

EXHIBIT "3"
TO THE DISCLOSURE STATEMENT

DECLARATION
ARTICLES OF INCORPORATION
BYLAWS

7/95

VALLEY VIEW GARDEN HOMES

DECLARATION OF COMMON INTEREST COMMUNITY
COMMON INTEREST COMMUNITY NUMBER 73

THIS DECLARATION OF COMMON INTEREST COMMUNITY is executed as of this _____ day of _____, 1995.

WITNESSETH:

WHEREAS, St. Croix Land Co. Inc., a corporation under the laws of the State of Minnesota ("Declarant"), is the fee owner of certain real property herein described ("Property"); and

WHEREAS, Declarant is desirous of developing the Property as a planned community development; and

WHEREAS, Declarant intends to improve said property by constructing thereon twin home structures containing a total of two (2) Units (as that term is later defined) each, together with appurtenances thereto, collectively known as VALLEY VIEW GARDEN HOMES, said structure having been constructed as a common interest community in accordance with the plat of VALLEY VIEW ESTATES recorded in Washington County, Minnesota, pursuant to Minnesota Statutes Chapter 505 ("CIC Plat"), which plat is incorporated herein by this reference; and

WHEREAS, in order to effect the preservation of the values and amenities of the planned community and to receive the power to attend to and effectuate policies and programs that will enhance the pleasure and value of the planned community and to maintain, administer and enforce the covenants, conditions and easements and restrictions contained herein and to collect and disburse assessments and charges hereafter created a corporation known as VALLEY VIEW GARDEN HOMES ASSOCIATION, has been created under Chapter 317A of the Minnesota Statutes for the purpose of exercising the aforesaid functions; and

WHEREAS, the Declarant hereby establishes by this Declaration a plan for the individual ownership of the real property estates consisting of Lots (as that term is defined herein).

NOW, THEREFORE, the Declarant, as the fee owner of those certain tracts of real property ("Property") and improvements thereon located in the County of Washington, State of Minnesota and legally described as:

Lots One (1), Two (2), Three (3), Four (4), Five (5) and Six (6), Block Three (3), VALLEY VIEW ESTATES, and Lots Nine (9) through Twenty-six (26) Block One (1) inclusive, VALLEY VIEW ESTATES 2nd ADDITION

hereby makes the following declaration to the Minnesota Common Interest Ownership Act, Minnesota Statutes Section 515B.1-101 to 515B.4-118 (hereinafter the "Act") as to divisions,

covenants, restrictions, limitations, conditions and uses to which the above-described real property and improvements thereon above described, consisting of one structure (hereinafter, "Building") containing two (2) separate Units (as that term is later defined), and other appurtenances, may be put, hereby specifying that said Declaration shall constitute covenants which shall run with the land and shall be binding on the Declarant, its successors and assigns, and all subsequent owners of all or any part of said real property and improvements, together with their grantees, successors, heirs, executors, administrators, devisees or assigns.

Terms not otherwise defined herein shall have the meaning ascribed to them in the Act.

ARTICLE I

CREATION OF UNITS AND COMMON ELEMENTS

Section 1. Establishment of CIC. The Declarant, in order to establish a plan of CIC ownership for the above-described Property and improvements thereon hereby covenants, agrees and declares that it hereby divides the Property and improvements therein into separate parcels of real estate, within the meaning of Section 515B.1-103 of the Act, and that such CIC division of such Property and improvements shall hereafter be known as VALLEY VIEW GARDEN HOMES, CIC Number 73 (hereinafter "CIC") and such CIC division shall be upon the terms and conditions hereinafter set forth:

- (a) **UNITS.** Each separately described Lot on the CIC Plat shall constitute a Unit (hereinafter "Unit" or "Lot"). Unit boundaries of Units shall be the boundary line as designated on the CIC Plat. All Units shall be restricted to residential use.
- (b) **COMMON ELEMENTS.** The common elements (hereinafter "Common Elements") shall mean all portions of the CIC other than the Units.
- (c) **LIMITED COMMON ELEMENTS.** A portion of the Common Elements is hereby set aside and allocated for the exclusive use of one or more but fewer than all of the Units, in the manner set forth hereinafter in this Declaration, said areas to be known as "Limited Common Elements". The Limited Common Elements allocated for the exclusive use of the respective Units are as follows: Those set forth in the Minnesota Statutes Section 515B.2-102(f).

Section 2. CIC Not Subject to Conversion Ordinance. The CIC is not subject to any ordinance provided for in Section 515B.1-106 of the Act relative to the conversion of buildings to CIC ownership.

Section 3. Timeshares. The CIC shall not permit timeshare of any Units, Common Elements or Limited Common Elements.

Section 4. Master Association. The CIC is not subject to a master association.

ARTICLE II

MAINTENANCE RESPONSIBILITIES

Section 1. Maintenance by Association and by Unit Owners. Except as otherwise required under the Act, the Association shall be responsible for maintenance, repair and replacement of all Units and Common Elements except the following (i) the area or space contained within the perimeter walls of each Unit; (ii) the interior Party Walls, including all paneling, tiles, wallpaper, paint or other finishing materials applied to interior surface of Party Walls; (iii) Awnings; (iv) Shutters; and (v) external air conditioning equipment. Each Unit Owner, as the term is defined in Section 515B.1-103(35) of the Act, shall be responsible for maintenance, repair and replacement of the items excepted above.

To the extent not inconsistent with the provisions of this Declaration, the general rules of law regarding party walls and of liability for property damage due to negligent or willful acts or omissions shall apply to the Party Walls. Subject to the provisions of this Article, the costs of reasonable repair and maintenance of Party Walls shall be shared equally by the Unit Owners who make use of the Party Walls, in proportion to such use. To the extent not otherwise covered by insurance carried by the Association, if a Party Wall is damaged or destroyed by fire or other casualty, any Unit Owner who has used the Party Wall may restore it, and, if the Unit Owners thereafter make use of the Party Wall, they shall contribute to the costs of restoration in proportion to such use, without prejudice, however, to the right of any such Unit Owners to require larger contribution or reimbursement from the other Unit Owners under any rule of law regarding liability for negligent or willful acts or omissions.

Notwithstanding any other provision of this Article, a Unit Owner who, by his negligent or willful act, causes the Party Wall to be exposed to the elements shall bear the entire cost of furnishing the necessary protection against such elements.

Each Unit Owner shall afford to the Association and the other Unit Owners, and to their agents or employees, access through his or her Unit and Limited Common Elements reasonably necessary for those purposes. In addition, the Association shall have a reasonable right of entry to and upon each Unit and its Limited Common Elements to effect emergency or other necessary repairs which the Unit Owner has failed to perform. The Association, upon the vote of fifty-one (51%) of the members of its Board of Directors, but subject always to Section 515B.3-102(a)(9), shall also have the right to grant utility easements under, through or over the Common Elements which are reasonably necessary to the ongoing development and operation of the CIC. The rights of each Unit Owner and the Association to the Common Elements are subject to all matters appearing on the CIC Plat.

Section 2. Damage to Common Elements or Units. If damage is inflicted on the Common Elements or any Unit through which access is taken, the Unit Owner responsible for the damage, or the Association, if it is responsible, is liable for the prompt repair thereof. Such Unit Owner's share

of any expense for such damage may be assessed by the Association against such Unit Owner's Unit in the manner of an assessment under Article V hereof.

ARTICLE III

ALLOCATION OF COMMON EXPENSES

Section 1. Common Expense Assessment. From and after the adoption of the budget and the levying expenses by the Association under Section 515B.3-115 of the Act, each Unit Owner covenants to pay common expense assessments (as the term is used in Section 515B.2-108 of the Act). Common expense assessments shall be allocated among the Units in the manner set forth on Exhibit A. Pursuant to Section 515B.3-115(h)(2) of the Act, the Association may assess any common expense benefiting less than all of the Units against the Units benefited. Common expense assessments (other than special assessments) shall be payable monthly as provided in the Bylaws.

Section 2. Alternate Assessment Program; Assessment for Units Owned by the Declarant. Pursuant to Section 515B.3-115 of the Act, the Declarant is hereby authorized to establish an alternative assessment program. Notwithstanding Section 1 hereof, the annual or special assessments for any Units owned by Declarant and improved with a completed Building, but unoccupied by a tenant of Declarant, shall be limited to twenty-five percent (25%) of the amounts fixed with respect to Units owned by Owners other than Declarant until such time as a certificate of occupancy is issued by the City of Oak Park Heights for the Unit(s) owned by Declarant.

- (a) **Maximum Amount of Assessment as to each Unit.** Until January 1st of the year immediately following the year of conveyance of the first Unit to an Owner, the maximum annual assessment permitted with respect to each Unit shall be \$1,068.00 annually, or, if collected monthly, \$89.00 per month. From and after January 1st of that year, assessments shall be determined by the Board of Directors.
- (b) **Duration of Alternate Assessment Program.** The alternate assessment program shall be effective for a period of not less than one year, but shall not continue beyond the expiration of the period of Declarant Control.
- (c) **Expiration of Authority to Commence Program.** Declarant's authority to commence the alternate assessment program shall expire no later than the expiration of the period of Declarant Control, as set forth in Article VI, Section 2 hereof.
- (d) **Level of Services.** The alternate assessment program shall have no effect on the level of services for items set forth in the Association's budget.

