

BYLAWS
OF
COTTONWOOD COTTAGE TOWNHOME OWNERS ASSOCIATION, INC.

ARTICLE I
PLAN OF COMMON PROPERTY CONTROL

Section 1. Lands Affected. Cottonwood Cottage LLP, hereafter known as the "Declarant," is the owner of certain lands lying in Burleigh County, North Dakota, more particularly described in a Declaration of Covenants, Conditions and Restrictions for Cottonwood Cottage Townhomes (herein "Declaration"), and has declared said lands to be subject to the terms and conditions of a Declaration recorded in the office of the Recorder for Burleigh County, excepting the reserved right of the Declarant to develop the Property in Phases and to withdraw portions of the Property from development, as further set forth in the Declaration. The lands are called the "Property," and are described in Exhibit A.

Section 2. Name. The lands on which said Declaration is imposed shall be known herein as COTTONWOOD COTTAGE TOWNHOMES.

Section 3. Applicability of Bylaws. All present and future owners, mortgagees, lessees, and occupants within the Property, and their agents, servants and employees, and any other persons who may make use of the facilities of the Property in any manner are subject to these Bylaws and to the Rules and Regulations adopted pursuant hereto, and any amendments to these Bylaws upon same being duly adopted.

The acceptance of a deed of conveyance to, or entering into a lease to, or the act of occupancy of, any Lot within the Property by any person shall conclusively establish the acceptance and ratification by such person of the Bylaws (and any Rules and Regulations adopted pursuant hereto), the Articles of Incorporation and the Declaration as they may be amended from time to time, and shall constitute and evidence an agreement by such persons to comply with these governing documents.

ARTICLE II
DEFINITIONS

Except as may be set forth herein, all Definitions from the Declaration are adopted and incorporated herein, as though expressly set forth herein, and as the Definitions in the Declaration may change from time to time.

Section 1. "Association" shall mean COTTONWOOD COTTAGE TOWNHOME OWNERS ASSOCIATION, INC., a North Dakota non-profit corporation, its successors, and assigns.

Section 2. "Declaration" shall mean the Declaration of Covenants, Conditions, and Restrictions for Cottonwood Cottage Townhomes, recorded in the office of the Recorder for Burleigh County, as from time to time amended.

Section 3. "Rules and Regulations" shall mean those written actions of the Board, duly adopted, and amendments thereto, interpreting and applying the provisions of the Declaration and these Bylaws and establishing and prescribing the administration, management, use, operation, and maintenance of the Common Elements and Buildings, including but not limited to, the establishment and imposition of fines, fees, and penalties for violation of the Declaration, Bylaws, or Rules and Regulations.

ARTICLE III
OFFICES

Section 1. The principal office of the Association shall be located at 725 Memorial Hwy, Bismarck, ND, 58504, until another address is assigned by Association.

Section 2. The registered office of the Association may, but need not be, identical with the principal office, but shall be located in North Dakota.

Section 3. The Association may have such other offices, as the Board may from time to time determine or as the affairs of the Association may require.

ARTICLE IV
ASSOCIATION OF LOT OWNERS

Section 1. Members. The qualification of members, the manner of their admission to membership and termination of such membership shall be as set forth in the Declaration.

Section 2. Annual Meetings. An annual meeting of the Association shall be held for the purpose of electing Members to the Board of Directors and for the transaction of such other business as may be properly brought before the meeting. Unless the Association agrees on a different time, the annual meetings shall be held at 6 pm on the third Thursday of January of each year.

Section 3. Substitute Annual Meetings. If an annual meeting is not held on the day designated in the Bylaws, a substitute annual meeting may be called in the same manner as a special meeting. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 4. Special Meetings. Special meetings of the Association may be called at any time by the President, a majority of the members of the Board of Directors or by the President upon the written request of the Owners of not less than ten percent (10%) of the voting interests of either Class A or Class B members as established by the Declaration.

