

BYLAWS
OF
SADDLEBROOK MEADOWS HOMEOWNERS ASSOCIATION

These are the bylaws of Saddlebrook Meadows Homeowners Association (hereinafter referred to as "Association"), a nonprofit corporation of co-owners, for the purpose of administering Saddlebrook Meadows development (the "Development") in the City of Iowa City, Johnson County, Iowa.

ARTICLE I.

MEMBERS AND VOTING RIGHTS.

1. The owners of each Lot shall constitute the members of the Association and membership shall automatically cease upon termination of all interests which constitute a person or entity an owner. The developer shall be and have the rights of members with respect to unsold Lots. Whenever only one spouse is a record titleholder, the other spouse shall be considered an owner for the purpose of membership, and shall be bound by the provisions of all Association documents.

2. An owner of record of a Lot shall be recognized as a member without further action for so long as he, she, or it holds an ownership interest. If ownership is acquired but not of record, or if acquired other than by way of conveyance or other formal instrument of transfer (such as by death, judicial act, or dissolution), the person acquiring or succeeding to ownership shall present the board of directors of the Association evidence satisfactory to it of facts evidencing lawful ownership status prior to exercise of any rights of membership in the Association. (Failure to provide such evidence shall not, however, relieve an Owner of his, her, or its ownership obligations). A fiduciary or other official acting the representative capacity shall exercise all membership rights and privileges of the owner which he, she, or it represents.

3. If more than one person is the owner of the same Lot, all such owners shall be members and remain jointly and severally liable for all membership obligations. In such cases, or if more than one fiduciary or other official is acting in the premises, the votes entitled to be cast by the owners of that Lot shall be cast by the person named for that purpose on a certificate signed by all such owners or fiduciaries or other officials and filed with the secretary and such person shall be deemed to hold an ownership interest to such Lot for purposes of voting and determining the representation of such ownership interest at any meeting or for purposes otherwise provided herein. If such certificate is not executed and filed with the secretary, such membership shall not be in good standing and the votes for that Lot shall not be considered in considering a quorum or a vote or for any other purposes until this bylaw is complied with.

4. The owner or owners of each Lot shall be entitled to one vote on all matters to be determined by the members of the Association either as owners or as Lots. Votes of a single Lot may not be divided.

ARTICLE II.

MEMBERS' MEETINGS.

1. The organizational meeting of the members of the Association to elect successors of the initial board of directors shall be held within fifty (50) days of the date on which the Developer has sold and given possession of all the Lots within the Development or such earlier time if the Developer so elects. Thereafter the annual and any special meetings shall be held at a time and at a place within Iowa City, Johnson County, Iowa, chosen by the board of directors and all such meetings, annual or special, shall be held at such particular time and place as is set forth in the notice thereof.

2. A special meeting shall be held whenever called by the president or, in his or her absence or disability, by the vice-president, or by any one member of the board of directors,

3. The secretary or his or her designate shall give written notice to each member of the annual meeting or a special meeting called pursuant to paragraph 2 hereof. Whoever requests the special meeting shall give like written notice of such special meeting. All notices shall set forth the time and place and purpose or purposes for which the meeting will be held. No action shall be taken at a special meeting which is not directly related to the purpose or purposes stated in the notice of such meeting.

4. Notice of members' meetings shall be given by mailing or delivering same not less than ten (10), nor more than thirty (30) days prior to the date of the meeting. Notice shall be deemed to be given if mailed by first class mail to the member at the address of his, her, or its unit within the Development, unless at the time of giving such notice such member has given written direction delivered to the secretary specifying a different mailing address to be carried on the rolls of the Association. If more than one person is the owner of the same Lot or if more than one fiduciary or one official is acting in the premises, notice to such person shall be deemed to have been given, when in accordance with this paragraph to the person named in the certificate filed with the secretary in accordance with Paragraph 3 of ARTICLE I. Notice of any meeting may be waived in writing by the person entitled thereto.

5. A quorum at a members' meeting shall consist of ten percent (10%) of the members in person or by proxy, representing the units. The acts carried or approved by a vote of two-thirds (2/3) of the units represented at a meeting at which quorum is present shall constitute the acts of the membership unless a different rule is provided herein or other agreement to which the Association is a party. The president, or, in his or her absence or disability the vice-president, shall preside at each members' meeting; if neither the president nor the vice-president is able to preside, a chairperson shall be elected by the members present at such meeting.

