

Chris

**BY-LAWS
OF
THE NEIGHBORHOOD AT 86TH HOMEOWNERS' ASSOCIATION
(An Iowa Non-Profit Corporation)**

ARTICLE I

Section 1. Name. The name of the corporation is The Neighborhood at 86th Homeowners' Association. The Association is formed pursuant to Chapter 504A, Code of Iowa (2003), as amended, the "Iowa Non-Profit Corporation Act", and laws amendatory thereof and supplemental thereto.

Section 2. Definitions. All capitalized terms herein shall have the definition attributed to them in the Declaration of Homeowners' Association for The Neighborhood at 86th and Declaration of Covenants, Conditions and Restrictions for Lots 1 through 27, Inclusive, in The Neighborhood at 86th, Johnston, Polk County, Iowa (Single Family) filed with the Recorder of Polk County, Iowa, in Book 10131 at Page 911 and Book 10131, Page 857, respectively (collectively herein referred to as "Declarations").

Section 3. Articles of Incorporation. The Articles of Incorporation of the Association were filed in the Office of the Secretary of State of the State of Iowa on September 16, 2003.

Section 4. Membership and Voting. The membership of the Association shall consist of the Owners of the Lots within the Development known as The Neighborhood at 86th as is more fully set forth in the Declarations. Membership in the Association shall be appurtenant to and shall not be separated from any Lot. A person shall cease to be a member of the Association at such time as that person ceases to be an Owner of a Lot. Voting rights shall be allocated pursuant to the Declarations. Where there is more than one Owner of a Lot such as a contract seller, joint tenant or tenant in common, all of such Owners shall be members of the Association and the vote allocated to the Lot in accordance with the Declarations and these By-Laws shall be cast as the Members among themselves may determine and signify in writing to the Association but in no event shall more than one vote be cast with respect to any Lot nor shall the vote allocated to a Lot be split or otherwise cast separately by the Members. Where there is more than one owner of a Lot, the Owners thereof shall notify the Secretary of the Association, in writing of the name of the Owner who has been designated to cast the vote attributable to that Lot, on behalf of all of the Members of that Lot. If the owners of a Lot cannot agree on the Member who is to be designated to cast the vote attributable to the Lot owned by such Members, or on the manner in which such vote is to be cast, the Members shall submit such dispute to the Board of Directors of the Association. The Board of Directors shall resolve such a dispute in a manner determined by the Board of Directors to be fair and equitable and such determination shall be binding on said Members. Membership in the Association shall automatically pass when the ownership of a Lot is transferred in any manner.

Section 5. Registration of Member. It shall be the duty of each Member to register with the Secretary of the Association in writing (i) the name and address of such Member; (ii) the nature and satisfactory evidence of such Member's interest or estate in the Lot; and (iii) the addresses at which such Member desires to receive notice of any duly called meeting of the Members. If a Member does not register as provided in this paragraph, the Association shall be under no duty to recognize the

rights of such person hereunder, and shall not recognize such person's right to vote as provided herein, but such failure to register shall not relieve a Member of any obligation, covenant or restriction under the Declarations or these By-Laws. If there is more than one Member of a Lot, each must execute the registration as provided in this paragraph.

ARTICLE II

Members

Section 1. Place of Meeting. Meetings of Members and Directors of the Association may be held at such places within the State of Iowa, as may be designated by the Board of Directors.

Section 2. Annual Meeting. The first annual meeting of the Members shall be held within one (1) year after the recording of the Declaration, on a date established by the first Board of Directors. Each subsequent regular annual meeting of the Members shall be held at least once each year on the same day of the same month of each year thereafter (unless the Board of Directors designates a different date for annual meetings), at such hour as may be designated by the Secretary in the notice of said meeting, as hereinafter provided. At each annual meeting, the Members shall, subject to the provisions of Article III, Section 2 hereof, elect members to the Board of Directors from among themselves and shall transact such other business as may properly come before the meeting.

Section 3. Special Meetings. Special meetings of the Members may be called for any purpose at any time by the President or by the Board of Directors, on their own initiative or upon the delivery of a written request signed by Members of Lots to which is assigned 25% or more of the votes of any class of membership in the Association to either the President or the Secretary, stating the purpose of the special meeting. No business shall be transacted in a special meeting of the Members except as stated in the notice of the meeting, as hereinafter provided.

