members of the Cooperative, and the President of the Cooperative shall appoint the members thereof.

Section 3. Term of Office. Each member of a committee shall continue as such until the next annual meeting of the members of the Cooperative and until his successor is appointed, unless the committee shall be sooner terminated, or unless such member be removed from such committee by the person or persons authorized to appoint such member or unless such member shall cease to qualify as a member thereto.

Section 4: Chairman. One member of each committee shall be appointed Chairman by the person or persons authorized to appoint the members thereof.

Section 5: Vacancies. Vacancies in the membership of any committee may be filled by appointment made in the same manner as provided in the case of the original appointment.

Section 6: Quorum. Unless otherwise provided in the resolution of the Board of Directors designating a committee, a majority of the whole committee shall constitute a quorum and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.

Section 7: Rules. Each committee may adopt rules for its own government not inconsistent with these Bylaws or with the rules adopted by the Board of Directors.

ARTICLE VII
CONTRACT, CHECKS, DEPOSITS
AND FUNDS

Section 1: Contracts. The Board of Directors may authorize any officers, agent or agents of the Cooperative, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Cooperative, and such authority may be general or confined to specific instances.

Section 2: Checks, Drafts, Etc. All checks, drafts or orders for the payment of money, notes or other evidence of indebtedness issued in the name of the Cooperative shall be signed by such officer or officers, agent or agents of the Cooperative, and in such manner as shall from time to time be determined by resolution of the Board of Directors. In the absence of such determination by the Board of Directors, such instruments shall be signed by the Treasurer or an Assistant Treasurer, and countersigned by the President or a Vice President of the Cooperative.

Section 3: Deposits. All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such banks, trust companies, or other depositories as the Board of Directors may select.

Section 4: Gifts. The Board of Directors may accept on behalf of the Cooperative any contribution, gift, bequest, or devise for the general purpose or for any special purpose, of the Cooperative.

ARTICLE VIII
CERTIFICATE OF MEMBERSHIP

Section 1: Certificate of Membership. The Board of Directors shall provide for the issuance of certificates evidencing membership in the Cooperative, which shall be in such form as may be determined by the Board. Such certificates shall be signed by the President or a Vice President and by the Secretary or an Assistant Secretary, and shall be sealed with the Seal of the Cooperative. All Certificates shall be consecutively numbered. One certificate shall be issued for each Vacation-Share Interest as created by the Vacation-Share Plan and Declaration of Restrictions and shall contain the names of the owners or owners thereof. The names appearing on such certificates shall be entered in the records of the Cooperative on an independent control ledger.

Section 2: Issuance of Certificates. When a person or corporation has become a member, a Certificate of Membership shall be completed by the Secretary. The original of each Certificate so issued shall be retained by the Cooperative and an owner's duplicate thereof issued to each Vacation -Share Interest Owner.

Section 3: Transfer of Certificates. No transfer of ownership of a Vacation-Share Interest shall be effective until the same has been evidenced upon the records of the Cooperative by the amendment of the membership certificate. No such amendment of the membership certificate shall be made unless the owner's duplicate is tendered to the Secretary of the Cooperative to be canceled and a new owner's duplicate issued to the assignee or new members.

Section 4: If the interest of the owner is terminated or the interest is sold under a security agreement by a secured party named in the Certificate, the transferee shall promptly mail or deliver to the Secretary the owner's duplicate certificate of title, if available, his/her application for a new certificate in the form the Cooperative prescribes, and an affidavit made by or on behalf of the secured party that the interest of the owner was lawfully terminated or the interest sold pursuant to the terms of the security agreement. If the secured party succeeds to the interest the owner and holds the interest for resale, he need not secure a new certificate provided that he/she of mails or delivers to the Secretary in duplicate within 48 hours a notice thereof in form designated by the cooperative, but upon transfer to another person shall promptly mail to the transferee or the Cooperative the Certificate, affidavit, and other documents required to be sent to the Cooperative by the transferee.

A person holding a certificate of title whose interest has been extinguished or transferred other than by voluntary transfer shall mail or deliver the certificate to the Cooperative upon its request. The delivery of the certificate pursuant to the request of the Cooperative does not affect the rights of the person surrendering the certificate, and the action of the Cooperative in issuing a new certificate of title as provided herein is not conclusive upon the rights of an owner or secured party named in the old certificate.