Section 5. Place of Meeting. All meetings of the Association shall be held at the Property, or at such other place in the County where the Property is located as shall be designated in the notice of meeting.

Section 6. Notice of Meetings. Written or printed notice stating the place, day and hour of the meeting shall be mailed by first class mail (postage prepaid), hand-delivered or sent via electronic means not less than ten (10) no more than sixty (60) days prior to the date of the meeting by the Secretary to each person entitled to vote at such meeting, unless a different time period is required by the Declaration.

In the case of an annual meeting, substitute annual meeting or special meeting, the notice of the meeting shall state the time and place of the meeting as well as the items on the agenda to be considered, including, but not limited to, the general nature of any proposed amendment to the Declaration or Bylaws, any budget matters, or any proposal to remove an officer or director.

When a meeting is adjourned for thirty (30) days or more, notice of the reconvening of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for less than thirty (30) days in one adjournment, it shall not be necessary to give notice of the reconvening of the adjourned meeting other than by announcement at the meeting for which the adjournment is effective.

Section 7. Quorum. Unless a different percentage is required in the Articles of Incorporation, Declaration or a specific provision to these Bylaws, a quorum is present throughout any meeting of the Association if persons entitled to cast fifty percent (50%) of the votes which may be cast for the election of the Board of Directors of the Association are present in person or by proxy at the beginning of the meeting. Unless otherwise expressly provided herein, any action, consistent with the notice of such meeting, may be taken at any meeting of the Association at which quorum is present upon the affirmative vote of the members having a majority of the total votes present at such meeting.

If a quorum is not present at the opening of any meeting, the meeting may be adjourned from time to time by vote of a majority of the voting interests present, either in person or by proxy, and shall be reconvened at the date and time determined at the adjourned meeting, subject to the notice requirements set forth in Section 6 of this Article. Upon the reconvening of any meeting adjourned for lack of a quorum, the

quorum required at such subsequent meeting shall be one-half (1/2) that required at the preceding meeting.

Section 8. Voting Members: Proxies. There shall be one person with respect to each Lot who shall be entitled to vote the voting interest of the Lot at any meeting of the Association, herein referred to as the "voting member." The voting member may be the Owner of a Lot, or an owner designated by a majority of the several Owners of a Lot, or may be some other person designated by such Owner or Owners to act as proxy on his or their behalf and who need not be the owner. Designation of the voting member or a proxy shall be made in writing to the Secretary and shall be revocable at any time prior to the meeting by actual notice to the Secretary by the Owner or majority of the Owners. Once a meeting has been commenced, a Lot owner may not revoke a proxy given except by written notice of revocation delivered to the person presiding over the meeting. A proxy is void if not dated, and a proxy shall terminate at the time specified in the proxy or one year from date, whichever is earlier.

Section 9. Voting Rights: Multiple Owners. If only one of the multiple Owners of a Lot is present at a meeting of the Association, that present Owner is entitled to cast the vote allocated to the Lot. If more than one of the multiple Owners are present, the vote allocated to that Lot may be cast only in accordance with the agreement of a majority in interest of the multiple owners. Majority agreement is conclusively presumed if any one of the multiple owners casts the vote(s) allocated to the Lot without protest being made promptly to the person presiding over the meeting by any of the other owners of the Lot. Fractional voting is prohibited.

Section 10. Voting Rights: Cumulative Voting. The vote cast by, or in behalf of, the Owner or Owners of a Lot shall be that voting interest specified in the Declaration. In all elections for members of the Board of Directors, no voting member shall be entitled to vote on a cumulative voting basis for the director or directors to be elected, and the candidate or candidates receiving the highest number of votes with respect to the number of offices to be filled shall be deemed elected.

Section 11. Waiver of Notice. Any Lot Owner, at any time, may waive notice of any meeting of the Association in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance of a Lot Owner at any meeting of the Association shall constitute a waiver of notice by him of the time and place thereof except where a Lot Owner attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all of the voting Members are present at any meeting of the Association, no notice shall be required, and any business may be transacted at any meeting.

