

BYLAWS

RIVER'S BEND AT THE PRESERVE HOMEOWNER'S ASSOCIATION a North Dakota nonprofit corporation

These are the Bylaws of River's Bend at the Preserve Homeowner's Association, a North Dakota nonprofit corporation (the "Association") organized under Chapter 10-33, North Dakota Century Code (the "Act"), the Articles of Incorporation (the "Articles") of which have been filed in the office of the North Dakota Secretary of State.

DEFINITIONS

Bylaw 1. Definitions. Any words or terms used in these Bylaws which are defined in the Declaration of Restrictive Covenants of River's Bend at the Preserve First Addition, filed for record in the office of the County Recorder for Cass County, North Dakota (the "Declaration"), shall have the meaning there ascribed to them.

MEMBERS AND VOTING

Bylaw 2. Membership. Each Owner of a Single Family Lot in the Property shall be a Member of the Association, and no other person or entity shall be entitled to membership. The Declarant, or its successors in interest or assigns, shall be entitled to membership in the Association only so long as the same is the Owner of one or more Single Family Lots in the Property.

Bylaw 3. Transfer of Membership. Each membership is appurtenant to the Single Family Lot on which it is based and shall transfer automatically by voluntary or involuntary conveyance of the ownership of that Single Family Lot. It shall be the responsibility of each Owner, upon becoming entitled to membership, so to notify the Association in writing, and until so notified, the Association may continue to carry the name of the former Owner as a Member, in its sole discretion. In the event the Owner of any Single Family Lot should fail or refuse to transfer the membership to the transferee of title of such Single Family Lot, the Association shall have the right to record the transfer upon the books of the Association and issue a new membership to the transferee, and thereupon the old membership outstanding in the name of the transferor shall be null and void as though the same had been surrendered.

Bylaw 4. Multiple Owners. When more than one person holds an ownership interest in a Single Family Lot, the vote for such Single Family Lot shall be exercised as they between or among themselves determine and jointly signify in writing to the Secretary of the Association, but in no event shall more than the assigned voting power be cast with respect to any Single Family Lot nor shall the voting power allocated to a Single Family Lot be split or otherwise cast separately by the several Single Family Lot Owners. In the event multiple Owners of a Single Family Lot cannot agree on the exercise of voting power for such Single Family Lot, any one of the Owners may apply to the Board of Directors of the Association, which, after hearing all parties at a special meeting, shall determine the manner of exercise of the

voting power for said Single Family Lot by a majority vote of the Directors voting at the special meeting. A Director shall not vote upon such determination with respect to a Single Family Lot of which said Director is one of the multiple Owners.

Bylaw 5. Voting. Each Single Family Lot shall be entitled to the voting power set forth in Section 21 of the Declaration. Cumulative voting shall not be permitted. A majority of those voting shall govern all determinations of the Single Family Lot Owners, except where a greater vote is required by the Declaration, or these Bylaws. No vote shall be cast with respect to any Single Family Lot while it is owned by the Association. During any period when the assessments against a Single Family Lot are unpaid for more than 60 days after due and payable, the Single Family Lot's voting rights may be suspended by the Association.

Bylaw 6. Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Owners representing 50% of the voting power of the Association shall constitute a quorum. If the voting power of a Single Family Lot is suspended by reason of delinquency in payment of assessments, such voting power shall be deducted from the quorum requirement.

Bylaw 7. Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary of the Association before the appointed time of each meeting. A person designated by a proxy to act for a Member need not be a Member.

MEETINGS

Bylaw 8. Place of Meetings. Meetings of the Association shall be held at the Property or such other suitable place within the City of West Fargo, North Dakota, and convenient to the Single Family Lot Owners as may be designated by the Board of Directors.