Section 4. Notice of Meetings. At least fifteen (15) days in advance of any meeting, the Secretary of the Association shall send to each Member a written notice of the time, place and complete agenda of the meeting which is the subject of such notice. Such notice shall be hand delivered or sent by United States mail, to all Members of record at the address of their respective Lots and to such other addresses as any Members may have designated in writing to the Secretary. Members of record shall be those Members who are registered with the Secretary as provided in Article I, Section 4, on a date specified by the Board of Directors (the "Record Date"). Such Members of record shall be entitled to notice of any duly called meeting of the Members; provided, that the Board of Directors may not specify a Record Date which is more than thirty-five (35) days prior to the date of an annual meeting or no more than twenty (20) days prior to the date of a special meeting. A Member may at any time waive notice of any meeting by a signed writing or by attendance at the meeting.

Section 5. Quorum and Adjournment. The presence of Members in person or represented by proxy who have the authority to cast ten percent (10%) of the total of the votes of all members of the Association shall be requisite for and shall constitute a quorum at all meetings of the

Association for the transaction of business except that of adjourning the meeting to reconvene at a subsequent time and except as otherwise provided by law. If, however, such percentage shall not be present or represented at any such meeting, the Members entitled to vote thereat, present in person or by proxy, shall have power to adjourn the meeting from time to time without notice other than announcement at the meeting until a quorum shall be present, at which time any business may be transacted which might have been transacted at the meeting as initially called had a quorum then been present. The Quorum, having once been established at a meeting, shall continue to exist for that meeting, notwithstanding the departure of any member previously in attendance in person or by proxy.

Section 6. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot or by the Member's personal attendance at the meeting.

Section 7. Voting Register. At the beginning of each meeting of the Members, the Secretary shall deliver to the Chairman for the meeting a written list of the Lot numbers, the respective name or names of the Members entitled to notice of such meeting, and the respective name of the person (in the case of multiple Members) authorized to vote.

Section 8. Order of Business. The order of business at annual meetings of the members, and at such other membership meetings of the Members as may be practical, shall be as follows:

- a. Presenting of Voting Register, proxy certification and establishment of a quorum.
- b. Appointment by the Chairman of inspectors of election as determined by the Chairman or when requested by a Member of the Board of Directors.
- c. Election of Members of the Board of Directors.
- d. Adjournment.

Section 9. Manner of Voting. All elections and all questions shall be decided by the concurring vote of the Members who are entitled to cast a majority of the votes represented by all Members present in person or by proxy at a meeting, except as otherwise specifically provided in the Declarations and these By-Laws. Cumulative voting shall not be permitted.

ARTICLE III

Board of Directors

Section 1. Number and Qualification. The first Board of Directors shall consist of the persons designated as Directors in the Articles of Incorporation of the Association, who need not be Members. Upon the ending of the terms of the first Board of Directors, the Board of Directors shall be composed of no more than twenty (20) nor less than two (2) Directors, all of whom shall be Members; or, in the case of ownership of a Lot by a partnership, shall be partners or employees of

such partnership; or, in the case of ownership of a Lot by a corporation, shall be officers or employees of such corporations; or, in the case of ownership of a Lot by a fiduciary, shall be officers or employees of such fiduciary.

Section 2. Term of Office. Notwithstanding the right to remove a Director under Section 9 of this Article, and notwithstanding anything else herein contained, Declarant may elect the members of the Board of Directors of the Association so long as the Declarant retains any interest in any of the Lots. At such time as Declarant no longer has any ownership interest in the Lots, all Directors elected by the Declarant shall resign from the Board of Directors. Upon the resignation from the Board of Directors of all Directors elected by the Declarant, Directors shall be elected using staggered terms of office with approximately half of the Directors being elected at that time serving for a one-year term with the remainder serving for a two-year term. At each annual meeting thereafter, Directors shall be elected to a two-year term as successors to the Directors whose terms are then ending. The term of the Member of the Board of Director shall expire upon the election of a successor at any annual meeting of the Members. A Director shall hold office until he shall resign and his resignation shall have become effective, or until a qualified successor has been elected and shall have accepted the office, or until the Directors have been removed in accordance with the provisions of these By-Laws. The Board of Directors elected by the Declarant shall have the power to adopt the By-Laws of the Association, to elect officers, to establish a schedule of assessments and shall have generally the powers and duties of the Board of Directors as set forth herein and in the Declarations.