ARTICLE IX
BOOKS AND RECORDS

The Cooperative shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its members, Board of Directors, and committees having any of the authority of the Board of Directors, and shall keep at the registered or principal office a record giving the names and addresses of the members entitled to vote. All books and records of the Cooperative may be inspected by any member, or his/her agent or attorney, for any proper purpose at any reasonable time.

ARTICLE X
FISCAL YEAR

The fiscal year of the Cooperative shall begin on the first day of January and end on the last day of December in each year.

ARTICLE XI
ANNUAL REPORT

Within 60 days following the end of the fiscal or calendar year or annually on such date as is otherwise provided in the Bylaws of the Cooperative, the Board of Directors of the Cooperative shall mail or furnish by personal delivery to each Unit Owner a complete financial report or actual receipt and expenditures for the previous 12 months. The report shall show the amounts of receipts by accounts and receipt classifications and shall show the amounts of expenses by accounts and expense classifications including, if applicable, but not limited to the following:

- (a) Administration of the Cooperative
- (b) Management fees
- (c) Maintenance
- (d) Recreational and other commonly used facilities
- (e) Taxes upon Cooperative property
- (f) Insurance
- (g) Security capital
- (h) Operating capital
- (I) Reserves
- (j) Other expense

ARTICLE XII
ASSESSMENTS

Section 1: The Board of Directors shall prepare annually a proposed operating budget of common expenses reflecting the sums estimated for the forthcoming corporate year required to provide the services and facilities hereinafter mentioned. Said budget shall be detailed and shall show the amounts budgeted by accounts and expense classifications, including all expenses of the operation of the services and facilities including, but not limited to, the following by way of example:

- (a) Administration of the Cooperative

- (b) Management fees
- (c) Maintenance
- (d) Recreational and other commonly used facilities
- (e) Taxes upon Cooperative property
- (f) Insurance
- (g) Security provisions
- (h) Operation capital
- (i) Reserves
- (j) Other expenses

Said budget shall be distributed to the members no less than 30 days prior to the meeting of the members at which such budget shall be considered, together with a notice of such meeting. The budget shall be approved by the members at such meeting. The members shall have the right at such meeting to modify said budget in any way that the members deem appropriate before granting such approval. In any event, such meeting shall be held annually, and such budget modified and/or approved in advance of the Cooperative year for which such budget was created. Once the budget is so approved, the Board of Directors shall collect from each member, in such installments in advance, as the Board may determine, such member's share of such assessments being the common expenses relative to each member in accordance with the Declaration of Restrictions of the Project as amended from time to time. The assessments for each member shall be based upon the size unit for which the interest is designated, that is 1BR, 2BR, 2BR/Loft, and 3BR. At the end of the Cooperative year any surplus remaining from the budget assessment shall be retained for application to the following year's operational budget, and likewise in the event of a deficiency, the same shall be immediately assessed against the various members by the Board of Directors and be payable by the various members within 30 days after notice of assessment.

Section 2. The assessments for the year ending March 31, 1982, are established by these Bylaws to be

1 Bedroom Units	\$84.00
2 Bedroom Units	\$144.00
2 Bedroom Loft Units	\$180.00
3 Bedroom Units	\$204.00

and which shall remain in effect until changed by the Board of Directors.

In addition to these assessments levied pursuant to the annual budget, the Board of Directors shall have the power, from time to time as may be necessary, to levy special assessments, which said assessments shall be payable in the uniform manner determined by the Board relative to such assessments for the purpose of satisfying deficiencies which may occur during the Cooperative year relative to the regular budget items. Any such special assessments for satisfying deficiencies in regular budget items shall be payable no less than 90 days after the making of such assessments unless earlier payment is provided for by the Board.

The Board may also levy such special assessments in order to provide funds for the Cooperative to meet obligations of the Cooperative which were not contemplated in the budget but which the Board deems appropriate and in the best interest of the Cooperative to incur and pay. The Board may further levy such special assessments for the purpose of Cooperative property and/or improvements and for the acquisition of such real and/or personal property as the Board deems necessary for protection of the Cooperative's property and/or the Cooperative; provided, however, that in the event that the purpose of a special assessment is to provide funds for the acquisition of property either real or personal or mixed, which property is not being acquired as replacement or repair or for maintenance purposes, and the special assessment for such acquisition shall exceed \$100.00 per Interest, then and in that event, the Board shall first give notice of the intended acquisition to the members and shall call a Special Membership Meeting relative to the same wherein all members shall have the right to vote in person or by proxy on ratification of such acquisition. No such acquisition shall be made unless so ratified.