6. At a membership meeting, a person holding a member's proxy to vote shall be permitted to cast such member's vote on all questions properly coming before such meeting, provided such proxy must be in writing and signed by a member or other person entitled to cast votes, and shall set forth the unit with respect to which such rights are pertinent, and the period in which the proxy is to be in force and effect. Decision of the board of directors as to the sufficiency of any proxy for recognition shall be final and not subject to appeal to the members.

7. At all meetings, the order of business shall consist of the following:
- (a) Election of Chairperson, if required.
 - (b) Calling of roll and certification of proxies.
 - (c) Proof of notice of meeting or waiver of notice.
 - (d) Reading and disposal of any unapproved minutes.
 - (e) Reports of officers, if applicable.
 - (f) Reports of committees, if applicable.
 - (g) Election of Directors, if applicable.
 - (h) Unfinished business.
 - (i) New business.
 - (j) Adjournment.

ARTICLE III.

BOARD OF DIRECTORS.

1. The affairs of the Association shall be managed by an initial Board of Directors ("Board") consisting of one (1) director. The initial Board shall consist of such person as the Developer may appoint and need not be a member of the Association. Developer shall have the right to name all members of the Board of the Association until the first Lot is sold, at which time said purchaser shall automatically become a member of the Board. The Developer shall remain a Board member until the final Lot is sold, at which time the Developer shall be forever relieved of any Board responsibilities relating to the Development. Thereafter the Board shall be selected in the manner specified in the bylaws of the Association.

2. At the first annual members' meeting and at each meeting thereafter three (3) directors shall be elected and the term of office of each director shall extend until the next annual meeting of the members and thereafter until their successors are duly elected and qualified or until removal in the manner as elsewhere provided.

3. Each director shall be elected by ballot (unless such requirement is waived by a majority consent) and by a plurality of the votes cast at the annual meeting of the members of the Association. Each person entitled to vote shall be entitled to vote for as many nominees as there are vacancies to be filled by election and each director shall be elected by a separate ballot unless provided otherwise by a majority consent of the members.

4. Except as provided in Paragraph 5 of this ARTICLE, vacancies on the Board may be filled until the date of the next annual meeting by a vote of the remaining directors regardless of whether those remaining constitute a quorum.

5. The initial director shall be subject to removal only by the Developer. Thereafter, a director may be removed by concurrence of both of the members of the Association at a special meeting called for that purpose. The vacancy on the Board so created shall be filled by the persons entitled to vote at the same meeting.

6. The initial director as well as any other directors appointed by the Developer shall serve without compensation. Directors elected by the members shall receive such compensation and expenses as may be approved by the persons entitled to vote at any annual or special meeting.

7. An organizational meeting of a newly-elected Board shall be held within ten (10) days of their election at such place and time as shall be fixed by the directors at the meeting at which they were elected. No further notice of the organizational meeting shall be necessary.

8. By a majority vote, the directors may set the time and place for regular meetings of the Board and no notice thereof shall be required until such resolution is modified or rescinded. Special meetings of the directors may be called by the president, vice-president, or any director, provided not less than two (2) days' notice shall be given, personally or by mail, telephone, or electronic mail, which notice shall state the time, place, and purpose of that meeting.

9. A quorum at a Board meeting shall consist of two (2) Board members. The acts approved by unanimous vote of those present at a meeting duly called at which a quorum is present shall constitute the acts of the entire Board, except where approval by a greater number of directors is required by these bylaws.

10. The presiding officer of a Board meeting shall be the president, or in his or her absence, the vice-president.

11. The Board, by resolution approved by all members thereof, may designate from among its members such committees as it deems advisable and by resolution provide the extent and manner to which the same may have and exercise the authority of the Board.

ARTICLE IV.

POWERS AND DUTIES OF THE BOARD OF DIRECTORS.

All of the powers and duties of the Association shall be exercised by the Board, including those existing under the common law and statutes and the documents establishing the Association. Such powers and duties of the Board shall be exercised in accordance with the

applicable regulations, statutes and other conditions which govern the use of the land, and in addition to those elsewhere provided, shall include but not be limited to the following:

1. The collection of assessments against members for all common expenses.
2. Use of the proceeds of assessments in the exercise of its powers and duties.
3. The maintenance, repair, replacement, and operation of the Development property including all common areas, elements, and facilities, and Lots as applicable, and the making or providing for payment for all such work and approving or delegating to the officers authority to approve vouchers therefor.
4. The reconstruction, repair, restoration, or rebuilding of the Development property and of any Lots as applicable after casualty; construction of new improvements or alterations if permitted and approved; to make and amend regulations respecting the use and occupancy of the property in the Development and to permit or forbid an action or conduct within the discretion committed to them in these bylaws, and resolutions of the members.
5. The enforcement by legal means of the provisions of the bylaws of the Association, and the regulations for the use of the property in the Development, and to take legal action in the name of the Association and on behalf of its members.
6. To contract for management of the Development and to delegate to such manager any or all powers and duties of the Association except such as are specifically required by the bylaws or resolutions of the members to have approval of the Board or the membership of the Association.
7. To employ, designate, and discharge personnel to perform services required for proper operation of the Development.
8. To carry insurance on the property committed to the Development and insurance for the protection of Lot owners, occupants, and the Association.
9. To pay the cost of all power, water, sewer, and other utility or other services rendered to the Development and not billed directly to the owners of the individual Lots.
10. To conduct all votes or determinations of the members other than at a membership meeting.
11. To borrow money from the bank, lending institution, or agency for the use and benefit of the Association and to secure the loan or loans by pledge of the assets of the Association, and from time to time renew such loan and give additional security.
12. To do such other acts as are necessary and proper to effect the purpose of the Development as stated in these bylaws, provided such acts are not otherwise prohibited.

ARTICLE V.

OFFICERS.

1. The officers of the Association shall be the president who shall be a director, a vice-president who shall be a director, and a treasurer and secretary, which offices shall be filled by one person who need not be either a director or member. All such officers shall be elected annually by the Board and may be peremptorily removed and replaced by the vote of two-thirds (2/3) of the directors at any meeting. The initial officers and their successors until the first annual meeting shall be chosen by the initial Board and shall serve until the organizational meeting of the members. The Board may from time to time create and fill other offices and designate the powers and duties thereof. Each officer shall have the powers and duties usually vested in such office, and such authority as is committed to the office by the bylaws or by specific grant from the board, but subject at all time to the provisions of the bylaws and to the control of the Board. Directors may serve in more than one (1) officer capacity at any given time.
2. The president shall be the chief executive officer of the Association. He or she shall preside at all membership meetings and meetings of the Board and shall have power to appoint committees from among the members to assist in the conduct of the affairs of the Association.
3. The vice-president shall preside over the membership meetings in the absence or disability of the president, and shall otherwise exercise the powers and duties of the president in the event of the absence or disability of the president and shall generally assist the president and exercise such other powers and duties as are prescribed by the directors.
4. The secretary and treasurer, which shall constitute one office, shall keep the minutes of all proceedings of membership meetings and Board meetings and shall have custody and control of the minute book of the Association and shall keep or be in charge and control of the records of the Association, and additionally as treasurer have control of the funds and other property of the Association and shall keep the financial books and records thereof.
5. The compensation of all officers and employees shall be fixed by the Board. This provision shall not preclude the Board from employing a director as an employee, nor the contracting with a director.
6. Any instrument affecting an interest in real property may be executed by the president or vice-president and one other officer upon authorization of the directors or in such manner as the directors may otherwise direct.

ARTICLE VI.

FISCAL MANAGEMENT.

1. The Board shall adopt a budget for each fiscal year (which shall be the same as the Association's fiscal year for income tax purposes) which shall include the estimated funds required to defray the common expenses and to provide and maintain funds for the following accounting categories according to good accounting practices:

(a) Current expenses which shall include all funds and expenditures to be made for the year for which the funds are budgeted, including a reasonable allowance for contingencies and working funds, except expenditures chargeable to reserves or to additional improvements. The balance of this fund at the end of each year shall be applied to reduce the assessments for current expense for the succeeding year.

(b) Reserve for deferred maintenance, which shall include funds for maintenance items which occur less frequently than annually.

(c) Reserve for replacement, which shall include funds for repair or replacement required because of damage, destruction, depreciation, or obsolescence.

2. The Board shall assess against each Lot and the Owner thereof shall be liable for, a share of the items in the budget adopted pursuant to Paragraph 1 equal to such Unit's pro rata share of common expenses in the budget. Such share shall be assessed annually in advance for the fiscal year for which the budget was prepared, and notice of such assessments shall be mailed or delivered not less than thirty (30) days prior to the first day of such fiscal year. Such assessment shall be due and payable from the respective Lot Owner in twelve (12) equal installments, each installment being due and payable the first day of each calendar month, within such fiscal year. In the event notice of such assessment is not timely given, the amount of such assessment will not change but the due date for each installment which would otherwise be due and payable less than thirty (30) days from the giving of such notice, shall be due and payable on the due date of the first installment which is due after thirty (30) days from the date such notice was mailed or delivered. In the event the annual assessment proves to be insufficient, the budget and assessments, therefore, may be amended at any time by the Board. Such amended budget may be adopted at a special Board meeting upon and affirmative majority vote of the Board. The additional amount so budgeted shall be assessed to each Lot in the same manner as assessments for the annual budget and shall be prorated among the remaining installments due and payable in such year.

