

OPERATING AGREEMENT

OF

PRAIRIE WOOD DEVELOPMENT ASSOCIATION, LLC

ARTICLE I.

MEMBERS

1.1 **Places of Meetings.** All meetings of the members of this Limited Liability Company entitled to vote shall be held at the registered office of the Limited Liability Company, or at any other place within or without the State of North Dakota, which may be specifically designated by the Board of Governors in the notice of any such meeting or which may be consented to in writing by all of the members entitled to vote at such meeting.

1.2 **Annual Meeting.** *The annual meeting of members of this Limited Liability Company entitled to vote shall be held at a location to be designated convenient to all members and near the association property, which is the subject of the LLC, or at such other place as is designated by the Board of Governors, or by written consent of all of the members entitled to vote thereafter. The annual meeting shall take place either in April, May, or June or each year at such time and location as determined by the Board of Governors, on a weekend day that is not a holiday. At such annual meeting, the members shall elect the Board of Governors for the ensuing year and shall transact such other business as shall properly come before them.*

1.3 **Special Meetings.** Special meetings of the members for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President, more than two-thirds of the Governors or at the request in writing of a member or members owning ten percent (10%) or more in amount of the voting power of all membership interests of the Limited Liability Company entitled to vote. Such request shall state the purpose or purposes for the proposed meeting and the business transacted at all special meetings of the members shall be confined to the subjects stated in the call.

1.4 **Notice of Meetings.** Written notice of the date, time and place of the annual meeting or of any special meeting of the members shall be given to each member of the Limited Liability Company entitled to vote thereat at member's address as the same appears on the membership interest ledger or on the Required Records of the Limited Liability Company, at least fourteen (14) days prior to the meeting, but failure to send such notice shall not invalidate such meeting.

1.5 **Meetings Without Notice.** Any member may in writing, either before, at or

after the meeting, waive notice thereof; and without notice any member by member's attendance at and participation in the action taken at any meeting of the members shall be deemed to have waived notice thereof except where the member objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened, or objects before a vote on an item of business because the item may not lawfully be considered at that meeting and does not participate in the consideration of the item at that meeting. Whenever all the members of this Limited Liability Company shall be present and consent to or participate in a meeting thereof, or fail to attend without raising objection in writing thereto, such meeting shall be deemed to be a legal meeting and all the business transacted there shall be legal and valid in all respects the same as though such meeting had been regularly called and notice thereof had been regularly given.

1.6 **Quorum and Adjourned Meetings.** The holders of a majority of the membership units entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the members for the transaction of business except as otherwise provided by law, by the Articles of Organization of this Limited Liability Company, or by this operating agreement. In the absence of a quorum, any meeting may be adjourned from time to time or from place to place and no notice as to such adjourned meeting or the place thereof need be given other than by announcement at the meeting at which adjournment is taken. At such adjourned meeting at which the requisite amount of voting membership units shall be represented, any business may be transacted which might have been transacted at the meeting as originally called; provided a quorum shall be present or represented by proxy.

1.7 **Voting and Proxies.** At each meeting, the members *in good standing* shall be entitled to cast one vote for each membership unit owned as reflected in the Required Records of the Limited Liability Company. *A member who has not paid their share of common expenses as required by the Prairie Wood Development Association Amended Covenants and Restrictions is not considered to be "in good standing" and will not be entitled to vote or use the marina or common lots until their share of assessed common expenses have paid in full.* A member *in good standing* may vote in person or by proxy appointed by instrument in writing subscribed by such member and bearing a date not more than eleven months prior to said meeting, unless said instrument specifically provides for a longer period. The written appointment of a proxy shall be filed with a manager at or before the meeting at which membership units represented by such proxy is voted. Except where a proxy's authority has terminated by limitation of time either by the expiration of eleven months from the date of appointment (where no time is specifically fixed in the appointment) or by the expiration of the time specifically fixed in the appointment, a termination of a proxy's authority by act of the appointing member shall be ineffective until written notice of the termination has been given to a manager. Unless otherwise provided therein, an appointment of a proxy filed with a manager shall have the effect of revoking all appointments of prior date. Upon demand of any two members, the vote upon any question before the meeting shall be by ballot.