Section 3. Deficiency Contributions. For every calendar year during which Declarant remains in control of the Association, Declarant shall contribute to the Association all funds in excess of the budgeted and collected assessments which shall be necessary to defray the costs

properly paid or incurred by it for the purposes for which annual assessments may be collected all without limitation to the maximum amounts provided herein. Declarant's contribution for the calendar year during which Declarant's control terminates shall be prorated to the date of such termination.

For purposes hereof, the establishment of reserves pursuant to this Declaration does not constitute payment or incurring of costs by the Association and Declarant's deficiency contribution shall not be required to be applied to the establishment of reserves.

Section 4. Date of Commencement of Annual Assessments, Due Dates. The annual assessments provided for herein shall commence for any Unit within the Property or any phase thereof annexed to the Property on the day of conveyance of the first Unit in the Property or such phase and shall be prorated for the month of said conveyance. The Board of Directors shall fix the amount of the annual assessment against each Unit at least thirty (30) days in advance of each assessment period and in lieu thereof, the amount of the prior year's annual assessment shall be the fixed amount. Written notice of any changed amount of the annual assessment shall be sent to every Owner subject thereto. The due dates when said annual assessments are due and payable shall be established by the Board of Directors.

Section 5. Capital Contribution. At the time of the initial sale of any Unit from Declarant to any Owner, such Owner shall pay to Declarant for the use of the Association a sum equal to twice the monthly charge for the annual assessment then in effect. Such sum shall be delivered by Declarant to the Association for use as described in this Declaration. The Capital Contribution for any Unit shall be levied only upon the sale by Declarant to an Owner and shall not be levied on any subsequent sales of the Unit.

ARTICLE IV

LIABILITY FOR ASSESSMENTS

Section 1. Lien of Association. The Association shall have a lien on each Unit for any assessments levied against that Unit, as provided under Section 515B.3-116 of the Act and such lien shall have the priority and may be foreclosed in the manner provided in the Act. If an assessment is payable in installments, the full amount of the assessment is a lien from the time the first installment thereof becomes due. Fees, charges, late charges, fines and interest charges pursuant to Section 515B.3-102 (10), (11), and (12) of the Act shall be enforceable as assessments. Past due assessments, and amounts enforceable hereunder as assessments, shall bear interest at the rate established with respect to judgments under Minnesota Statutes Section 549.09.

Section 2. No Waiver of Liability. Each Unit Owner at the time an assessment is payable is personally liable to the Association for the payment of the assessment against his or her Unit, as provided in Section 515B.3-116(e) of the Act, and no Unit Owner may exempt himself or herself

from the common expense liability by waiver of the use or enjoyment of any of the Common Elements or by the abandonment of his or her Unit.

Section 3. Liability of Grantee for Unpaid Assessments. In a voluntary conveyance of a Unit (except as provided with respect to First Mortgagees under Article XV hereof) the grantee of the Unit shall be jointly and severally liable with the grantor for all unpaid assessments by the Association against grantor for his or her share of the common expenses up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor. However, any grantee shall be entitled, upon written request, to a statement setting forth the amount of unpaid assessments currently levied against his or her Unit, as provided in Section 515B.3-116(g) of the Act.

Section 4. Reserve for Replacement; Monthly Assessments. Assessments for common expenses shall include an adequate fund for replacement of Unit, Common Element or Limited Common Element components which the Association is so obliged to maintain, repair or replace. Said fund shall be funded by monthly payments and not by extraordinary special assessments. In addition, there shall be a capital contribution fund for the initial months of operation of the CIC equal to at least two months' estimated common expense for each unit.

ARTICLE V

VOTING RIGHTS

Section 1. Allocation. Voting rights in the Association shall be allocated as set forth on Exhibit A.

Section 2. Declarant Control. Notwithstanding the vote of any Unit Owner to the contrary, the Declarant hereby reserves a period of Declarant control of the Association during which the Declarant, or persons designated by the Declarant, may appoint and remove the officers and directors of the Association. Said reservation of Declarant control is subject to the following:

- (a) The maximum period of Declarant control may extend from the date of the first conveyance of a Unit to a Unit Owner other than a Declarant for a period not exceeding five (5) years.
- (b) Notwithstanding subsection (a) above, the period of Declarant control shall terminate upon the earlier of (i) surrender of control by the Declarant or (ii) sixty (60) days after conveyance of seventy-five percent (75%) of the Units to Unit Owners other than Declarant.
- (c) Not later than sixty (60) days after conveyance of fifty percent (50%) of the Units that may be created to Unit Owners other than Declarant or an affiliate of

Declarant, a meeting of the Unit Owners shall be held at which not less than thirty three and one third percent (33 1/3%) of the members of the board shall be elected by Unit Owners other than Declarant or an affiliate of Declarant.

(d) Not later than the termination of Declarant control, the Unit Owners shall elect a Board of Directors of at least three members. Thereafter, a majority of the directors shall be Unit Owners other than Declarant or an affiliate of Declarant. The remaining directors need not be Unit Owners unless required by the Articles of Incorporation or Bylaws. All Unit Owners, including the Declarant and its affiliates, may cast the votes allocated to any Unit owned by them. The board shall elect the officers. The directors and officers shall take office upon election.

(e) In determining whether the period of Declarant control has terminated under subsection (b), or whether Unit Owners other than a Declarant are entitled to elect members of the Board of Directors under subsection (c), the percentage of the Units which have been conveyed shall be calculated based upon the assumption that all Units which the Declarant has built or reserved the right to build in the Declaration are included in the CIC.

(f) Except as otherwise provided in this subsection, meetings of the board of directors must be open to all Unit Owners. To the extent practicable, the board shall give reasonable notice to the Unit Owners of the date, time and place of a board meeting. If the date, time and place of meetings are provided for in this Declaration, the Articles of Incorporation or Bylaws of the Association, were announced at a previous meeting of the board, posted in a location accessible to the Unit Owners and designated by the board from time to time, or if an emergency requires immediate consideration of a matter by the board, notice is not required. "Notice" has the meaning given in Minnesota Statutes Section 317A.011, subdivision 14. Meetings may be closed to discuss the following:

- (1) personnel matters;
- (2) pending or potential litigation, arbitration or other potentially adversarial proceedings, between Unit Owners, between the board or Association and Unit Owners, or other matters in which any Unit Owner may have an adversarial interest, if the board determines that closing the meeting is necessary to discuss strategy or to otherwise protect the position of the board or Association or the privacy of a Unit Owner or occupant of a Unit;
or
- (3) Criminal activity arising within the CIC if the board determines that closing the meeting is necessary to protect the privacy of the victim or that opening the meeting would jeopardize the investigation of the activity.

Nothing in this subsection imposes a duty upon the board to provide special facilities for meetings. The failure to give notice as required by this subsection shall not invalidate the board meeting or any action taken at the meeting.

ARTICLE VI

MISCELLANEOUS COVENANTS

Section 1. Miscellaneous Covenants. Declarant, for itself, its successors and assigns, by this Declaration, and any future Unit Owner, by acceptance of deed to a Unit, covenant and agree as follows:

(a) Leases. No Unit Owner shall be permitted to lease his or her Unit for transient or hotel purposes. No Unit Owner may lease less than the entire Unit and no lease shall provide an initial term (exclusive of extensions or options to renew) of less than thirty (30) days. Any lease agreement shall provide that the terms of the lease shall be subject in all respects to the provisions of the Declaration and the terms and the Bylaws of the Association and that any failure by the lessee to comply with the terms of such documents shall be a default under the lease. All leases shall be in writing. In the event any Owner leases his or her Unit, the Owner shall at all times keep the Association advised in writing of the address of his or her current residence and any changes thereto, and of the name(s) of his or her tenant(s). Other than the foregoing, there is no restriction on the right of any Unit Owner, including the Declarant, to lease any Unit.

(b) Encroachments. If any portion of the Common elements encroaches upon any Unit, or if any Unit shall encroach upon any other Unit or upon any portion of the Common Elements, as a result of the present construction of a Building, or if any such encroachment shall occur hereafter as a result of settling, expectable expansion, sag or structural adjustment of the building (as distinguished from sudden, extreme and accidental change by Acts of God or other accidental causes), a valid easement for the encroachment and for the maintenance of the same, as long as the Building stands, shall exist. If a building, or any adjoining part of the Common Elements shall be partially or totally destroyed as a result of fire or other casualty and then rebuilt in substantial accordance with the CIC Plat, encroachments of parts of the Common Elements upon any Unit or of any Unit upon any other Unit or upon any part of the Common Elements, due to such rebuilding, shall be permitted, and valid easements for such encroachments and the maintenance thereof shall exist so long as the particular Building shall stand and such encroachments and easements shall not affect marketability of title.