3. Assessments for common expenses for emergencies and extraordinary expenditures, which cannot be paid from the annual assessments for common expenses and maintenance funds shall be made only after notice of the need thereof to the Lot Owners. After such notice and upon approval in writing by persons entitled to cast more than one-half (1/2) of the votes in the Association, the assessments shall become effective, and shall be due in such manner as the Board may require after thirty (30) days' notice thereof. In the event any

expenditure for repair or replacement of any unit or common elements cannot be paid from annual assessments but can be at least ninety percent (90%) paid from insurance proceeds therefor, such expenditures may be made upon approval of the Board without approval of the members and an amended budget and assessment may be made therefor if necessary.

4. If an Owner shall be in default of a payment of an installment upon an assessment, the remaining installments of the assessment shall be accelerated upon notice thereof to such owner, and thereupon the unpaid balance of the assessment shall become due upon the date stated in the notice, but not less than ten (10) days after delivery thereof to such owner either personally or by registered or certified mail. Interest shall be computed and due on balances due under this paragraph but unpaid on such due date at the maximum rate of interest allowable by law from the date such balance becomes due and payable in accordance with the preceding sentence; such interest shall be in addition to any other payments for which said Owner is liable.

5. The holder of a mortgage on any Lot, upon its filing written request with the Association, shall be given written notice by the Association of the nonperformance of a mortgagor's obligations under these bylaws, or other Development documents, which is not cured within thirty (30) days.

6. All sums assessed but unpaid, including but not limited to, interest with respect to a Lot or against a Lot Owner shall constitute a lien on such unit prior to all other liens except:

- (a) Tax liens on the Lot in favor of any assessing Lot and special district; and
- (b) All sums unpaid on the first mortgage of record.

Said lien may be foreclosed by the Association in the manner and with the consequences provided in the Code of Iowa, as amended. In the event the Association forecloses on any lien, the Owner of such Lot, by their membership in this Association, specifically waive any rights to delay or prevent foreclosure which he, she or it may have against the Association by reason of the homestead exemption. The Association may sue for money judgment for unpaid assessments and interest or sums due without foreclosing or waiving any lien which it holds.

7. If a mortgagee or purchaser of a Lot obtains title as a result of foreclosure of a first mortgage, neither such mortgagee nor purchaser nor their successors or assigns, shall be liable for the assessments chargeable to such Lot due prior to the acquisition of title, and such unpaid assessments shall thereafter be deemed to be common expenses collectible from all Lot Owners including the mortgagee or purchaser, and their successors and assigns. The owner of a Lot pursuant to a voluntary conveyance or by inheritance or devise shall be jointly and severally liable with the grantor or prior owner for all unpaid assessments against the grantor or prior owner, but without prejudice to the right of such grantee or devisee to recover from the grantor the amounts paid therefor. The grantee or other successor in interest of an individual subject to a levy of an assessment on account of default shall be liable for any such special assessment.

8. The depository of the Association shall be such bank or banks as shall be designated from time to time by the Board and in which the moneys of the Association shall be

deposited. Withdrawal of moneys from the accounts shall only be by checks signed by such persons as are authorized by the Board.

9. An audit of the accounts of the Association may be made annually by a certified public accountant and if such audit is made a copy of the report shall be furnished to each member not later than sixty (60) days after the close of the fiscal year for which the report is made.

ARTICLE VII.

AMENDMENT.

1. These bylaws may be amended, altered, repealed, or new bylaws adopted by the members at a regular or special meeting the members upon an affirmative vote of one hundred percent (100%) of all votes entitled to be cast; provided, however, no amendment effecting a substantial change in these bylaws shall affect the rights of the holder of any mortgage recorded prior to recordation of such amendment who does not join in the execution thereof and who does not approve said amendment in writing.