Section 3. Election. The Directors being elected upon the resignation from the Board of Directors of all Directors elected by the Declarant shall be elected in one (1) voting. Each Lot shall be entitled to cast the number of votes that correspond to the number of Director's positions available to be filled by the election. The candidates shall stand for either a one-year term or a two-year term in order to allow the staggered annual elections described above. No votes may be cast cumulatively and, if cast, must be cast separately for each of the positions available to be filled by the election.

Section 4. General Powers. The Board of Directors shall manage the Common Area, affairs and business of the Association. Specifically, and without limiting the generality of the foregoing, the Board of Directors shall have the power to:

- (a) Adopt and publish rules and regulations to effectuate the objectives set forth in the Declarations and pursuant to such other matters as are necessary or desirable to the harmonious use and enjoyment of The Neighborhood at 86th, with copies of all such rules and regulations being made available to all Members.
- (b) Suspend the voting rights of a Member during any period in which such Member shall be in default of the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations.
- (c) Supervise the operation, maintenance, repair and replacement of all items that are the responsibility of the Association pursuant to the Declarations.

- (d) Exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the membership by law or by other provisions of these By-Laws, the Articles of Incorporation or the Declarations.
- (e) Authorize the making of any contracts, leases, management contracts, employment contracts or leases of recreational areas or facilities on behalf of the Association, engage the services of and discharge a manager, managing agent, independent contractor or other employees as they deem necessary, and determine the duties and compensation of such persons.
- (f) Exercise the irrevocable right to have access to each Lot from time to time during reasonable hours as may be necessary for the maintenance, repair or replacement of any item that is the responsibility of the Association pursuant to the Declarations or at any time for making emergency repairs then necessary to prevent damage to any Lot.
- (g) Determine the amount to be assessed for general annual assessments and special assessments which shall include all ordinary or extraordinary and necessary expenses for the operation and the repair, replacement and maintenance of the Common Area, and the establishment of a reserve for future repair, replacement and maintenance of the Common Area.
- (h) Levy and collect the assessments from the members.
- (i) Open bank accounts on behalf of the Association and designate signatories required therefor.
- (j) Obtain insurance for the Association pursuant to the provisions of the Declarations.
- (k) Dedicate or transfer easements for public utilities or other public purposes consistent with the Declarations.

Section 5. General Duties. In addition to and without limitation of the powers and duties assigned to the Board of Directors elsewhere herein by the Declaration, it shall be the duty of the Board of Directors to:

- (a) Contract for labor and materials needed to perform the obligations of the Association, pay for insurance, utilities and other expenses and perform the other duties of the Association as provided by law, the Declarations or as described herein, and assess the costs thereof against the Members of the Association in the manner provided for by the Declarations. The Board shall include in the monthly assessments such amount as is necessary to accumulate an adequate reserve and may accumulate an additional reserve amount from time to time in anticipation of extraordinary expenses.

- (b) Cause to be kept detailed, accurate records in chronological order, of the receipts and expenditures affecting the Association, specifying and itemizing the maintenance, repair and replacement expenses relating thereto.
- (c) Issue, or cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid relating to a particular Lot. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment.
- (d) Prepare or cause to be prepared an annual report, a copy of which shall be provided to each Member with the notice of each annual meeting and shall be available to each Member at the annual meeting, showing the financial affairs of the Association, and containing at a minimum the following:
 - (i) A statement of any capital expenditure in excess of two percent (2%) of the current budget or Five Thousand Dollars (\$5,000.00), whichever is greater, anticipated by the Association during the current year or succeeding two (2) fiscal years;
 - (ii) A statement of the status and amount of any reserve or replacement fund and any portion of the fund designated by the Board for any specific project;
 - (iii) A copy of the Statement of Financial Condition for the Association for the last fiscal year;
 - (iv) A statement of the status of any pending suits or judgments in which the Association is a party;
 - (v) A statement of the insurance coverage provided by the Association; and
 - (vi) A statement of any unpaid assessments levied by the Association on individual Lots, identifying the Lot number, the amount of the unpaid assessment and its due date.