Nothing herein contained shall be construed as contrary to the conclusive presumption of Section 515B.2-115 of the Act that the existing physical boundaries of a Unit or a Unit reconstructed

in substantial accordance with the CIC Plat are to be the boundaries of the Unit, regardless of settling or lateral movement of a Building.

- (c) Ingress and Egress of Unit Owners. There shall be no restriction upon any Unit Owner's right of ingress to and egress from his or her Unit.
- (d) Administration. The administration of the CIC shall be in accordance with the provisions of the Act, this Declaration and the Bylaws of the Association.
- (e) Compliance with Declaration, Bylaws and Rules and Regulations. Each Unit Owner, tenant or occupant of a Unit shall comply with the provisions of this Declaration, the Bylaws and rules and regulations of the Association or its representative, as lawfully amended from time to time, and failure to comply with any such provisions, rules or regulations, shall be grounds for action to recover sums due, for damages, or for injunctive relief.
- (f) Use of Common Elements. There shall be no obstruction, littering, defacement or misuse of Common Elements nor shall anything be stored in the Common Elements except in areas designated for such storage by the Board of Directors of the Association.
- (g) Exterior Appearance of Building. No Unit Owner or occupant of any Unit shall cause or permit anything to be hung, displayed, or placed on the outside windows of any Building (with the exception of draperies, blinds and shades), on the outside of exterior doors, or on the outside walls or roof of such buildings; no exterior awnings, shutters, canopies, radio or television antennas shall be erected nor any signs affixed to or placed upon exterior walls or roofs or any part thereof or other parts of the Common Elements (except for Declarant's right to place signs pursuant to Article XI hereof); nor shall any change in the outside appearance of any exterior surface of a Building be made without the prior written consent of the Appearance Control Committee, pursuant to Article VIII hereof.
- (h) Residential Use. The Property is hereby restricted to residential dwellings, and ancillary and accessory uses and buildings in connection therewith (except for model homes and sales offices which may be operated by Declarant or its designees, during the construction or sales period). All buildings or structures erected on the Property shall be of new construction and no buildings or structures shall be moved from other locations to the CIC. No building or structure of a temporary character, trailer, tent, shack, garage, barn, or other outbuilding shall be placed on or used on any Unit at any time as a residence, either temporarily or permanently.
- (i) Animals. No animals shall be permitted to be kept on the Property by any Owner or occupant of a Unit except conventional domesticated animals kept as pets. Conventional domestic animals specifically exclude among other animals, snakes,

reptiles of any sort, and large cats such as tigers, lions, cougars and the like. No kennel, doghouse or outside run shall be constructed or maintained on the property, except with the approval of the Association. The Association may regulate the size, materials and location of any approved kennel or doghouse. No pet shall be kept for any commercial purpose nor shall pets be bred for a commercial purpose upon the Property. Any cat or dog, whenever outside of a Unit, shall be kept under the direct control the pet owner or another person able to control of the pet. No pet shall be left outside unattended, whether leashed or otherwise. The person in charge of the pet must clean up after it. The Board may adopt more specific rules and regulations and penalties not inconsistent with the foregoing, and may make all or specified portions of the Common Elements off-limits to pets. Upon the petition of seventy-five percent (75%) of the Owners of the Units located within sixty-five (65) feet of the Unit in which resides a specified pet, the Board may order the removal of a particular pet for constant and uncontrolled barking, repeated instances of wandering unleashed or other repeated behavior reasonably offensive to others, provided that the Owner of the Unit harboring the pet shall first have thirty (30) days' written notice in which to correct the pet's offensive behavior.

(j) Commercial Activities Nuisances. No advertising signs, billboards, objects of unsightly appearances or nuisances shall be erected, placed or permitted to remain on any Unit, nor shall any Unit be used in any way or for any purpose which may endanger the health or unreasonably disturb the residents of the CIC except that no more than one (1) "for sale" sign or "for rent" sign of not more than five (5) square feet shall be maintained on any Unit. No commercial activities of any kind whatever shall be conducted on any Building or on any portion of the Property except activities intended primarily to service residents in the Property. The foregoing restrictions shall not apply to the commercial activities, signs and billboards, if any, of the Declarant or its designees, or the use or operation of sales offices or model Units on any Units by the Declarant or its designees during the construction and sales period or by the Association in furtherance of its powers and purposes set forth hereinafter and in its Articles of Incorporation, Bylaws and rules and regulations, as the same may be amended from time to time. The Declarant and its successors and assigns shall have the right to rent any or all Units.

(k) Screening, Trash Removal. All rubbish, trash and garbage shall be regularly removed from the Property and shall not be allowed to accumulate thereon. There shall be no trash piles or storage piles on the property of any Unit. The foregoing restrictions shall not apply to the activities of Declarant, its designees and those working for or on behalf of Declarant during the construction and sales period.

(l) Derricks, etc. No derrick or other structure designed for use in boring, mining, or quarrying for oil or natural gas, precious minerals, shall be erected, maintained or permitted upon any Unit, provided that nothing in this Declaration shall be construed to restrict a public utility from erecting, maintaining, and operating

upon any Unit owned by it within the Property, a well, housing, and equipment for the purpose of extracting from the sub-surface and/or the treatment storage and distribution of water through the system of such public utility.

(m) Radio, T.V. Antennae. No radio or television receiving or transmitting antennae or external apparatus shall be installed on any Unit. Normal radio and television installations wholly within a building are excepted.

(n) Maintenance of Easement Areas. Easements for installation and maintenance of the utilities, sewer pipelines and facilities and drainage facilities over each of said Units, and in the Common Elements are reserved as shown on the CIC Plat or as created in accordance with this Declaration or any amendments hereof. Within these easements, no structure, planting or other materials shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities or which may change the direction in the flow of drainage channels in the easements, or which may obstruct or retard the flow of water through drainage channels in the easements. The easement area of each Unit and all improvements in it shall be maintained continuously by the Owner of the Unit, except for those improvements for which a public authority, a private or public utility company or the Association is responsible. The easement area of the Common Elements shall be maintained continuously by the Association.

(o) Prohibition of Fences, Clotheslines and Storage Sheds. There shall be no fences, clothes lines, service sheds or storage sheds constructed or placed on any Unit within the CIC.

(p) Storage. Outside storage of any items, including but without limiting the generality of the foregoing, sporting equipment, toys, outdoor cooking equipment (except lawn furniture and one gas or charcoal grill per Unit which may be left on balcony, deck or patio, if any), yard and garden tools and equipment and trash and garbage containers (except on the day of pick-up) shall not be allowed. No boats, snowmobiles, trailers, camping vehicles, tractor/trailer or trucks in excess of 9,000 pounds gross weight or unlicensed or inoperable vehicles shall at any time be stored or parked outside of a Unit garage nor on the Common Elements without the express written approval of the Board, which approval may be withheld without stated reason.

(q) Hazardous Activities and Waste; Alterations. Nothing shall be done or kept in any Unit or any Common Elements which will increase the rate of insurance on the CIC or the contents thereof or result in increased water, sewer or other utility charges, without the prior written consent of the Board of Directors of the Association. No Unit Owner or occupant of a Unit shall permit anything to be done or kept in any Unit or in the Common Elements which will result in the cancellation of insurance on the CIC, or contents thereof, or which will be in violation of

applicable law or ordinance. No waste shall be committed in the Common Elements. No Unit Owner shall make any improvement or alterations to his or her Unit that impair that structural integrity or mechanical systems or lessen the support of any portion of the CIC without the prior written approval of the Board of Directors of the Association, which written approval may be conditioned upon (i) the furnishing to the Association of complete plans and specifications for such alteration or improvement prepared by a licensed architect or engineer; and (ii) the furnishing to the Association of financial guarantees or assurances satisfactory to the Association that all claims for labor or material furnished in connection with such alternation or improvement will be fully paid and that no claims or liens will arise therefrom.

ARTICLE VII

CIC ASSOCIATION

Section 1. Membership. Every person or entity, including the Declarant, who is a record owner of a fee or an undivided fee interest in any Unit which is subject to this Declaration, shall be a member of the Association and each purchaser of any Unit by acceptance of a deed or contract for deed therefor covenants and agrees to be a member of the Association whether or not it shall be so expressed in any deed or other conveyance. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation including contract vendors (unless the contract for deed provides otherwise), until such time as such person acquires a fee simple interest in such Unit by foreclosure or by a proceeding in lieu thereof, or, as to a contract vendor, until such time as the contract for deed is canceled. For each Unit owned, the Owner thereof shall be entitled to one (1) membership. Membership shall be appurtenant to and may not be separated from the fee ownership of any Unit. For the purpose of this Declaration, the word "Member" shall include any beneficiary of a trust holding legal title to one or more Units.

Section 2. Transfer. Membership held by an Owner of a Unit is an appurtenance to such Unit and shall not be transferred, alienated, or pledged in any way, except upon the sale or encumbrance of such Unit, and then only to the purchaser of such Unit. Any attempt to make a transfer except by the sale or encumbrance of a Unit is void. Reference to the transfer of membership need not be made in an instrument of conveyance or encumbrance of such Unit for the transfer to be effective and the same shall automatically pass with title to the Unit.