Bylaw 9. Annual Meetings. The first annual meeting shall be set by the Board of Directors. At such first annual meeting of the Members, the Members may designate a regular date for successive annual meetings. If the Members fail to designate such a regular date, the Board of Directors may continue to designate the date of the next annual meeting until such a designation is made by the Members. If any designated date falls upon a legal holiday, it shall be understood that the actual date of the meeting shall be the next business day succeeding such designated date. At such meetings in accordance with the requirements of Bylaw 18 of these Bylaws, Directors shall be elected by ballot of the Single Family Lot Owners. The Single Family Lot Owners also may transact such other business of the Association as properly may come before them. In all events, a meeting of the Members shall be held at least once each year. If a regular meeting of the Members has not been held during the preceding 15 months, ten percent or more of the Members with voting rights may demand a meeting.

Bylaw 10. Special Meetings. It shall be the duty of the President to call a special meeting of the Members as directed by resolution of the Board of Directors or upon the presentation to the Secretary of the Association of a petition therefor signed by ten percent or more of the Members with voting rights or by two Directors. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice unless all of the Members with

voting rights have waived notice of the meeting under the Act. One or more special meetings may be held before there has been a first annual meeting.

Bylaw 11. Notice of Meetings. It shall be the duty of the Secretary of the Association to send to each Single Family Lot Owner, at least 21 days, and not more than 60 days, in advance of an annual meeting of the Single Family Lot Owners, and not less than 7 days and not more than 30 days in advance of any other meeting, notice of the date, time, place, and complete agenda of the meeting and the procedures for appointing proxies. The notice shall be hand-delivered or sent by United States mail, postage prepaid, to all Single Family Lot Owners of record at the address of their respective Single Family Lots or to such other address or addresses as any of them may have designated in writing to the Secretary.

Bylaw 12. Adjourned Meetings. If any meeting of Single Family Lot Owners cannot be organized because a quorum is not present, the Single Family Lot Owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than 48 hours nor more than 60 days from the time the original meeting was called, with no further notice than that given at such adjourned meeting, and the quorum at such adjourned meeting shall be one-half of the ordinary quorum.

Bylaw 13. Order of Business. The order of business at all annual meetings of the Single Family Lot Owners shall be as follows:

- (a) Roll call.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting.
- (d) Report of officers.
- (e) Report of committees.
- (f) Designation of regular date for annual meetings (if necessary).
- (g) Election of Board of Directors.
- (h) Unfinished business.
- (i) New business.
- (j) Open forum.
- (k) Announcement of date, time and place of organization meeting of new Board of Directors.
- (l) Announcement of members of Nominating Committee.
- (m) Adjournment.

Bylaw 14. Fair Voting Procedures. The following shall be considered minimum standards to assure fair voting procedures:

- (a) All proxies should be available for inspection prior to and during a meeting of the Members, so that a reasonable opportunity is afforded to challenge and count proxies.
- (b) All mail ballots and all proxies cast at a meeting should be first opened at the time the votes on an election or issue are counted and tallied.
- (c) In the case of an election of a Director, every candidate or designee of a candidate may observe the counting and tallying of votes; and on any other issue, a reasonable number of observers from both sides of each issue shall observe the counting and tallying of votes.
- (d) The vote count on each election and issue shall be announced before adjournment of the meeting, and shall be available to all Members in written form, signed by the Secretary of the Association, within seven days of the meeting.
- (e) A Member who is delinquent in the payment of assessments may reinstate voting rights for a meeting by payment of the delinquency by delivering a check to the Secretary, Treasurer or President of the Association before the meeting is called to order, unless a different requirement is adopted by the Board and the delinquent Member is given written notice thereof at least 15 days before the meeting.

BOARD OF DIRECTORS

Bylaw 15. First Board of Directors. The first Board of Directors shall consist of three persons designated in the Articles, who need not be Single Family Lot Owners, and who shall serve until the first annual meeting of the Members or until their successors are elected and qualified. Should any vacancy occur in the first Board of Directors it shall be filled by Declarant. The first Board of Directors shall have the power to adopt the Bylaws of the Association, to elect officers, to establish a schedule of assessments which shall be effective until December 31st of the year in which the first annual meeting of the Association occurs, and shall have generally the powers and duties as set forth in Bylaw 19.