Any Member of the Association shall have the right, upon reasonable notice to the Treasurer, to review the accounts and financial records of the Association. If the Association does not elect to include an audit as a part of the Association's annual budget, one or more Members may call for an audit of the affairs of the Association by written notice to the President. If the audit shall disclose errors of three percent (3%) or greater in any figures contained in the most recent statements issued by the Board, the Association shall bear the expense of the audit. If no such error of three percent (3%) or greater shall be established by the audit, the member or members requesting the audit shall bear the entire expense thereof, which shall be a lien upon their individual Lots until paid.

Section 6. Limitation of Authority. Anything herein or in the Declarations to the contrary notwithstanding, unless specifically authorized herein or in the Declaration, the Board of Directors

shall have no authority, except as may specifically be granted by the majority (or such higher number as may otherwise be required hereunder, or by the Declaration) of the Members present in person, or by proxy, at a meeting hereof, to do any of the following:

- (a) Purchase any Lot except that the Board of Directors may accept any Lot surrendered to it for unpaid assessments and may purchase a Lot at any sale held pursuant to foreclosure for unpaid assessments provided that the Board of Directors shall not, unless authorized by the members, bid, at any such foreclosure sale, any amount in excess of the total of the delinquent assessment on account of which the foreclosure sale is being held, any interest thereon and other costs related thereto which are, pursuant to the Declarations, and hereunder, collectible from the Member of such Lot.
- (b) Levy or assess any expense or cost except as previously described herein and in the Declarations.

Section 7. Resignation. A Director of the Association may resign at any time by giving written notice to the Board of Directors, such resignation to take effect at the time of such notice or at any later date or time specified therein. Unless otherwise specified therein, acceptance of a resignation shall not be necessary to make it effective.

Section 8. Vacancy. A vacancy in the Board of Directors caused by resignation, death, disqualification, removal or any inability to act shall be filled by the Board of Directors and such action shall be valid notwithstanding the fact that the number of Directors then in office is less than the number specified herein.

Section 9. Removal. Any Director or all Directors, except the members of the first Board of Directors, may be removed at any time with or without cause by a majority vote of a quorum of the Members at any annual or special meeting of the Association. A Director shall be automatically removed without a meeting or other action of the Members on the date of closing of any sale or transfer of his Lot or on the date of transfer of possession thereof in connection with any such sale or transfer, whichever occurs earlier.

Section 10. Regular Meeting. The regular annual meeting of the Board of Directors shall be held without notice at the place, and immediately following the adjournment of the annual meeting of the Members of the Association, to transact such business as may properly come before the Board.

Section 11. Special Meetings of the Board of Directors. Special meetings of the Board of Directors shall be held upon written request of the President or of any Directors, stating the purpose or purposes thereof. Notice of such meeting shall be given by mail or telegraph to each Director, addressed to him at his residence or usual place of business at least three (3) days before the day on which such meeting is to be held. Every such notice shall state the time, place and purpose of the meeting. No business other than that stated in the notice shall be transacted at said meeting without the unanimous consent of the Directors.

Section 12. Quorum and Manner of Acting. Except as otherwise provided by statute, the Declarations or these By-Laws, a majority of the Directors in office at the time of any meeting of the Board of Directors shall constitute a quorum for transaction of business at such meeting and the act of a majority of the Directors present at any such meeting at which a quorum is present shall be the act of the Board of Directors. In the absence of a quorum, a majority of the Directors present may adjourn the meeting from time to time without notice other than announcement at the meeting until a quorum be had.

Section 13. Waiver of Notice. Notice of a special meeting may be waived by any member of the Board of Directors in writing and shall be waived by attendance at such meeting in person or by attorney.

Section 14. Action Taken Without a Meeting. Any action which might be taken at a meeting of the Board of Directors may be taken without a meeting if authorized in a writing or writings signed by all of the Directors.