ARTICLE VIII

APPEARANCE CONTROL COMMITTEE

No structure, patio, deck, post, exterior improvement or addition, landscaping or plant materials shall be erected, placed or altered on any Unit described herein (except as are installed or approved by the Declarant in connection with the initial construction of the Units and other improvements) until the building plans, specifications and plat plan showing the location and proposed erection, placement or alteration of any such structure, patio, deck, post, improvement or addition or a plan or description of any landscaping or plant materials have been approved in writing

as to conformity of external design and harmony with existing structures or landscaping on the Property and as to location with respect to topography and finished ground elevation, by an Appearance Control Committee which shall consist of the Board of Directors of the Association or their nominee(s). The committee shall notify an applicant of such approval or disapproval of its action within thirty (30) days after said building plans and specifications and plat plan or landscaping plan or description have been submitted to the committee; or, in the event the committee does not disapprove of building plan, specifications and plat plan as submitted within said 30 day period and no suit to enjoin the erection, placement or alteration of such structure, patio, deck, post or other improvement or addition or such landscaping or plant materials has been commenced prior to the completion thereof, such approval will not be required, and this covenant shall be deemed to have been fully complied with. If no application has been made to the Appearance Control Committee or their representatives, or if such application has been rejected, a suit to enjoin or remove such additions, alterations or changes may be instituted at any time by the Association or any Owner in which suit the Association or any Owner shall have the right to collect reasonable attorney's fees, costs and expenses; provided, however, no suit to enjoin or remove such additions, alterations, or changes may be commenced if unapproved improvements have been completed for a period of ninety (90) days and thereafter a deed to a new Owner is recorded, such improvements then being deemed to have been approved by the Appearance Control Committee. No member of such committee, nor its designated representative, shall be entitled to any compensation for such services performed pursuant to this covenant. Nothing in this Article shall prohibit an owner from maintaining a garden on the lot for that individual unit.

ARTICLE IX

INSURANCE: DAMAGE OR DESTRUCTION

Section 1. Statutory Requirements. The Association shall:

(a) Commencing not later than the time of the first conveyance of a Unit to a Unit Owner other than Declarant, maintain, to the extent reasonably available:

(1) subject to subsection (b), property insurance (i) on the Common Elements and also on property that must become Common Elements, (ii) for broad form covered causes of loss, and (iii) in a total amount of not less than the full insurable replacement cost of the insured property, less deductibles, at the time the insurance is purchased and at each renewal date, exclusive of items normally excluded from property policies; and

(2) commercial general liability insurance against claims and liabilities arising in connection with the ownership, existence, use or management of the Property in an amount not less than \$1,000,000.00 or otherwise deemed sufficient in the judgment of the Board, insuring the Board, the Association, the management agent and their respective employees, agents and all persons acting as agents. The Declarant shall be included as an additional insured in

its capacity as a Unit Owner or Board member. The Unit Owners shall be included as additional insureds but only for claims and liabilities arising in connection with the ownership, existence, use or management of the Common Elements. The insurance shall cover claims of one or more insured parties against other insured parties.

(b) The insurance maintained under subsection (a) (1) shall include the Units and the Common Elements. The insurance need not cover improvements and betterments to the Units installed by the Unit Owners, but if improvements and betterments are covered, any increased cost may be assessed by the Association against the Units affected. The Association may, in the case of a claim for damage to a Unit or Units, (i) pay the deductible amount as common expense, (ii) assess the deductible against the Units affected in any reasonable manner, or (iii) require the Unit Owners of the Units affected to pay the deductible amount directly.

(c) If the insurance described in subsections (a) and (b) is not reasonably available, the Association shall promptly cause notice of that fact to be hand delivered or sent prepaid by United States mail to all Unit Owners. The Association may carry any other insurance it considers appropriate to protect the Association, the Unit Owners or officers, directors or agents of the Association.

(d) Insurance policies carried pursuant to subsections (a) and (b) shall provide that:

(1) each Unit Owner and secured party is an insured person under the policy with respect to liability arising out of the Unit Owner's membership in the Association;

(2) the insurer waives its right to subrogation under the policy against the Unit Owner or members of the Unit Owner's household and against the Association and members of the Board of Directors;

(3) no act or omission by any Unit Owner or secured party, unless acting within the scope of authority on behalf of the Association, shall void the policy or be a condition to recovery under the policy; and

(4) if at the time of a loss under the policy there is other insurance in the name of a Unit Owner covering the same property covered by the policy, the Association's policy is primary insurance.

(e) Any loss covered by the property policy under subsection (a)(1) shall be adjusted by and with the Association. The insurance proceeds for that loss shall be payable to the Association, or to an insurance trustee designated by the Association for that purpose. The insurance trustee or the Association shall hold any insurance proceeds in trust for Unit Owners and secured parties as their interest may appear.

The proceeds shall be disbursed first for the repair or restoration of the damaged Common Elements and Units. Unit Owners and secured parties are not entitled to receive any portion of the proceeds unless there is a surplus of proceeds after the Common Elements and Units have been completely repaired or restored or this CIC is terminated.

(f) An insurer that has issued an insurance policy under this section shall issue certificates or memoranda of insurance, upon request, to any Unit Owner or secured party. The insurance may not be canceled until thirty (30) days after notice of the proposed cancellation has been mailed to the Association, each Unit Owner and each secured party for an obligation to whom certificates of insurance have been issued.

(g) Any portion of this CIC which is damaged or destroyed as a result of a loss covered by the Association's insurance policy shall be promptly repaired or replaced by the Association unless (i) this CIC is terminated and the Association votes not to repair or replace all or part thereof, (ii) repair, replacement would be illegal under any state or local health or safety statute or ordinance, or (iii) eighty percent (80%) of the Unit Owners, including every Unit Owner and holder of a first mortgage on a Unit or assigned Limited Common Element which will not be rebuilt, vote not to rebuild. The cost of repair or replacement of the Common Elements in excess of insurance proceeds and reserved shall be paid as a common expense, and the cost of repair of a Unit in excess of insurance proceeds shall be paid by the respective Unit Owner.

(h) If less than the entire CIC is repaired or replaced, (i) the insurance proceeds attributable to the damaged Common Elements shall be used to restore the damaged area to a condition compatible with the remainder of this CIC, (ii) the insurance proceeds attributable to Units and Limited Common Elements which are not rebuilt shall be distributed to the Owners of those Units, including Units to which the Limited Common Elements were assigned, and the secured parties of those Units, as their interests may appear, and (iii) the remainder of the proceeds shall be distributed to all the Unit Owners and secured parties as their interests may appear, in proportion to their common expense liability.

(i) If the Unit Owners and First Mortgagees (as that term is later defined) vote not to rebuild a Unit, that Unit's entire votes in the Association and common expense liability are automatically reallocated upon the vote as if the Unit had been condemned under section 515B.1-107 of the Act and the Association shall promptly prepare, execute and record an amendment to the Declaration reflecting the reallocations. Notwithstanding the provisions of this subsection, if this CIC is terminated, insurance proceeds not used for repair or replacement shall be distributed in the same manner as sales proceeds pursuant to section 515B.2-119 of the Act.

Section 2. Owner's Insurance for Liability and Contents of Units. Each Owner shall maintain at his or her own cost and expense such insurance coverage as he or she may desire with respect to (i) personal liability for acts and occurrences upon his or her Unit and within his or her

Unit and (ii) physical damage losses for personal property and the contents for his or her Unit and any improvements, additions or betterments installed either by a person or entity other than as a part of the initial construction, whether made inside or outside his or her Unit, and shall further maintain at his or her cost and expense, any special flood hazard insurance as may be required by the first mortgagee of his or her Unit. The Association shall have no obligation in connection therewith.

Section 3. Workers' Compensation and Fidelity Insurance. The Association shall obtain and maintain a policy or policies of insurance with reputable insurance carriers providing the following coverage:

- (a) Workers' Compensation and employers' liability insurance in such form and in such amounts as may be necessary to comply with applicable laws;
- (b) Fidelity insurance or bonds in reasonable amounts for all officers and employees having fiscal responsibilities, naming the Association as obligee; and
- (c) Such other insurance in such limits and for such purpose as the Association may, from time to time, deem reasonable and appropriate.

Section 4. Insurance Premium Expense. The expense of insurance premiums paid by the Association under this Article shall be an expense of the Association to which the assessments collected by the Association from the Unit Owners shall be applied.

ARTICLE X

CONDEMNATION

Section 1. Condemnation of Unit or Common Elements. The following provisions shall pertain where a Unit or any portion thereof or the Common Elements, or any portion thereof, is made the subject of an eminent domain proceeding, proceeding in lieu of condemnation or is otherwise sought to be acquired by a condemning authority:

- (a) If a Unit is acquired by eminent domain, or if part of a Unit is acquired by eminent domain leaving the Unit Owner with a remnant which may not practically or lawfully be used for any material purpose permitted by the Declaration, the award shall compensate the Unit Owner and secured party in the Unit, as their interests may appear, whether or not any Common Element interest is acquired. Upon acquisition, unless the order or final certificate otherwise provides, that Unit's allocated interests are automatically reallocated among the remaining Units in proportion to their respective allocated interests prior to the taking, and the Association shall promptly prepare, execute and record an amendment to the Declaration reflecting the allocations. Any remnant after part of a Unit is taken under this subsection is thereafter a Common Element.