1.8 **Closing of Books.** The Board of Governors may fix a time, not exceeding fifty (50) days preceding the date of any meeting of members, as a record date for the determination of the members entitled to notice of and to vote at such meeting, notwithstanding any transfer of any membership interest on the books of the Limited Liability Company after any record date so

fixed. The Board of Governors may close the books of the Limited Liability Company against transfer of membership interest during the whole or any part of such period.

ARTICLE II.

GOVERNORS

2.1 **Qualifications.** Ownership of membership interest in this Limited Liability Company shall be a necessary qualification for any member of the Board of Governors thereof and any person properly elected may be a Governor of this Limited Liability Company and must hold a membership interest in the Limited Liability Company and own property in the Development that is the subject of this Association.

2.2 **Authority.** ***The Board of Governors of this Limited Liability Company shall consist of the same individuals as those referred to as the Board of Directors in the Prairie Wood Development Association Amended Covenants and Restrictions.*** The Board of Governors shall have responsibility for the general management of its affairs and shall elect all managers/officers of this Limited Liability Company. In addition to the powers and authorities by this operating agreement expressly conferred upon it, the Board of Governors may exercise all of such powers of the Limited Liability Company and do all such lawful acts and things as are not by statute or by the Articles of Organization of this Limited Liability Company or by this operating agreement or the member control agreement directed or required to be exercised or done by the members.

2.3 **Number and Election.** The Board of Governors shall, at least initially, consist of five members. The members of the Board of Governors, except the members of the first board, shall be elected by the members of this Limited Liability Company at the annual meeting. In case of failure of the members to elect a Governor at any annual meeting, the Governor may be elected at any special meeting of the members called for that specially-stated purpose, which may be held prior to the next annual meeting. All Governors shall hold their offices until the next succeeding annual meeting of the members or until their successors shall have been elected.

2.4 **Vacancies.** If the office of any Governor or Governors becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, the members shall choose a successor or successors, who shall hold office until the next annual election and until a new successor or successors have been duly elected.

2.5 **Annual Meetings.** The annual meeting of the Board of Governors for the election of managers for the ensuing year and for such other business as may properly come before it shall be held each year immediately following the annual meeting of the members of the Limited Liability Company; or at such other time as may be set by the members at the time of election.

2.6 **Special Meetings.** Special meetings of the Board of Governors may be called by the President or by any two Governors on ten days' notice to each Governor. Special meetings shall be called by the President or Secretary in like manner and on like notice on the written request of any Governor.

2.7 **Meetings Without Notice.** Any Governor may in writing, either before, at or after the meeting, waive notice thereof; and without notice any Governor by attendance at and participation in the action taken at any meeting of the Board of Governors shall be deemed to have waived notice thereof except where the governor objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened and does not participate in the meeting after the objection. Whenever all the Governors of this Limited Liability Company shall be present and consent to or participate in a meeting thereof, such meeting shall be deemed to be a legal meeting and all the business transacted thereat shall be legal and valid in all respects the same as though such meeting had been regularly given.

2.8 **Consent to Action.** Any action which might be taken at a meeting of the Board of Governors may be taken without a meeting if done in writing signed by all the Governors.

2.9 **Quorum and Adjourned Meetings.** At all meetings of the Board of Governors, a quorum sufficient for the transaction of business shall consist of a majority of the Governors. If, however, such quorum shall not be present at any such meeting, the Governor or Governors present thereat shall have power to adjourn the meeting from day to day without notice other than announcement at the meeting, until a quorum shall be present.

2.10 **Executive Committee.** The Board of Governors may appoint an Executive Committee consisting of the President and two or more other Governors. The Executive Committee shall exercise all the powers of the Board of Governors between the meetings of said Board, except that it shall not have the power to fill vacancies in its own membership, said power to fill such vacancies being vested in the Board of Governors.

The Executive Committee shall meet at stated times or on notice to all by any one of its own members. It shall fix its own rules of procedure. A majority shall constitute a quorum but the affirmative vote of a majority of the whole committee shall be necessary in every case. The Executive Committee shall keep regular minutes of its proceedings and report the same to the Board of Governors.