Section 15. Fidelity Bonds. The Board shall require that all officers, directors, employees and representatives of the Association, and all officers, employees and agents of any management agent employed by the Association, handling or responsible for the Association funds, shall furnish adequate fidelity bonds. Such fidelity bonds shall be in such amount as the Board of Directors deem appropriate but not less than the greater of either the estimated maximum amount of funds (including reserve funds) in the custody of the Association or management agent at any given time or a sum equal to three (3) months assessments on all Lots plus reserve funds. Such bonds shall name the Association as an obligee, shall contain waivers of defenses based on exclusion of persons serving without compensation and shall provide that they may not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least ten (10) days' prior written notice to the Association and each holder of a first mortgage on any Lot. The premiums on such bonds shall be a part of the general annual assessment.

Section 16. Compensation. No Director shall receive compensation for any service he may render in his capacity as a member of the Board of Directors unless such compensation is approved at a meeting of the Members. However, any Director may be reimbursed, by resolution of the Board of Directors, for his actual expenses incurred in the performance of his duties as a Director.

ARTICLE IV

Architectural Committee

The Association, through its Board of Directors, shall appoint an Architectural Committee, as provided in the Declaration, a nominating committee for the nomination of all positions on the Board of Directors as well as such other committees as the Board deems appropriate in carrying out its purposes.

ARTICLE V

Officers and Their Duties

Section 1. Officers. The officers of the Association shall be a President, Vice President, Secretary and Treasurer, and such assistant or other officers as the Board of Directors may designate. Each officer shall be selected by a majority vote of the Board of Directors at the meeting of the Board held immediately following the annual meeting of the membership. The offices of Secretary and Treasurer may be held by the same person. Otherwise, no person shall simultaneously hold more than one of these offices except in the case of special offices created pursuant to Board directive. The President and Vice President shall be selected from among the Board of Directors. Each officer shall continue in office until:

- (a) The next annual meeting of the Board and thereafter until a successor is elected; or
- (b) He shall resign with such resignation taking effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective; or
- (c) He shall no longer be a Member of the Association (provided that officers selected by the first Board of Directors need not be Members of the Association); or
- (d) He shall be removed as hereinafter provided. Vacant offices shall be filled by the Board.

Section 2. Removal of Officers. Upon an affirmative vote of a majority of the members of the Board, any officer may be removed, with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for that purpose.

Section 3. Duties of Officers. The officers shall have the duties and responsibilities normally pertaining to their respective offices together with such specific duties as may be specified by the Articles of Incorporation, these By-Laws or the Board of Directors. The President shall preside over the meetings of the Board of Directors and of the Association of Members, shall have all of the general powers and duties which are normally vested in the office of President of a corporation and shall have the power to execute contracts and similar documents on behalf of the Association. The Vice President shall act in the place and stead of the President in the event of his absence, inability or refusal to act and shall exercise and discharge such other duties as may be required of him by the Board. The Secretary shall record the votes and keep the minute book of the Association wherein minutes of all meetings and all resolutions and proceedings of the members and of the Board of Directors shall be recorded, and shall keep a record of the name and mailing address of each Member and the Lot or Lots in which he has an interest and shall give all notices required by the Articles of Incorporation of the Association, these By-Laws, or the Declarations. The Treasurer shall keep the financial records and books of account of the Association. The Treasurer shall have custody of all intangible property of the Association, including funds, securities and evidences of indebtedness. The Treasurer shall deposit all moneys and other valuable effects in the name of or to the credit of

the Association in such depositories as may be designated by the Board of Directors and shall disburse the funds of the Association as ordered by the Board of Directors and shall perform all other duties incident to the office of Treasurer. He shall furnish upon request of a Member, a statement as to the current account of the Member upon the assessment rolls of the Association. Officers shall serve without compensation except for reimbursement for out-of-pocket expenses incurred in the performance of their duties. If desired by the Board, administrative tasks of the officers may be performed by a managing agent selected by the Board.