Bylaw 16. Number and Qualification. The number of Directors constituting the Board of Directors after the first Board of Directors shall be three; provided, however, that the number of Directors may be increased to five (or thereafter decreased back to three) by affirmative vote of the majority of all Owners of Single Family Lots at any annual meeting of the Members, subject to any limitations in the Articles. All Directors elected by the Single Family Lot Owners shall themselves be Single Family Lot Owners, officers or employees of a corporate Single Family Lot Owner, partners or employees of a partnership Single Family Lot Owner, or members or employees of a limited liability company Single Family Lot Owner.

Bylaw 17. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations also may be made by any two Members in a written nomination to the Secretary of the Association or by motion and second from the floor at

the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more Members of the Association. The Nominating Committee shall be appointed by the Board prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

Bylaw 18. Term and Election. The term of office of each Director shall be fixed at one year. Directors shall be elected by plurality. Each Director shall hold office until his or her respective successor has been elected.

Bylaw 19. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the planned community known as RIVER'S BEND AT THE PRESERVE FIRST ADDITION, and may act on behalf of the Association and do all such acts and things except as by the Act or by the Declaration or by these Bylaws may not be delegated to the Board of Directors by the Single Family Lot Owners.

Bylaw 20. Vacancies. Any vacancy in the Board arising by death or resignation of a Director elected or appointed by Declarant shall be filled only by appointment made by Declarant. Any other vacancy shall be filled by act of the remaining directors, whether or not constituting a quorum, and a Director so appointed shall serve for the unexpired term of his predecessor in office.

Bylaw 21. Removal of Directors. At any regular or special meeting of the Single Family Lot Owners duly called, any one or more of the Directors may be removed with or without cause by a majority of the Single Family Lot Owners authorized to elect such Director present in person or by proxy, and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Single Family Lot Owners shall be given an opportunity to be heard at the meeting.

Bylaw 22. Organization Meeting. The first meeting of the Board of Directors each year following the annual meeting of Single Family Lot Owners shall be held within 10 days after the annual Owners' meeting, and if the date, time and place are announced at the annual Owners' meeting, no further notice shall be necessary.

Bylaw 23. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place within the City of West Fargo, State of North Dakota, as shall be determined, from time to time, by a majority of the Directors, but at least two such meetings shall be held during each calendar year. Written notice of regular meetings of the Board of Directors shall be given to each Director, at least 10 days prior to the day named for such meeting.

Bylaw 24. Special Meetings. Special meetings of the Board of Directors may be called by the President on not less than seven days' written notice to each Director, which notice shall state the time, place within the City of West Fargo, State of North Dakota, and purpose of

the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least two Directors.

Bylaw 25. Open Meetings. Except as otherwise provided in the Act or the Declaration, meetings of the Board of Directors must be open to the Single Family Lot Owners. To the extent practicable, the Board shall give reasonable notice to the Single Family Lot Owners of the date, time, and place of a board meeting. If the date, time, and place of meetings are announced at a previous meeting of the Board, posted in a location accessible to the Single Family Lot Owners and designated by the Board from time to time, or if an emergency requires immediate consideration of a matter by the Board, notice is not required.

Bylaw 26. Telephone Conference. A meeting of the Directors or any committee of the Board may be conducted by a telephone conference or any means of communication through which the participants may simultaneously hear each other during the meeting, if notice of the meeting has been given as would be required for a meeting and if the number of persons participating in the conference is sufficient to constitute a quorum. Participating in a conference constitutes personal presence at the meeting. A Director may participate in a Board meeting by means of communication through which the Director, other Directors participating, and all other Directors physically present at the meeting may simultaneously hear each other during the meeting. Participation in a meeting by this means constitutes personal presence at the meeting.

Bylaw 27. Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting, and such waiver shall be deemed equivalent to the giving and receipt of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by such Director of the time, place and purpose thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Bylaw 28. Board of Directors Quorum and Voting. At all meetings of the Board of Directors a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of a majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there is less than a quorum present, the meeting may be adjourned from time to time until a quorum is present. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Bylaw 29. No Proxies. Directors shall not vote by proxy.