2.11 **Compensation.** Governors, as such, shall not receive any stated salary for their services, but by resolution of the Board, a fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Board; provided that nothing herein contained shall be construed to preclude any Governor from serving the Limited Liability Company in any other capacity and receiving compensation therefor.

ARTICLE III.

MANAGERS

3.1 **Managers, Qualifications, Authority and Election.** The managers of the Limited Liability Company shall be chosen by the Governors and shall be a President, one or more Vice-Presidents, a Secretary, a Treasurer, and such other managers as the Board of Governors may from time to time deem advisable. The Board of Governors may fix the powers, duties and compensation of any managers not specifically provided for herein or in the member control agreement. Managers, other than the President, may or may not be members of the Board of Governors, and therefore non-voting members of the Board of Governors. Any two or more offices may be held by the same person at the same time except that the same person shall not hold at the same time the offices of President and Vice-President. The managers of this Limited Liability Company shall be elected and hold their respective offices until the next succeeding annual meeting of the members of the Limited Liability Company and thereafter until their successors shall have been elected and shall have qualified, unless sooner replaced. In case of the death, disqualification, absence or inability to act of any manager of the Limited Liability Company or for any other reason that the Board may deem sufficient, the Board may delegate for the time being the powers, duties, or any of them, of such manager to any other manager or to any Governor. Ownership of membership interest in the Limited Liability Company shall be a qualification necessary to the holding of office therein, however the Board of Governors may choose managers or officers for this Limited Liability Company without regard to whether the persons so chosen do or do not own membership interest in the Limited Liability Company if they are non-voting members. The Board of Governors may fill all vacancies in any office of this Limited Liability Company, and the person so elected to fill any such vacancy shall hold office for the unexpired term in respect to which such vacancy occurs.

3.2 **President.** The President shall be the chief manager of the Limited Liability Company. The President shall preside at all meetings of the members and Governors; and shall have general and active management of the business of the Limited Liability Company, under the supervision and direction of the Board of Governors, and shall see that all orders and resolutions of the Board are carried into effect. The President shall execute all contracts or instruments requiring the seal of the Limited Liability Company, shall have the general powers and duties usually vested in the office of President of a Limited Liability Company, and shall have such other powers and perform such other duties as the Board of Governors may from time to time prescribe.

3.3 **Inability of President.** In case of the death, disqualification, absence or incapacity of the President, the Senior Vice-President, that is, the Vice-President first elected or appointed to the then existing term of office, shall have all powers and perform all the duties of the President, and at other times shall have such of the powers and perform such of the duties of the President as the Board of Governors may from time to time determine. In case of the death, disqualification, absence or incapacity of the President and the Senior Vice-President, then the next Vice-President shall have all of the powers and perform all of the duties of the President, and at other times when specifically authorized by the Board of Governors, shall have such of the powers and perform such of the duties of the President as the Board of Governors may from time to time determine.

3.4 **Secretary.** The Secretary shall attend all meetings of the Board of Governors and of the members and record all votes and the minutes of all proceedings of the Board of Governors and of the members in a book to be kept for that purpose, and shall keep the membership interest books of the Limited Liability Company, shall have custody of its corporate seal and attest the same when properly authorized to be affixed. The Secretary shall give, or cause to be given, notice of all meetings of the members and of the Board of Governors, and shall perform such other duties as may from time to time may be prescribed by the Board of Governors or by the President, under whose supervision the Secretary shall be.

3.5 **Assistant Secretary.** The Assistant Secretary, if one be elected, shall have such powers and perform such duties of the Secretary as may be prescribed from time to time by the Board of Governors.