ARTICLE VI

Operation of the Common Area

Section 1. Budget; Levy. The Board of Directors shall from time to time, and at least annually in advance of the beginning of the Association's fiscal year, prepare a budget of expenses for the Association, including but not limited to, expenses relating to the obligations of the Association pursuant to the Declarations and shall allocate, assess and levy such expenses among the Members in accordance with the percentages and pursuant to the procedures specified in the Declarations. Upon the vote of the Board of Directors adopting a resolution which sets forth the budget and the allocation thereof to the Members, the amount so allocated to the owner of each Lot shall, without further resolution by the Board of Directors, be levied as the annual assessment against such Lot, payable in equal monthly installments due on the first day of each month during the period covered by the Budget, without further resolution by the Board of Directors. The budget shall include those expenses set forth in the Declarations and these By-Laws and may include such other amounts as the Board of Directors may deem proper for the operation and maintenance of the Common Area and all laws amendatory thereof and supplemental thereto; provided, however, that the assessment shall include an adequate reserve fund for maintenance, repair and replacement of items that must be replaced on a periodic basis, and shall, when practicable, be payable in regular installments. Contributions to any reserve funds established by the Association may not be withdrawn by any Member. The Board of Directors shall advise all Members in writing prior to the beginning of the period covered by the budget as to the amount of the monthly assessment payable by each of them, and shall, upon request by the Member, furnish copies of each budget on which such assessment is based to such Member and to his First Mortgagee. The total of any budget shall be in the amount of the estimated expenses for the period covered thereby, including a reasonable allowance for contingencies and reserves, less the amounts of any unneeded account balances existing from the previous period's budget, and less any estimated payments to be received by the Association. If a budget is not made by the Board of Directors as required, a monthly assessment in the amount required by the last prior budget shall be due upon each monthly assessment payment date until changed by a new budget. In the event an annual or other budget proves to be insufficient, or in the event of extraordinary or unforeseen expenses, the budget and monthly assessments based thereon may be amended, or a special assessment levied, at any time by the Board of Directors. Any special assessment shall be assessed against the Members, shall be a lien on the Lots and shall be enforceable in the same manner as the monthly assessments. Special assessments shall be payable in installments or lump sum, all as designated by the Board of Directors.

Section 2. Payment of Assessments. All Owner Members shall be obligated to pay the assessments described herein and levied by the Board of Directors pursuant to Section 1 of this

Article VI. No assessment may be avoided in any fashion. Monthly assessments shall be due as provided in Section 1 of this Article and special assessments shall be due when designated by the Board of Directors. Any mortgagee acquiring a first mortgage interest from any owner of a Lot may, as a condition of the loan, include in the mortgage note or deed a requirement that the mortgagor, upon execution of the mortgage deed, make a monthly deposit with the mortgagee of an amount each month sufficient to pay when due and payable all assessments attributable to that Lot. The mortgage note or deed may further provide that a default in making such deposits shall be a default under the terms of the mortgage deed. In the event that mortgagee collects the monthly installments, such mortgagee shall remit the installments monthly on a current basis to the Association.

Section 3. Assessment Roll. The assessments against all Members shall be set forth upon a roll of the Lots which shall be available in the office of the Association or of any managing agent retained by the Association for inspection at all reasonable times by Members or their duly authorized representatives. Such roll shall indicate for each Lot the name and address of the Member or Members, the assessments for all purposes, and the amounts of all assessments paid and unpaid.

Section 4. Default in Payment of Assessments. In the event any Member does not make payment of an assessment on or before the date when due, such Members shall be obligated to pay interest on such assessment from the date due at the rate specified from time to time by the Board of Directors which shall not exceed the highest rate of interest which may be charged thereon pursuant to the laws of the State of Iowa relative to usury. In addition, such Member shall be obligated to pay all expenses, including reasonable attorneys' fees incurred by the Board in any proceeding brought to collect any such unpaid assessment, whether or not an action has been commenced with respect thereto. The right of a Member to pay the annual assessment in monthly installments is hereby made conditional on the prompt payment when due of such monthly installments. In the event of a default in the prompt payment of the monthly installments, the Board of Directors may, by written notice given to the default Member, accelerate the entire unpaid portion of the annual assessment, whereupon the same shall become immediately due and payable. Additionally, the Board of Directors shall have the right to withhold services from any defaulting Member. The Board of Directors, the Association and each individual Member shall have the right and duty to attempt to recover all assessments, together with interest thereon and the expenses of the proceeding, including reasonable attorneys' fees, in an action to recover the same brought against an Member, by foreclosure of the lien on a Lot, any statute amendatory thereof or supplementary thereto, or by another remedy available hereunder.