Section 3: Default. When any member shall be in default of the assessments levied pursuant to

Section 1 of this Article or shall be in default under any other obligation owed to the Cooperative by virtue of the Vacation-Share Plan and Declaration of Restrictions, Articles of Incorporation, or these Bylaws, which latter defaults for purpose of this enforcement section shall be considered as defaults in the payment of common expenses attributable to such member's Vacation-Share Interest in the same, such member (and the members Vacation-Share Interest in the same as the case may be) shall be subject to liability for collection of the same. The liability for assessments may not be avoided by waiver of the use or enjoyment of any common elements or by abandonment of the Vacation-Share Interest for which the assessments are made. Assessments and installments on them not paid when due bear interest at the rate determined by the Board of Directors. The Cooperative has a lien on each Vacation-Share Interest for any unpaid assessments with interest. The lien is effective from and after recording a Claim of Lien in the offices of the Cooperative. The Notice of Lien shall include a description of the assessment, name of the record owner, the amount due, and due dates. The claim of the Lien must be signed and acknowledged by an officer or agent of the Cooperative. Upon payment, the person making the payment is entitled to a satisfaction of the lien. The Cooperative may also collect all reasonable costs including reasonable attorney fees and court costs, and any sums in default shall bear interest at the highest rate permitted by law. In the event of foreclosure being instituted to enforce collection of defaulted assessments, the Cooperative is authorized to apply to the Court for an Order requiring payment of reasonable rental by the Vacation-Share Interest Owner for use of the interest being so foreclosed and appointment of a receiver to collect the same.

Section 4: Notice. Notwithstanding anything contained in these Bylaws to the contrary, notice of any meeting where assessments against Vacation-Share Interest Owners are to be considered for any reason shall specifically contain a statement that assessments will be considered and the nature of any such assessments.

ARTICLE XIII
SEAL

The Board of Directors shall provide a Cooperative seal, which shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the word "A Cooperative Association Seal 1981 Minnesota."

ARTICLE XIV
AMENDMENTS TO BYLAWS

These Bylaws may be altered, amended or repealed and new Bylaws may be adopted by the owners of a majority of the voting rights represented at a regular annual meeting, or a special meeting called for that Purpose, provided that 30 day written notice of the proposed Bylaw(s) change(s) is mailed to all owners. No Bylaw may be amended by reference to its title or number only. Proposals to amend Bylaws shall contain the full text of the Bylaw to be amended, the new words to be inserted in the text underlined and words to be deleted lined through with hyphens, unless the proposed change is so extensive as to hinder the understanding of the amendment, in which event the underlining and hyphening procedure may be omitted, and, instead, a citation inserted preceding the proposed amendment as follows: "Substantial rewording of Bylaw, See Bylaw..." for present text."

ARTICLE XV
INDEMNIFICATION

The Cooperative 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, suit or proceeding, whether civil or criminal, administrative or investigative (whether or not by or in the right of the Cooperative), by reason of the fact that he/she is or was Director or Officer of the Cooperative, against any and all expenses (including attorney fees, court costs and fees), judgments, fines and amount paid in settlement incurred by him in connection with such action, suit or proceeding, except for an Officer or Director who is adjudged guilty of willful misfeasance or willful malfeasance in the performance of his duties and except for Officers or

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Directors designated or appointed by Developer. Such right of indemnification shall continue as to a person who has ceased to be a Director or Officer and shall inure to the benefit of the heirs and personal representatives of such person. Provided, however, that if any past or present Officer or Director sues the Cooperative, other than to enforce this indemnification, such past or present Director or Officer instituting such suit shall not have the right of indemnification hereunder in connection with such suit. The Cooperative is authorized to purchase insurance to provide funds for the indemnification here-in-above set forth, and, if such insurance is purchased but the proceeds of the same are not sufficient to cover the cost of indemnification, then the deficiency shall be paid from Association funds.

If there are no funds available to pay the cost of the indemnification or deficiency resulting from insufficient insurance coverage, then the Directors shall assess the membership to cover such cost. This indemnification is an absolute right, and such assessments shall be made notwithstanding any other provisions contained in here to the contrary.

The forgoing was adopted as Bylaws of the Lake Carlos Villas Cooperative Association, a Cooperative, under the laws of the State of Minnesota, at the first meeting of the Board of Directors on the 23rd day of July 1981.

Secretary (Ray Voit)

APPROVED BY:

President (Darrel R. Fischer)