(b) Except as provided in subsection (a), if part of a Unit is acquired by eminent domain, the award shall compensate the Unit Owner and secured party for the reduction in value of the Unit and its interest in the Common Elements, whether or not any Common Elements are acquired. Upon acquisition, unless the order of final certificate otherwise provides, (i) that Unit's allocated interests are reduced in proportion to the reduction in the size of the Unit, and (ii) the portion of the allocated interests divested from the partially acquired Unit are automatically reallocated to the Unit and to the remaining Units in proportion to the respective allocated interests of those Units before the taking, with the partially acquired Unit participating in the reallocation on the basis of its reduced reallocated interests.

(c) If part of the Common Elements is acquired by eminent domain, the portion of the award attributable to the Common Elements taken shall be paid to the Association. Any portion of the award attributable to the acquisition of a Limited Common Element shall be equally divided among the owners of the Units to which the Limited Common Element was allocated at the time of acquisition and their secured parties, as their interests may appear.

(d) In any eminent domain proceeding, the Units shall be treated as separate parcels of real estate for valuation purposes, regardless of the number of Units subject to the proceeding.

(e) Any distribution to a Unit Owner from the proceeds of an eminent domain award shall be subject to any limitations imposed by the Declaration or By-Laws.

(f) The court order or final certificate containing the final awards shall be recorded in every county in which a portion of the CIC is located.

Section 2. Association Representation. The Association shall represent the Unit Owners in the condemnation, or in negotiations, settlements and agreements with the condemning authority in any condemnation of Common Elements, and each Unit Owner, by acceptance of a deed to a Unit, appoints the Association, or trustee engaged by the Association, as attorney-in-fact for such purpose. Such condemnation proceeds shall be applied for the restoration or repair of any Common Elements remaining after such condemnation, and any portion of the award not used for any such restoration or repair shall be divided among the Unit Owners and the First Mortgagees (as later defined) in the manner prescribed by Section 515B.1-107 of the Act.

ARTICLE XI

SPECIAL DECLARANT RIGHTS

Section 1. Special Declarant Rights. The Declarant expressly reserves the following special declarant rights, as the term is used in Section 515B.1-103(31) of the Act:

- (a) To elect, or cause persons designated by it to elect, the officers and members of the Board of Directors of the Association in accordance with Article V hereof.
- (b) To complete improvements indicated on the CIC Plat, if any, under Section 515B.2-110 of the Act.
- (c) To maintain sales offices, management offices, signs advertising the CIC, and models, under Section 515B.2-116 of the Act (which models may be any Unit owned from time to time by Declarant).
- (d) To use easements through the Common Elements for the purpose of making improvements within the CIC including the improvement of any additional real estate described in Article XVII hereof.
- (e) To create Units, Common Elements or Limited Common Elements within the CIC.
- (f) To subdivide Units or convert Units into Common Elements, Limited Common Elements and/or Units.
- (g) To create a master association and provide for the exercise of authority by the master association over the CIC or its Unit Owners.
- (h) To merge or consolidate the CIC with another common interest community of the same form of ownership.
- (i) To add additional real estate, under Section 515B.2-111 of the Act, and as more fully described in Article XVII below.

ARTICLE XII

OWNER'S OBLIGATION TO MAINTAIN

Each Owner, his or her successors and assigns, hereby covenants and agrees at all times to maintain his or her Unit in a neat and proper condition and to perform all necessary repairs thereto, to the extent not provided for by the Association pursuant to this Declaration.

ARTICLE XIII

JOINT CONNECTION OF SEWER, WATER, ELECTRICAL, GAS, TELEPHONE LINES AND CABLE TELEVISION

The rights and duties of the Owners of Units with respect to sewer, water, gas, telephone and cable television shall be governed by the following:

(a) Wherever joint house connections of sanitary and storm sewer, water, electricity, gas, telephone or cable television lines are installed within the CIC, and the connections, or any portion thereof, lie in or upon Units owned by others than the Unit Owners served by said connection shall have the right and are hereby granted an easement to the full extent necessary therefor, to enter upon Units or have the utility companies enter upon the Units within the CIC in or upon which said connection, or any portion thereof, lies, to read meters, repair, replace and generally maintain said connection as and when the same may be necessary as set forth below, and further, if a majority of the Board of Directors of the Association deems the repair, replacement or maintenance of such connection to be an emergency, the Association shall have the right to repair, replace or maintain such connection and assess the costs thereof against the Units served by such connection in the amounts the Owners would otherwise be responsible for under subsections (c) and (d) herein, and each Owner, for himself or herself, his or her heirs, successors and assigns, covenants that he will pay the Association (or its collecting agent) said assessment upon demand or in such periodic payments as may be determined by the Board of Directors, and that said assessment, if not paid on the date when due, shall become delinquent, shall become a continuing lien on the Unit and the personal obligation of the Owner and shall be subject to collection, enforceability, foreclosure and remedies of the Association in the matter set forth in Articles III and IV hereof for other assessments by the Association.

(b) Wherever joint house connection of storm and sanitary sewer, water, electricity, gas, telephone or cable television lines are installed within the CIC and the connections serve more than one Unit, the Owners of each Unit serviced by said connection shall be entitled to the full use and enjoyment of such portions of said connection as services his Unit.

(c) In the event any portion of said connection or line is obstructed, damaged or destroyed through the act of an Owner of a Unit being served by said connection, or any of his agents, guests, or members of his family, whether or not such act is negligent or otherwise culpable, so as to deprive the other Owners being served by said connection of the full use and enjoyment of said connection, then the Owner shall forthwith proceed to replace or repair the same to as good a condition as formerly, without cost to the other Owners served by said connection.

(d) In the event any portion of said connection or line is obstructed, damaged or destroyed by some cause other than the act of any Owner being served by said connection, his agents, or members of his family (including ordinary wear and tear and deterioration from lapse of time), then in such event if said obstruction, damage or destruction shall prevent the full use and enjoyment of such connection by the other Owners served by said connection, all such Owners who are thereby deprived of said use and enjoyment shall proceed forthwith to replace or repair said connection to as good a condition as it was formerly at their joint and equal expense.

ARTICLE XIV

MUNICIPAL ORDINANCES

Section 1. City Ordinances Prevail. None of the covenants, conditions, restrictions or provisions of the Declaration are intended to supersede or prevail over the ordinances of general applicability of the city in which this CIC resides, and in the event of any conflict, the applicable ordinances of said City shall supersede and prevail over the covenants, conditions, restrictions and provisions of this Declaration.

Section 2. Standards of Maintenance. The Standards of Maintenance of the Units and the residences and improvements located thereon, and the Common Elements, as adopted by the Association from time to time, shall be at least equal to those set forth in the ordinances of general applicability of the city in which this CIC resides, in effect from time to time which govern and control the maintenance of private property.

ARTICLE XV

RIGHTS OF FIRST MORTGAGEES

Section 1. Conflicting Provisions. The provisions of this Article take precedence over any other conflicting provisions of this Declaration.

Section 2. Notice of Action. Upon written request to the Association, identifying the name and address of the holder, insurer or guarantor of a first mortgage on a Unit in the CIC ("First Mortgagee") and the Unit number or address (a holder of a first mortgage on a Unit who has so requested such notice shall be referred to herein as an "eligible mortgage holder" and an insurer or guarantor of a mortgage on a Unit who has so requested such notice shall be referred to herein as an "eligible insurer or guarantor"), any such eligible mortgage holder or eligible insurer or guarantor shall be entitled to timely written notice of:

- (a) Any condemnation loss or casualty loss which affects a material portion of the CIC or any Unit on which there is a first mortgage held, insured, or guaranteed by such eligible mortgage holder or eligible insurer or guarantor, as applicable;
- (b) Any delinquency in the payment of assessments or charges owed by a Unit owner of a Unit subject to a first mortgage held, insured or guaranteed by such eligible holder or eligible insurer or guarantor, which remains uncured for a period of 120 days;
- (c) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;
- (d) Any proposed action which would require the consent of a specified percentage of mortgage holders as specified elsewhere in this Article XV.

Section 3. Certain Amendments to Declaration or Bylaws. In addition to statutory requirements for amendment of this Declaration and the Bylaws of the Association, and to all other requirements set forth herein, unless at least sixty-seven percent (67%) (or such higher percentage as is required by law or this Declaration) of the first mortgagees of the Units or their assigns (based upon one vote for each first mortgage owned), and at least sixty-seven percent (67%) (or such higher percentage as is required by law or this Declaration) of the Unit Owners (other than any sponsor, developer, builder, or the Declarant) of the Units have given their prior written approval, neither the Association nor the Unit Owners shall be entitled to:

- (a) Terminate the legal status of the CIC (except in accordance with procedures set forth in the Act or this Declaration in the event of amendment or termination made as a result of destruction, damage or condemnation);
- (b) By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Elements (the granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements shall not be deemed such a transfer);
- (c) Use hazard insurance proceeds for losses to any CIC property (whether to Units or to Common Elements) for other than the repair, replacement or reconstruction of such CIC property, except as provided by statute in case of substantial loss to the Units and/or Common Elements of the CIC.