Bylaw 30. Action Without a Meeting. Any action that could be taken at a meeting of the Board of Directors may be taken without a meeting when authorized in a writing signed by all of the Directors.

Bylaw 31. Compensation. The Directors will receive no compensation for their services as Directors. However, when authorized by the Board, Directors and officers may be reimbursed for actual expenses incurred in connection with the business of the Association, and officers may be compensated for bookkeeping or recordkeeping functions.

OFFICERS

Bylaw 32. Designation. The principal officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer. All principal officers shall be elected by and from the Board of Directors. Any two or more of the offices of Vice President, Treasurer and/or Secretary may be filled by the same person. The Board may from time to time appoint an Assistant Secretary and such other officers, with such duties, as in their judgment may be desirable, and such officers need not be Directors.

Bylaw 33. Election of Officers. The principal officers of the Association shall be elected annually by the Board of Directors at the organization meeting of each new Board. All officers shall hold office at the pleasure of the Board.

Bylaw 34. President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Association and of the Board of Directors. The President shall see that all orders and resolutions of the Board are carried out, and shall sign all leases, mortgages, deeds and other written instruments (except to the extent that the Board of Directors authorizes or mandates the delegation of such authority otherwise).

Bylaw 35. Vice President. The Vice President shall act in the place of the President and perform the President's duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other Director to act on an interim basis. The Vice President also shall perform such other duties as shall from time to time be required by the Board of Directors.

Bylaw 36. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Association. If the Association adopts a seal, the Secretary shall keep the corporate seal of the Association and affix it on all papers requiring said seal. The Secretary shall give notice of all meetings of the Board and of the Members, shall keep appropriate current records showing the Members of the Association, together with their addresses, and shall perform such other duties as may be required by the Board.

Bylaw 37. Treasurer. The Treasurer shall have responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. The Treasurer shall sign all checks and shall be responsible for the deposit of all monies and valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board of Directors, except to the extent that the Board of Directors authorizes or mandates the delegation of such authority to a manager or agent.

Bylaw 38. Committees. The Board shall appoint members of a Nominating Committee, as provided in these Bylaws. In addition, the Board of Directors may establish other committees and appoint their members as deemed appropriate in carrying out its purposes.

ANNUAL REPORT

Bylaw 39. Annual Report. The Association shall prepare and provide to each Single Family Lot Owner at or prior to each annual meeting a report of the affairs of the Association including at least the following information:

- (a) A statement of any capital expenditures in excess of two percent of the current budget or \$5,000.00 (whichever is greater) approved by the Association for the current year or succeeding two fiscal years;
- (b) A statement of the balance of any reserve or replacement fund and any portion of the fund designated for any specified project by the Board of Directors;
- (c) A copy of the statement of revenues and expenses for the Association's last fiscal year and a balance sheet as of the end of said fiscal year;
- (d) A statement of the status of any pending litigation or judgments to which the Association is a party;
- (e) A statement of the insurance coverage provided by the Association; and
- (f) A statement of the total past due assessments on all Single Family Lots, current as of not more than 60 days prior to the date of the meeting.

MISCELLANEOUS

Bylaw 40. Right of Corporate or Partnership or Limited Liability Company Single Family Lot Owner to Substitute. Whenever a Director or officer of the Association is an officer or employee of a corporate Single Family Lot Owner or a partner or employee of a partnership Single Family Lot Owner or a member or employee of a limited liability company Single Family Lot Owner, the respective corporation, partnership or limited liability company may by written notice to the Association remove such Director or officer of the Association and designate another such person to serve the unexpired balance of the term.

Bylaw 41. Indemnification of Officers and Directors. To the full extent permitted by the Act, as amended from time to time, or by other provisions of law, each person who was or is a party or is threatened to be made a party to any proceeding by reason of a former or present official capacity in the Association shall be indemnified.