Section 12. Informal Action by Lot Owners. Any action which may be taken at a meeting of the Association may be taken without a meeting if a consent, in

writing, setting forth the action so taken, shall be signed by all of the persons who would be entitled to vote upon such an action at a meeting and filed with the Secretary of the Association to be kept in the Association minute book.

ARTICLE V
BOARD OF DIRECTORS

Section 1. General Powers. The business shall be managed and directed by the Board of Directors of the Association or by such executive committees as the Board may establish pursuant to these Bylaws. If any of the authority of the Board of Directors is vested in any committee, one member of each such committee shall be a Board member.

Section 2. Initial Board. There shall be an initial Board of two (2) directors, appointed by the Declarant, who shall serve until their successors are appointed or elected and qualified as herein provided. The Board of Directors may increase the number of directors from time to time as it sees fit, so long as the total number of directors is nine (9) or less.

Section 3. Subsequent Number and Qualification. Until such time as the Class B membership shall terminate, Declarant shall be the only Member to select, or elect, the Board of Directors.

Notwithstanding the foregoing, the Declarant may, at any time, voluntarily surrender its right as a Class B Member and to appoint members of the Board of Directors before the occurrence of those events of termination set forth in the Declaration.

At such time as Declarant's Class B membership rights to appoint the members of the Board of Directors expires or is surrendered, the terms of the directors appointed by Declarant shall thereupon immediately terminate and the vacancies thereby created shall be filled by the Members of the Association upon a meeting called for that purpose to serve until the next annual meeting of Members. At the end of such period when Declarant's Class B membership rights have terminated or upon surrender of those rights and if all Lots have not been transferred by Declarant, the Declarant for all purposes shall be deemed a Lot Owner and shall be entitled to vote in such elections as any other Lot Owner. During the times when it has the right to designate Directors, the Declarant shall have the right in its sole discretion to replace any Director or Directors it appointed and to designate successors.

Section 4. Election of Directors. Except for the appointed directors provided for in Section 3 of this Article while Declarant is a Class B member, and as otherwise provided in Section 5 of this Article, the directors shall be elected at the annual meeting

of the Association; and those candidates who receive the highest number of votes shall be elected.

Section 5. Removal. Any elected director may be removed from office, with or without cause, by the affirmative vote of sixty-seven percent (67%) of the voting interests of Lot Owners present and entitled to vote at a special meeting called for that purpose; provided that Class A Members shall have no vote to remove, or right to remove, a director appointed by Declarant so long as the Class B membership exists. If any directors are so removed, after Class B membership terminates, new directors may be elected at the same meeting.

Section 6. Vacancies. A vacancy occurring in the Board of Directors, including directorships not filled by the voting Members, may be filled by a majority of the remaining directors, no less than a quorum, or by the sole remaining director; provided, the Declarant shall have the sole authority to fill vacancies, while the Class B membership exists.

Section 7. Compensation. The Board of Directors shall receive reimbursement for expenses, but shall receive no compensation for their services unless expressly allowed by the Association upon the affirmative vote of its Members.

Section 8. Executive Committee. The Board of Directors may, by resolution adopted by a majority of the number of directors fixed by these Bylaws, designate two or more directors to constitute an executive committee, which committee, to the extent provided in such resolution, shall have and may exercise all of the authority of the Board of Directors in the management of the Property.

Section 9. Powers. The Board of Directors shall have the powers necessary for the administration of the affairs of the Association as specified by law, the Declaration or these Bylaws, and may do all such acts and things, except such acts as by law, by the Declaration, or by these Bylaws may not be delegated to the Board of Directors.