3.6 **Treasurer.** The Treasurer shall be the financial manager and shall have the care and custody of the company funds and securities and shall disburse the funds of the Limited Liability Company as may be ordered from time to time by the Board of Governors. The Treasurer shall keep full and accurate accounts of receipts and disbursements in books belonging to the Limited Liability Company and shall deposit all moneys, securities and other valuable effects of the Limited Liability Company in the name and to the credit of the Limited Liability Company in such depositories as may be designated from time to time by the Board of Governors. Except to the extent that some other person or persons may be specifically authorized by the Board of Governors so to do, the Treasurer shall make, execute and endorse all checks and other commercial paper on behalf of the Limited Liability Company. **At the annual meeting of the members ~~in each year~~ and at all other times when requested by the Board of Governors, the Treasurer shall report the financial condition of the Limited Liability Company; present a proposed annual budget for approval of the members; and shall perform such other duties as may be prescribed by the Board of Governors.**

3.7 **Assistant Treasurer.** The Assistant Treasurer, if one be elected, shall have such powers and perform such duties of the Treasurer as may be prescribed from time to time by the Board of Governors.

3.8 **Indemnification of Governors and Managers.** Each Governor and manager, whether or not then in office, shall be indemnified by the Limited Liability Company against all costs and expenses reasonably incurred by or imposed upon him in connection with or arising out of any action, suit, or proceeding in which such Governor and manager may be involved by reason of being or having been a Director or manager or reasonable settlement (other than amounts paid to the Limited Liability Company itself) made with a view to curtailment of the cost of litigation. The Limited Liability Company shall not, however, indemnify any Governor or manager with respect to matters as to which the Governor or manager shall be finally adjudged in any such action, suit, or proceeding, to have been derelict in the performance of a duty as such Governor or manager, nor in respect to any matter on which any settlement or compromise is effected, if the total expenses, including the cost of settlement, shall substantially exceed the expense which might reasonably be

incurred by such Governor or manager in conducting such litigation to a final conclusion. The foregoing right of indemnification shall not be conclusive of other rights to which any Governor or manager may be entitled as a matter of law.

3.9 **Managers Shall Not Lend Company Credit.** No manager of this Limited Liability Company shall sign or endorse in the name of or on behalf of this Limited Liability Company, or in that officer's official capacity, any obligation for the accommodation of any other party or parties, nor shall any check, note, bond, or other security or thing of value belonging to this company be used by any manager or Governor as collateral for any obligation of the Governor or for any other purpose than for use of the Limited Liability Company.

3.10 Special Approvals. The Company will not, without first obtaining the approval by of vote of the holders of not less than a majority of the members, take any actions, expensing of sums, or incur any obligations of behalf of the Company in regard to:

(a) Any significant and material purchase, receipt, lease, exchange, or other acquisition of any real or personal property or business more than \$20,000.

(b) Any single business transaction, occurring as a normal part of the affairs of the business, that is more than \$20,000.

******* NOTE: This provision was not unanimously agreed to by all three committee members' consent.**

ARTICLE IV.

MEMBERSHIP INTEREST

4.1 **Certificates of Membership Interest.** Every member of the Limited Liability Company shall be entitled to a certificate, to be in such form as the Board of Governors prescribe, certifying the number of units and class of membership interest of the Limited Liability Company owned by the member. The certificates for the respective classes of such membership interest shall be numbered in the order in which they shall be issued and shall be signed in the name of the Limited Liability Company by the President, or a Vice-President, or by any other proper manager of the Limited Liability Company thereunto authorized by the Board of Governors. A record shall be kept of the name of the person, firm, Corporation or Limited Liability Company owning the membership interest represented by each such certificate, the number of units and class of membership interest represented by such certificates respectively, and the respective dates thereof, and in the case of cancellation, the respective dates of cancellation. Every certificate surrendered to the Limited Liability Company for exchange or transfer shall be canceled and no new certificate or certificates shall be issued in exchange for any existing certificate until such existing certificate shall have been so surrendered and canceled except in cases provided for in Section 4.4 of this Article IV.

4.2 **Assignment of Financial Rights.** Assignment of a member's financial rights may be authorized only by the member named in the certificate, or the member's legal representative, or duly authorized attorney-in-fact. Such assignment of a member's financial rights entitles the assignee to receive, to the extent assigned, only the share of profits and losses and distributions

to which the assignor would otherwise be entitled. An assignment of financial rights does not dissolve this Limited Liability Company and does not entitle the assignee to become a member, to exercise any governance rights, to receive any notices from this Limited Liability Company, or to cause dissolution. It is not anticipated that financial rights will be present in this Limited Liability Company, so this provision may not be meaningful. However the possibility exists and therefore is provided for herein.