Bylaw 42. Notice. "Notice" has the meaning given in Section 10-33-01 of the Act.

Bylaw 43. Amendments to Articles and Bylaws. Until the second Board has been constituted pursuant to these Bylaws, an amendment to the Articles and these Bylaws shall be considered adopted upon its receiving an unanimous vote of the Directors constituting the first Board at a meeting thereof, notice of which containing the proposed amendment having been given to each of said Directors at least one (1) day prior to said meeting. After the second Board has been constituted pursuant to these Bylaws, an amendment to the Articles or these Bylaws shall be adopted upon its receiving an affirmative vote of the Members who have authority to cast at least seventy-five percent (75%) of the total votes in the Association, in writing, at any regular, special or annual meeting of the Association. The provisions of this Bylaw 43 are

subject to any approval rights of Eligible Mortgagees and the Declarant as provided in the Declaration.

Bylaw 44. Conflicts. In case any of these Bylaws conflicts with the provisions of the Act, the provisions of the Act will apply. In case any of these Bylaws conflicts with the provisions of the Declaration or the Articles, the provisions of the Declaration or Articles will apply.

Bylaw 45. Inspection of Books and Records. Current copies of the Declaration, Bylaws, other rules concerning the Association and the planned community, and the books, records, and financial statements of the Association shall at all times, during reasonable and normal business hours, be available for inspection by any Single Family Lot Owner, prospective purchaser, Single Family Lot lender or the holder, insurer and guarantor of a mortgage on any Single Family Lot at the principal office of the Association, and copies of the same may be purchased at reasonable cost.

Bylaw 46. Financial Statements. The Association shall make a reviewed statement for the preceding fiscal year available to the holder, insurer or guarantor of any first mortgage that is secured by a Single Family Lot in the planned community upon submission of a written request for it. The reviewed financial statement shall be available within 120 days after the Association's fiscal year end. Any financial statement shall be furnished free of charge within a reasonable time upon request from any such Owner, lender, holder, insurer or guarantor or any prospective Owner, lender, holder, insurer or guarantor.

Bylaw 47. Notice to Association. An Owner who mortgages the Owner's Single Family Lot shall notify the Association through the management agent, if any, or the President or the Board of Directors in the event there is no management agent, of the name and address of the mortgagee and the Association shall maintain such information in a book entitled "Mortgagees of Single Family Lots."

Bylaw 48. Compliance. Each Single Family Lot Owner, and any lender or holder of any mortgage that is secured by a Single Family Lot, shall be governed by and shall comply with the terms, conditions, obligations, and provisions of the Act, the Declaration, the Articles, these Bylaws, and the Rules and Regulations of the Association, as any of the same may be amended from time to time.

Bylaw 49. Rules and Regulation. The Board may from time to time promulgate such rules and regulations as it deems reasonable and necessary, governing the administration, management, operation and use of the Common Elements and any other areas, facilities and improvements which Members of the Association are entitled to use, so as to promote the common use and enjoyment thereof by Single Family Lot Owners, and for the protection and preservation thereof, and may in addition adopt such reasonable rules and regulations as it may deem necessary with respect to Single Family Lots to provide for the common good and enjoyment of all Single Family Lot Owners, including, without limiting the generality of the foregoing, the right to adopt such rules and regulations with reference to children, animals and leases. Copies of all such rules and regulations and any amendments thereto shall be furnished to all Members, and a copy shall be posted or otherwise made available to Members at the office

of the Association. However, failure to furnish or post such rules or regulations shall not affect their validity or enforceability. Subject to obtaining any required consent of Declarant pursuant to the Declaration, any such rule or regulation may be amended, modified or revoked, and new and additional rules and regulations may be adopted, by the Members at an annual or special meeting of the Members.

Bylaw 50. Parliamentary Authority. Robert's Rules of Order, Newly Revised, shall govern the conduct of Association proceedings when not in conflict with the Declaration, these Bylaws, the Articles, the Act, or applicable law. The chairman of any meeting shall have the authority to appoint a parliamentarian.