Section 10. Duties. It shall be the duty of the Board of Directors to:

- a) Administer, operate, maintain and repair the Common Elements;
- b) Enter upon any Lot and perform any repairs, maintenance or construction for which the Association is responsible at reasonable times and hours and with as little inconvenience to the Lot Owner as practicable. The Association shall repair any damages to the Lot caused by such repair, maintenance or construction, and all costs incurred in performing these duties shall be a Common Expense of the Property, unless the Board shall determine that the repairs, maintenance or construction was necessitated

by the negligence, misuse, unlawful act or act in violation of the Declaration, these Bylaws, or the Rules and Regulations of the Association by the Lot Owners, its agents, contractors, family members, guests, invitees, tenants or contract purchasers, in which event such costs may be assessed against the Lot Owner, as by the Declaration prescribed;

- c) Determine the Common Expenses arising from the costs of administration, operation, care, upkeep, maintenance, repair, and construction of the Common Elements, including, without limitation, reserves for repair, reconstruction or replacement;
- d) Fix and assess in the manner provided by law and the Declaration, the proportionate part of the Common Expenses for each Lot Owner within the Property;
- e) Collect and enforce the collection of Common Expenses in the manner provided by law and the Declaration, including, but not limited to, legal proceedings for the enforcement of liens and provide written evidence of payment upon request therefore;
- f) Employ, supervise and dismiss personnel, managers or independent contractors necessary to the maintenance and operation of the Common Elements, or to the operation of the business of the Association;
- g) Adopt, amend, publish and enforce reasonable Rules and Regulations that it deems advisable and necessary for the proper administration, operation, maintenance, conservation, and beautification of the Property and for the health, comfort, safety and general welfare of the Owners and occupants of the Lots. Copies of the published Rules and Regulations and amendments thereto shall be given to at least one Owner, representing each Lot (but need not be recorded with the Burleigh County Recorder), and the Association and Property shall be administered, operated and maintained in conformity with such Rules and Regulations;
- h) Designate depositories for Association funds and the officers, agents and/or employees having the authority to deposit and withdraw such funds; and, in its discretion, to require such officers, agents or employees to be bonded in such amounts as it deems necessary;
- i) Sign all mortgages, deeds of trust, agreements, contracts, vouchers and payment of expenditures, deeds and other instruments in such manner as from time to time shall be determined by written resolution of the Board.

In the absence of such determination by the Board, such documents shall be signed by the President and the Secretary;

- j) Procure and maintain adequate insurance of such nature and in such amounts as provided in the Declaration, and such other insurance as the Board may deem necessary or appropriate, including, without limitation, hazard insurance, liability insurance and officers and directors liability coverage;
- k) Appoint such committees as are provided for in these Bylaws and the Declaration or as otherwise deemed appropriate by the Board, including, but not limited to, a Nominating Committee and an Architectural Committee;
- l) Exercise their powers in good faith and do and perform such other matters and things not expressly prohibited by law, the Declaration, or these Bylaws as are necessary and appropriate to the proper administration, operation and maintenance of the Association;
- m) Prepare an annual budget in which there shall be established the assessments of each Lot Owner for the Common Expenses;
- n) Pay all taxes, charges and assessments which are or may become liens against any part of the Common Elements and assess the same against the Members and their respective Lots;
- o) To enforce by legal means or proceedings the provisions of the Articles of Incorporation, the Bylaws, the Declaration and the Rules and Regulations promulgated hereunder;
- p) To review and to determine, in its discretion, whether to approve or disapprove architectural changes, alteration or modifications of any improvements in the Project, or the placement of any improvement upon a Lot;
- q) To establish fines and penalties for late payment of assessments and for violations of the Declaration, Bylaws, and the Rules and Regulations and to provide for the suspension of voting rights of any Member, or its Lot occupants, as well as the right to use any amenities or recreational facilities during any period in which such Member shall be in default on the payment of any assessment levied by the Association and to suspend such voting rights and other privileges for a period not to exceed sixty (60) days after notice and hearing for any infractions;