Section 5. Records. The Board of Directors shall cause to be kept at the Registered Office of the Association, or at such other place as the Board of Directors may determine, records of the actions of the Board of Directors, minutes of the meetings of the Board of Directors, minutes of the meetings of the Members of the Association, names of the Members and names of any First Mortgagees who have requested the notice of default described in the Declarations and the Lot on which such First Mortgagee holds a mortgage, and detailed and accurate records, in chronological order, of the receipts and expenditures affecting the Common Area. Such records shall be available for examination by the Members or mortgagees at convenient hours of weekdays. Separate accounts shall be maintained for each Lot, setting forth the amount of the assessments against the Lot, the date when due, the amount paid thereon and the balance remaining unpaid.

ARTICLE VII

Amendment to By-Laws

Section 1. These By-Laws may be amended by the affirmative vote of sixty-seven percent (67%) or more of the votes in the Association.

Section 2. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; in the case of any conflict between the Declarations and these Bylaws, the Declarations shall control; in the case of any conflict between the Articles and the Declarations, the Declarations shall control except as to any corporate matters mandated by Iowa Corporate Law.

ARTICLE VIII

Indemnification of Officers and Directors

The Association shall indemnify and hold harmless every Director and officer, his heirs, executors and administrators, against all loss, costs, judgment and expense, including attorneys' fees, which may be imposed upon or reasonably incurred by him in connection with or arising out of the defense or settlement of any claim, action, suit or proceeding to which he may be made a party by reason of his being or having been a Director or officer of the Association whether or not he is an officer or Director at the time of incurring such loss, cost, judgment or expense, except as to matters as to which he shall be finally adjudged in such action, suit or proceeding to have been guilty of willful or fraudulent conduct detrimental to the best interest of the Association or if the acts complained of were not in good faith, involved intentional misconduct or knowing violation of law or were a transaction in which the person derived an improper personal benefit. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Board of Directors has agreed on behalf of the Association that the person to be indemnified has not been guilty of willful or fraudulent conduct detrimental to the best interest of the Association in the performance of his duty as such Director or officer in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such Director or officer may be entitled. All liability, loss, damage, costs and expenses incurred or suffered by the Association by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as a part of the general annual assessment. Nothing in this Section shall be deemed to obligate the Association to indemnify any Member who is, or has been, a Director or officer of the Association, with respect to any duties or obligations assumed or damages or liabilities incurred by him solely in his capacity as an Member.

ARTICLE IX

Miscellaneous

Section 1. Notices. All notices required hereunder to be given to the Association or the Board of Directors shall be sent via U.S. Mail, to the Board of Directors at the office of the Association or to such other address as may be designated by him in writing from time to time to the

Association. All notices to First Mortgagees of Lots shall be sent by U.S. Mail to their respective addresses as designated by them from time to time in writing to the Association. All notices shall be deemed to have been given when deposited in the U.S. Mail, postage prepaid, except notices of change of address, which shall be deemed to have been given when received.

Section 2. Invalidity. The invalidity of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these By-Laws.

Section 3. Captions. The captions herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of these By-Laws or the intent of any provision hereof.

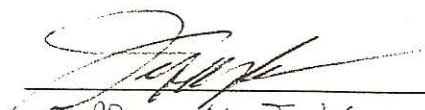
Section 4. Waiver. No restriction, condition, obligation or provision contained in these By-Laws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

Section 5. No Corporate Seal. The Association shall have no corporate seal.

Section 6. Election Under Internal Revenue Code. The Board shall make and file all elections and documents required pursuant to the Internal Revenue Code, and any other applicable statute or regulation, in order to exempt from taxation, insofar as possible, the income of the Association consisting of assessments paid by Members.

Section 7. Fiscal Year. The fiscal year of the Association shall be as determined by the Board of Directors.

The undersigned hereby certify that the foregoing By-Laws were adopted as the By-Laws of The Neighborhood at 86th Homeowners' Association, a non-profit corporation under the laws of the State of Iowa, by action of the Board of Directors at the first meeting thereof.



Gregory N. Jochims, Secretary

ATTEST:



Rick Anderson, President