4.3 Assignment of Complete Membership Interest. Assignment of a member's entire membership interest may be authorized only by the member named in the certificate, or the member's legal representative, or duly authorized attorney-in-fact and upon surrender for cancellation of the certificate or certificates for such membership interest. A member may assign the member's full membership interest only by assigning all of the member's governance rights coupled with a simultaneous assignment to the same assignee of all the member's financial rights. Any assignment of a member's governance rights to another person is effective only if all the members, other than the member seeking to make the assignment, approve the assignment by unanimous written consent.

4.4 Lost Certificates. Any interest owner claiming a certificate of membership interest to be lost or destroyed shall make an affidavit or affirmation of that fact in such form as the Board of Governors may require, and shall, if the Governors so require, give the Limited Liability Company a bond of indemnity in form and with one or more sureties satisfactory to the Board, not exceeding double the value, as determined by the Board, of the membership interest represented by such certificate to indemnify the Limited Liability Company against any claim that may be made against it on account of the alleged loss or destruction of such certificate. Thereupon a new certificate may be issued in the same tenor and for the same number of units as the one alleged to have been destroyed or lost.

4.5 Inspection of Books by Members. Members shall be permitted to inspect the Required Records of the Limited Liability Company at all reasonable times.

4.6 Indebtedness of Members. The Limited Liability Company shall have a first lien on all membership interests and upon all distributions declared upon the same for any indebtedness of the respective holders thereof to the Limited Liability Company.

4.7 *Dissociation. No Member shall have the ability to dissociate or withdraw as a Member under Chapter 10-32.1 of the North Dakota Century Code, or otherwise, before the dissolution and winding up of the Limited Liability Company without the written consent of Members holding a majority of the Membership Interests excluding the vote of the dissociating Member, except as required by Applicable Law.*

ARTICLE V.

CHECKS, ETC.

All checks, promissory notes and other commercial paper and all other contracts necessary or proper to be executed in the business of the Limited Liability Company may be signed

by such manager or managers or such person or persons as the Board of Governors shall, by resolution from time to time, authorize for that purpose.

ARTICLE VI.

NOTICES

Whenever under the provisions of this operating agreement notice is required to be given to any member, Governor, manager or committee member, it shall not be construed to require personal notice, but such notice shall be given in writing by mail by depositing the same in the post office or a letter box in a postpaid, sealed wrapper addressed to such member, Governor, manager or committee member at the last address appearing on the books and records of the Limited Liability Company, in default of other address; by addressing the same to such member, Governor, manager, or committee member at the General Post Office in the city in which the registered office of the Limited Liability Company is located; or such notice may be given by prepaid telegram or telegraphic letter addressed to such member, Governor, manager or committee member addressed in like manner; and such notice shall be deemed to have been given at the time when the same shall be thus mailed or deposited in the telegraph office.

ARTICLE VII.

AMENDMENTS

Action by Board of Governors. The Board of Governors of the Limited Liability Company is expressly authorized to make an Operating Agreement of the Limited Liability Company and from time to time to alter or repeal Operating Agreements so made. In so acting, the Board of Governors may do so only upon vote of a majority of the whole Board of Governors at any meeting; provided, that notice of such proposal of amendment shall have been given to the Governors in the notice of such meeting. Such authority in the Board of Governors is subject to the powers of the members entitled to vote, to enact, change or repeal such Operating Agreement by majority vote of the members present and represented at any annual meeting or at any special meeting called for that purpose, and the Board of Governors shall not make or alter any Operating Agreement fixing the number, qualifications or term of office of members of the Board.

We, the undersigned Governors do hereby certify that the foregoing Operating Agreement consisting of Articles I through VII is the Operating Agreement adopted for the Limited Liability Company hereinbefore named, at the first meeting of the Board of Governors held on _____.

Signature pages to follow.