2. No amendment may be adopted at either a special or regular membership meeting not included in the notice thereof, except if notice of the proposed amendment has been given, an amendment relative to the same subject may be adopted by those present, in person or by proxy and possession of the requisite percentage of membership and voting interests; provided further, no vote by proxy may be counted unless the proxy expressly provides for such contingency. Notice referred to herein shall be given in the manner prescribed in ARTICLE II, Section 3 of these bylaws and shall be given to the persons described in ARTICLE II, Section 4, and the holder of any first mortgage of record which has notified the Association of its interests not more than fifty (50) days nor less than thirty (30) days before the date such meeting will be held. More than one proposed amendment may be included in the notice of a meeting.

ARTICLE VIII.

MISCELLANEOUS PROVISIONS.

1. The invalidity of any portion or provision of these bylaws shall not affect the validity of the remaining provisions or portions hereof.

2. The Association shall not have or employ a corporate seal.

3. The Board may require fidelity bonds from all directors, officers, or agents handling or responsible for Association funds and the expense of such bonds shall be common expense of the Association.

4. The Association shall promulgate such rules and regulations as it deems to be in the best interest of all Lot Owners. The Board shall operate under the initial rules and regulations which may be added to, amended, modified, or altered by the affirmative vote of one hundred percent (100%) of all of the members in the Association. Such Rules and Regulations, as amended, shall be binding upon all members, guests, and agents of members.

5. The Association shall at all times maintain separate and accurate written records of each Lot and Owner and the address of each, and setting forth the status of all assessments, accounts, and funds pertinent to that Lot and Owner. Any person other than a Lot Owner may rely on a certificate made from such records by an officer or agent of the Association as to the status of all assessments and accounts.

6. Each member shall have the obligations as such member as are imposed on him, her, or it as a Lot Owner, and no member shall have any power or authority to incur a mechanic's lien or other lien effective against the Development property except as the same may attach only against his, her, or its interest therein.

7. The Board may, in its discretion, issue written evidence of membership, but the same shall be evidence thereof only and in no manner shall be transferable or negotiable, and the share of the member in the assets of the Association cannot be assigned, hypothecated, or transferred in any manner except as appurtenant to such assignment, hypothecation, or transfer of the Lot.

8. Each Owner or lessee of his, her, or its Lot, as applicable, shall have a right to use and enjoy the common elements provided that such use shall be limited to the uses permitted by the governing documents of the Development.

ARTICLE IX.

DEFINITIONS.

Unless the context otherwise requires, the terms used herein shall have the following meanings:

1. **Person.** The term "person" shall include an individual, a corporation, or other legal entity or its representative.

2. **Owner.** The term "owner" for the purposes of these bylaws shall mean any person who owns an interest in one or more Lots in the Development; provided that the holder of a leasehold interest in a Lot shall not be an Owner; and further provided that the holder of an equitable interest shall be an Owner.

3. **Lot.** The term "lot" means each Lot located within the Development.

4. **Common Expenses.** The term "common expenses" shall include:

(a) Expenses of administration, maintenance, operation, repair, replacement of common elements, and the portions of Lots to be maintained by the Association.

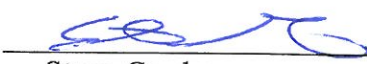
(b) Expenses declared common expenses by these bylaws.

(c) Any valid charge against the Development as a whole.

5. **Singular, plural and gender.** Whenever the context so permits or requires, the use of the singular shall include the plural, the plural the singular, and the use of any gender shall include all genders.

6. **Deadlock Provision.** Disputes between Owners of the Lots may be fatal to said Development. In the event a dispute arises between the Owners that cannot be resolved by agreement, said dispute shall and must be resolved by the majority vote of a panel consisting of three (3) individuals selected in the following manner: each Owner involved in the dispute shall select one panel member. These selections shall be made within ten (10) days after the tie vote or an impasse has occurred. The panel members, so selected and if totaling an even number of members, shall select an additional panel member. The Lot Owners may present evidence or the facts may be agreed in writing and submitted to the panel. The rules of evidence shall not apply, and the presentation shall be informal, but as efficient as possible. Once the facts have been presented, the panel shall make its decision within five (5) days after the close of evidence, and the decision shall be binding upon all Owners. The parties shall equally divide any cost associated with the panel's appointment and work. The majority vote of the panel shall resolve the dispute as an absolute finality binding on all Owners, and all Owners agree that such a ruling shall become binding and not subject to appeal. The Owners specifically agree that lack of substantial evidence to support the panel's decision shall not be grounds for vacating the decision, and the proceedings before the panel shall not be reported. Should, however, legal action between the Owners be commenced by an Owner against another, contrary to the terms of this deadlock provision, the party commencing the suit shall pay the other party or parties attorney's fees and all costs associated therewith.

Saddlebrook Meadows Homeowners Association

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