Section 4. Certain Amendments to Material Provisions of Declaration, Articles, or Bylaws. In addition to statutory requirements for amendment of the Declaration, Articles and Bylaws, and to other requirements set forth herein, the written consent of at least sixty-seven percent (67%) of Unit Owners, and the written consent of eligible mortgage holders representing at least sixty-seven percent (67%) (or such higher percentage as is required by law or this Declaration) of the votes of Units that are then subject to mortgages held by eligible mortgage holders shall be required to add or amend any material provisions of this Declaration, the Articles or Bylaws of the Association. A change to provisions of the Declaration, Articles or Bylaws of the Association governing any of the following would be considered material:

- (a) Voting rights;
- (b) Assessments, assessment liens, or the priority of assessment liens;
- (c) Reserves for Maintenance, repair and replacement of the Common Elements (and Units, if applicable);
- (d) Insurance or fidelity bonds;
- (e) Reallocation of interests in the Common Elements, or rights to use of the Common Elements, except a change in accordance with the procedures set forth in the Act or the Declaration and Bylaws as a result of destruction, damage or

condemnation or with respect to a reallocation of interests in the Common Elements which might occur pursuant to any plan of expansion or phased development contained in the original Declaration or Bylaws, or a change of Common Elements into Limited Common Elements;

- (f) Increase in the number of Units (except as provided in Article XVII hereof);
- (g) Creation or increase in Special Declarant Rights;
- (h) Responsibility for maintenance and repairs;
- (i) Expansion or contraction of the project or the addition, annexation or withdrawal of property to or from the project;
- (j) Boundaries of any Unit;
- (k) Convertibility of Units into Common Elements or of Common Elements into Units;
- (l) Changing the authorized use of a Unit from residential to non-residential;
- (m) Imposition of any right of first refusal or any other restriction on the right of a Unit Owner to sell, transfer or otherwise convert his or her Unit;
- (n) Any provisions that expressly benefit mortgage holders, insurers or guarantors;
- (o) A decision by the Association to establish self-management when professional management had been required previously by an eligible mortgage holder;
- (p) Restoration or repair of the project (after casualty or partial condemnation) in a manner other than that specified in this Declaration and the Bylaws.

In each instance of an addition or amendment that is not a material change (such as the correction of a technical error or the clarification of a statement), an eligible mortgage holder who is given a written proposal for such amendment and from whom no response is received within thirty (30) days after notice of the proposal is given shall be deemed to have approved such proposal.

Section 5. Examination of Association Books and Records: Financial Statements. The Association shall make available to any Unit Owner, or to any holder, insurer or guarantor of any first mortgage, a current copy of the Declaration, the Bylaws, and other rules governing the CIC and the books, records and financial statements of the Association. "Available" means for inspection, upon request, during normal business hours or under other reasonable circumstances. The Association also shall make available to prospective purchasers current copies of the Declaration, the Bylaws of the Association and other rules governing the CIC and the most recent annual audited

financial statement if such is prepared. The holders of at least fifty-one percent (51%) of first mortgages shall be entitled to have an audited financial statement prepared at their expense if such statement is not otherwise available. Any financial statement requested pursuant to this Section 5 shall be furnished within reasonable time following such request.

Section 6. Priority of Lien of First Mortgage. To the maximum extent permitted by law, the lien for any assessments or other charges becoming payable on or after the date of recordation of the first mortgage on any Unit shall be subordinate to the line of such first mortgage. Any lien for assessments hereunder shall not be affected by any sale or transfer of the Unit, except that the sale or transfer of title to a Unit pursuant to foreclosure of a first mortgage or deed or proceedings in lieu of foreclosure shall extinguish any subordinate lien for assessments which became payable prior to such sale or transfer or title or which became payable during the redemption period after the foreclosure sale. Any assessments so extinguished may be reallocated and reassessed against all Units as a common expense. Any such sale or transfer of title pursuant to a foreclosure or deed or proceedings in lieu of foreclosure of a first mortgage shall not relieve the purchaser or transferee of a Unit from liability for, nor the Unit for, the lien of any assessments made thereafter. To the maximum extent permitted by law, there should be subordinated to any first mortgage the lien of any fees, late charges, fines or interest that may be levied by the Association in connection with unpaid assessments, in the same manner as the subordination of assessments hereunder.

Section 7. Insurance or Condemnation Proceeds. Other than as provided elsewhere in this Declaration, no provisions of this Declaration or the Bylaws of the Association shall be construed to give any Unit Owner, or any other party, priority over the rights of any first mortgagee of a Unit pursuant to its first mortgage in the case of a distribution of a Unit Owner of insurance proceeds or condemnation award for losses to or a taking of Common Elements or any portion thereof or any Unit or portion thereof. In the event of substantial damage to or destruction of any Unit or any part of the Common Elements, the holder of any first mortgage on a Unit will be entitled to timely written notice of such damage or destruction. If any Unit or portion thereof or the Common Elements or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, then the holder of any first mortgage on a Unit will be entitled to timely written notice of any such proceedings or proposed acquisition.

Section 8. Attendance at Meetings of Association. Any eligible holder of a first mortgage who so requests shall be given notice of all meetings of the Association as if such First Mortgagee was a Unit Owner entitled to notice. Each such First Mortgagee shall have the right to designate a representative to attend all such meetings, which representative shall not have the right to cast a vote.

ARTICLE XVI

SUBDIVISION OR CONVERSION OF UNITS

Section 1. Right to Subdivide or Convert. The right is hereby reserved by the Declarant to subdivide or convert Units in the CIC, pursuant to Section 515B.2-112 of the Act. Any Unit, whether or not owned by the Declarant, may be subdivided as provided in Section 515B.2-112 of

the Act. Any such subdivision or conversion shall be in accordance with the procedures specified in the Act.

ARTICLE XVII

COMPLIANCE BY UNIT OWNER

Section 1. Right of Action in Unit Owners and Association. Failure of any Unit Owner to comply with the provisions of this Declaration, the Articles of Incorporation or Bylaws of the Association, or rules and regulations of the Association, shall give rise to a cause of action in the Association and any aggrieved Unit Owner for the recovery of damages, or for injunctive relief, or both. The foregoing is not intended to restrict or limit the application of Section 515B.4-116 of the Act.

ARTICLE XVIII

AMENDMENT

Section 1. Voting Requirements. Except as limited by 515B.2-118(d) of the Act requiring additional agreement in the case of alteration of Limited Common Elements, and except insofar as a higher voting requirement may be otherwise required under this Declaration, or the Act, this Declaration may be amended by the Association only upon a vote or written agreement of Unit Owners to which at least sixty-seven percent (67%) of the votes in the Association are allocated. In addition, the written consent of HUD and VA shall be required, so long as the period of Declarant control set forth in Article V hereof shall not have terminated, in accordance with said Article XI and the Act, for any amendment to the Declaration. Any such amendment to the Declaration shall be effective only when filed or recorded as required by the Act.

IN WITNESS WHEREOF, the Declarant has executed this Declaration the day and year first written above.

ST. CROIX LAND CO., INC., a
Minnesota Corporation

By: _____
Its: _____

STATE OF MINNESOTA)
)ss.
COUNTY OF WASHINGTON)

The foregoing instrument was acknowledged before me this _____ day of _____, 1995, by John J. Krongard, the president of St. Croix Land Co., Inc., a Minnesota corporation, on behalf of said corporation.

Notary Public

THIS INSTRUMENT WAS DRAFTED BY:

LAWSON, MARSHALL, McDONALD
& GALOWITZ, P.A.
Lawyers
3880 Laverne Avenue North
Lake Elmo, Minnesota 55042
Telephone: (612) 777-6960
JSM

U:\CLIENT\STCROIX\RE\DECLARAT.73

EXHIBIT A

TO DECLARATION OF COMMON INTEREST COMMUNITY

VALLEY VIEW GARDEN HOMES
CIC NUMBER 73

ALLOCATION OF
COMMON EXPENSE LIABILITIES AND VOTING RIGHTS

As provided in Section 515B.2-108 of the Minnesota Common Interest Ownership Act, this Declaration allocates the undivided interests in the Common Expense Liability and the Voting Rights to the Units on an equal basis, based upon the number of Units in the Association, provided, however, that a Common Expense assessment may be assessed against fewer than all Units as allowed under Section 515B.3-115(h)(2) of the Act. The Common Expense Liability and Voting Rights are allocated equally among the Units as follows:

| <u>Unit</u> | <u>Fraction of Common Expense Liability</u> | <u>Portion of Votes in the Association</u> |
|---|---|--|
| Lot 1, Block 3, Valley View Estates | 1/24 | 1/24 |
| Lot 2, Block 3, Valley View Estates | 1/24 | 1/24 |
| Lot 3, Block 3, Valley View Estates | 1/24 | 1/24 |
| Lot 4, Block 3, Valley View Estates | 1/24 | 1/24 |
| Lot 5, Block 3, Valley View Estates | 1/24 | 1/24 |
| Lot 6, Block 3, Valley View Estates | 1/24 | 1/24 |
| Lot 9, Block 1, Valley View Estates 2nd Addition | 1/24 | 1/24 |
| Lot 10, Block 1, Valley View Estates 2nd Addition | 1/24 | 1/24 |
| Lot 11, Block 1, Valley View Estates 2nd Addition | 1/24 | 1/24 |
| Lot 12, Block 1, Valley View Estates 2nd Addition | 1/24 | 1/24 |
| Lot 13, Block 1, Valley View Estates 2nd Addition | 1/24 | 1/24 |
| Lot 14, Block 1, Valley View Estates 2nd Addition | 1/24 | 1/24 |
| Lot 15, Block 1, Valley View Estates 2nd Addition | 1/24 | 1/24 |
| Lot 16, Block 1, Valley View Estates 2nd Addition | 1/24 | 1/24 |
| Lot 17, Block 1, Valley View Estates 2nd Addition | 1/24 | 1/24 |
| Lot 18, Block 1, Valley View Estates 2nd Addition | 1/24 | 1/24 |
| Lot 19, Block 1, Valley View Estates 2nd Addition | 1/24 | 1/24 |
| Lot 20, Block 1, Valley View Estates 2nd Addition | 1/24 | 1/24 |
| Lot 21, Block 1, Valley View Estates 2nd Addition | 1/24 | 1/24 |
| Lot 22, Block 1, Valley View Estates 2nd Addition | 1/24 | 1/24 |
| Lot 23, Block 1, Valley View Estates 2nd Addition | 1/24 | 1/24 |
| Lot 24, Block 1, Valley View Estates 2nd Addition | 1/24 | 1/24 |
| Lot 25, Block 1, Valley View Estates 2nd Addition | 1/24 | 1/24 |
| Lot 26, Block 1, Valley View Estates 2nd Addition | 1/24 | 1/24 |

11-895

ARTICLES OF INCORPORATIONOFVALLEY VIEW GARDEN HOMES ASSOCIATION

ARTICLE I

The name of the corporation is Valley View Garden Homes Association (hereinafter called "the Association").

ARTICLE II

The Association's registered office is located at 14791 60th Street North, Suite 2, Stillwater, Minnesota 55082.

ARTICLE III

The name and address of the incorporator of the Association is:
 John J. Krongard
 14791 60th Street North
 Suite 2
 Stillwater, Minnesota 55082
 Telephone: (612) 430-2811

ARTICLE IV

The Association is organized under Minnesota Statutes, Chapter 317A.

ARTICLE V

The Association is organized for the purpose of operating, managing, maintaining and caring for Valley View Garden Homes, a common interest community, located in Washington County, Minnesota, as provided for in Minnesota Statutes, Section 515B.3-101.

ARTICLE VI

The Associations first Board of Directors shall consist of three individuals. The names and addresses of the directors are:

John J. Krongard
 14791 60th Street North
 Suite 2
 Stillwater, Minnesota 55082

Susan Krongard
 14791 60th Street North
 Suite 2
 Stillwater, Minnesota 55082

Bonnie Hamp
 14791 60th Street North
 Suite 2
 Stillwater, Minnesota 55082

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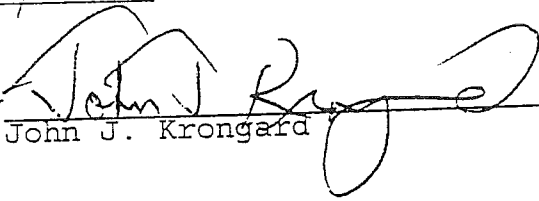
ARTICLE VII

The power to amend or repeal Bylaws is hereby reserved to the members of the Association. The procedures for amending or repealing the Bylaws are as set forth in the Bylaws.

ARTICLE VIII

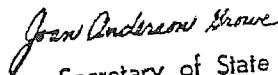
No part of the net earnings of the Association shall inure to the benefit of any member, director or officer of the Association or any private individual, except that reasonable compensation may be paid for services rendered to or for the Association in the performance of its Association purposes. In general, the affairs of the Association shall be conducted in conformity with public policy applicable to non-profit corporations.

IN WITNESS WHEREOF, the undersigned incorporator has hereunto set his hand this 9th day of FEBRUARY, 1995.

By 
John J. Krongard

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED

FEB 14 1995


Secretary of State *m*

BYLAWS OF VALLEY VIEW GARDEN HOMES
ASSOCIATION, A MINNESOTA NON-PROFIT CORPORATION

ARTICLE I - NAME AND DATE OF INCORPORATION

Section 1. Name. The name of the corporation is Valley View Garden Homes Association ("Association"). The Association is formed pursuant to Chapter 317A and Sections 515B.1-101 et seq., Minnesota Statutes, known respectively as the Minnesota Non-Profit Corporation Act and the Minnesota Common Interest Ownership Act (the latter being referred to herein as the "Act"), and laws amendatory thereof and supplemental thereto. The terms used in these Bylaws shall have the same meaning as they have in the Act, except as otherwise specified herein.

Section 2. Date of Incorporation. The Articles of Incorporation of the Association were filed in the office of the Secretary of State of the State of Minnesota on February 14, 1995.

ARTICLE II - MEMBERSHIP AND VOTING

Section 1. Eligibility. The membership of the Association shall consist of the Unit Owners of the Units within Common Interest Community No. 73 (The "CIC") known as Valley View Garden Homes, Washington County, Minnesota. Membership in the Association shall be appurtenant to, and shall not be separated from unit ownership in the CIC. A person shall cease to be a member of the Association at such time as the person ceases to be a Unit Owner of a Unit. Each Unit shall have one vote. Where there is more than one Unit Owner of a Unit, all of such Unit Owners shall be members of the Association and the vote allocated to that Unit in accordance with the Declaration and these Bylaws shall be cast as the Unit Owners 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 Unit nor shall the vote allocated to a Unit be split or otherwise cast separately by the Unit Owners. Where there is more than one Unit Owner of a Unit, the Unit Owners thereof shall notify the Secretary of the Association in writing of the name of the Unit Owner who has been designated to cast the vote attributable to that Unit on behalf of all of the Unit Owners of that Unit. If the Owners of a Unit cannot agree on the Unit Owner who is to be designated to cast the vote attributable to the Unit owned by such Owners, or on the manner in which such vote is to be cast, the Unit Owners shall submit such dispute to the Board of Directors of the Association. The Board of Directors shall resolve such dispute in the manner determined by the Board of Directors to be fair and equitable and such determination shall be binding on said Unit Owners. Membership in the Association shall automatically pass when the ownership of a Unit is transferred in any manner.

Section 2. Registration of Owner. It shall be the duty of each Unit Owner to register with the Secretary of the Association in writing (i) the name and address of such Unit Owner; (ii) the nature and satisfactory evidence of such Unit Owner's interest or estate in a Unit; and (iii) the addresses at which such Unit Owner desires to receive notice of any duly

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called meeting of the Members. If a Unit Owner 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 Unit Owner of any obligation, covenant or restriction under the Declaration or these Bylaws. If there is more than one Unit Owner of a Unit, each must execute the registration as provided in this paragraph.

Section 3. Majority of Owners. As used in these Bylaws, the term "Majority of Owners" shall mean Owners holding 50% of the total number of votes in the Association.

Section 4. Proxies. Owners may execute a written proxy statement appointing a third party to cast the Owner's vote at an annual or special Association meeting. The Owner must file the proxy statement with the Association secretary before the appointed time of each meeting. A proxy statement shall be valid for a period of one year unless the proxy statement itself indicates that it is valid for a different period of time.

Section 5. Quorum. Except as otherwise provided in these Bylaws, the presence of a Majority of Owners eligible to vote, in person or by written proxy statements, shall constitute a quorum.

Section 6. Place of Meetings. Meetings of the Association shall be held at the office of the Association or such other suitable place convenient to the Owners as the Board may designate.

Section 7. Annual Meetings. The first annual meeting of the Association shall be held on the second Tuesday in May, 1995. Thereafter, the annual meetings of the Association shall be held on the second Tuesday in January of each succeeding year or at such other time and place as the Board of Directors may, from time to time reasonably determine. At each annual meeting, the Owners shall elect one or more Directors in accordance with the requirements of the Bylaws. The Owners may also transact such other business of the Association as may properly come before them.

Section 8. Special Meetings. The Association president shall call a special meeting of the Owners if:

(a) The Board adopts a resolution directing the president to call a special meeting;

(b) A Majority of the Owners execute and present to the Association's secretary a petition requesting a special meeting of the Owners; or

(c) A duly authorized representative of the Federal Housing Administration ("FHA") or the U.S. Department of Veterans Affairs ("VA") makes a written request that the Association call a special meeting of the members.

No business shall be transacted at a special meeting except as stated in the notice provided pursuant to Section 9 unless four-fifths (4/5) of the Owners present in person or by proxy consent to the transaction of additional business.

Section 9. Notice of Meetings. It shall be the duty of the secretary to mail a notice of each annual or special meeting to each Owner of record, at least 21 days prior to such meeting for annual meeting and at least 7 days prior to such meeting for special meetings, but not more than 30 days prior to such meeting. The mailing of a notice in the manner provided in this section shall be considered notice served. Notices of all meetings shall be mailed to the director of the local office of the FHA and VA, if applicable. The notice shall state the purpose of the annual or special meeting; the time and place where the annual or special meeting shall be held; and shall include a complete agenda for the annual or special meeting.

Section 10. Adjourned Meetings. If any meeting of Owners cannot be organized for lack of a quorum, a majority of the Owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than 48 hours from the time the original meeting was called and this process may be continued until a quorum can be obtained.

Section 11. Order of Business. The order of business at all annual meetings of the Owners shall be as follows:

- (a) Roll call.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting.
- (d) Reports of officers.
- (e) Report of FHA and or VA representative, if present.
- (f) Report of committees.
- (g) Election of inspectors of election.
- (h) Election of directors.
- (i) Unfinished business.
- (j) New business.

ARTICLE III - BOARD OF DIRECTORS

Section 1. Declarant Control. The Declarant shall designate the Association's initial Board of Directors (The "Board"). The Declarant shall also have the right to designate and select successors to the initial directors as may be required from time to time. Except as provided below, the Declarant shall control the Board of Directors for five years

from the date of the filing of the Declaration. The period of Declarant control will terminate before the expiration of the five-year period only upon Declarant's voluntary surrender of control to the Owners or sixty (60) days after the date Declarant has conveyed 75% of the Units to Owners other than a Declarant. During the 60-day period referenced above, the Owners shall elect a new Board at an annual meeting or at a special meeting called for that purpose. Sixty days after the date Declarant has conveyed 50% of the Units to Owners other than a Declarant, Owners other than Declarant shall elect not less than 33-1/3% of all the members of the Board at an annual meeting or at a special meeting called for that purpose. In determining whether the period of Declarant control has terminated or whether Owners other than Declarant are entitled to elect members of the Board, the percentage of the Units which Declarant has conveyed is presumed to be that percentage which would have been conveyed if all of the Units which Declarant has built or reserved the right to build in the Declaration were included in the CIC. Since Declarant has reserved the right to add the Additional Real Estate to the CIC, the number of Units conveyed must be divided by the total number of Units which may be added (including initial units) to the CIC twenty-four (24) Units to determine if Declarant has sold the requisite percentage of Units to Owners other than Declarant.

Section 2. Number and Qualifications. The Board shall consist of three members until such time as the Association holds the election required after 50% of the Units have been conveyed to Owners other than a Declarant. After that election, Board shall consist of five (5) directors. The Declarant shall select three of the directors, and the Owners shall elect two of the directors. After 75% of the Units have been conveyed to Owners other than Declarant, the Owners shall elect all five members of the Board. Each member of the Board, unless selected by Declarant under Section 1 above, shall be one of the Owners and shall reside in the CIC; provided, however, that if an Owner is a corporation, partnership, trust or other legal entity other than a natural person or persons, then any designated agent of such corporation, partnership or other legal entity, or beneficiary of such trust, may serve as a director if such agent or beneficiary, unless an agent of the Declarant, also resides in the CIC.

Section 3. Election and Term of Office. At the first annual meeting of the Association following termination of Declarant control, the term of office of two directors shall be fixed for three (3) years. The term of office of two directors shall be fixed at two (2) years, and the term of office of one director shall be fixed at one (1) year. At the expiration of the initial term of office of each respective director, the director's successor shall be elected to serve a three-year term. Directors take office upon election and hold office until successor directors are elected and hold their first meeting.

Section 4. Vacancies. Except as provided below, a majority of the remaining directors shall vote to fill vacancies on a Board even though the remaining directors may constitute less than a quorum. Each director so elected shall be a director

until the Owners elect a successor at the next annual meeting of the Association. The Declarant may appoint a director to fill a vacancy which occurs on the Board during a period of Declarant control. If a Majority of Owners remove a director pursuant to Section 5, the Owners shall elect a director to replace the director removed.

Section 5. Removal of Directors. A Majority of Owners may, with or without cause, remove a director whom the Owners elect, but not a director whom the Declarant appoints, at any annual or special meeting duly called, and the Owners shall immediately elect a successor to fill the vacancy created. If the Owners propose the removal of a director, the director shall be given an opportunity to be heard before a vote is taken on the director's removal.

Section 6. Organizational Meeting. The first meeting of a newly elected Board shall be held within ten (10) days of election at such place as the directors shall determine at the meeting at which the directors were elected. No notice shall be necessary to the newly elected directors in order legally to constitute such meeting, provided a majority of the Board is present at the meeting.

Section 7. Regular Meetings. The Board may hold regular meetings at the time and place as a majority of the directors shall determine. At least two regular meetings shall be held during each fiscal year. Notice of regular meetings of the Board shall be given to each director, personally or via mail, telephone or telegraph, at least three (3) days prior to the date of the meeting.

Section 8. Special Meetings. The president may call special meetings of the Board on three (3) days notice to each director. The notice shall be given personally or via mail, telephone or telegraph, and shall state the time, place and purpose of the meeting. The president shall call a special meeting of the Board upon the written request of at least two (2) directors.

Section 9. Waiver of Notice. Before or at any meeting of the Board, any director may, in writing, waive notice of the meeting and the written waiver shall be deemed equivalent to the giving of notice. A director's attendance at any meeting of the Board shall constitute the director's waiver of notice of the meeting. If all the directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 10. Quorum. At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business, and the acts of the majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board. If, at any meeting of the Board, there be less than a quorum present, the majority of those present may adjourn the meeting and reschedule the meeting with proper notice and for a time which is within thirty (30) days of the originally scheduled meeting. At any such

rescheduled meeting, any business which might have been transacted at the meeting as originally called may be transacted.

Section 11. Electronic Meetings. A conference among directors via any means of communication through which the participants may simultaneously hear each other during the conference constitutes a meeting of the Board if the same notice is given of the conference as would be required for a meeting, and if the number of persons participating in the conference would be sufficient to constitute a quorum at the meeting. The participation in the meeting by that means constitutes a directors presence, in person, at the meeting.

Section 12. Powers and Duties. The Board shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things except those which the Association is not authorized to or is prohibited from delegating to the Boards. The powers and duties of the Board acting on behalf of the Association shall include, but shall not be limited to, the following:

(a) Adopting and amending Rules and Regulations governing the use of the Common Elements or the Units;

(b) Adopting and amending budgets of revenues, expenditures and reserves and collecting assessments for Common Expenses from Owners;

(c) Hiring and terminating managing agents and other employees, agents and independent contractors;

(d) Instituting, defending or intervening in litigation or administrative proceedings in the name of and on behalf of the Association or two or more Owners on matters affecting the CIC and, under appropriate circumstances to commence any and all legal or equitable actions to enforce the provisions of the Declaration, Bylaws and Rules and Regulations of the Association.

(e) Regulating the use (including prohibiting use), maintenance, repair, replacement and modification of Common Elements;

(f) Causing improvements to be made as a part of the Common Elements;

(g) Granting leases, licenses and concessions not to exceed one year and utility easements through or over the Common Elements; provided, however, that after conveyance to Owners other than the Declarant of Units to which more than 50% of the voting power is allocated, the Association may by resolution at a meeting of the Owners duly called grant leases, licenses and concessions in excess of one year and easements through or over the Common Elements;

(h) Imposing and receiving any payments, fees or charges for the use, rental or operation of the Common Elements other than Limited Common Elements;

(i) Imposing reasonable charges including reasonable costs and attorneys' fees for the evaluation, preparation and recordation of Amendments to the Declaration, resale certificates or statements of unpaid assessments;

(j) Providing for the indemnification of directors and officers and maintaining directors' and officers' liability insurance;

(k) Imposing charges for late payment of assessments and, after notice and an opportunity to be heard, levy reasonable fines for violations of the Declaration, Bylaws and Rules and Regulations of the Association;

(l) Opening bank accounts on behalf of the Association and designating the signatories required therefor;

(m) Purchasing, leasing or otherwise acquiring Units offered for sale or lease or surrendered by their Owners to the Association in the name of the Association, or its designee, corporate or otherwise, on behalf of all Owners;

(n) Purchasing Units at foreclosure or other judicial sales in the name of the Association, or its designee, corporate or otherwise, on behalf of all Owners;

(o) Selling, leasing, mortgaging or otherwise dealing with Units acquired by, and subleasing Units leased by the Association or its designee, corporate or otherwise, on behalf of all Owners;

(p) Organizing corporations to act as designees of the Association in acquiring title to or in leasing of Units on behalf of all Owners;

(q) Obtaining insurance for the CIC, including the Units pursuant to the provisions of the Declaration;

(r) Making repairs, additions and improvements to the property and repairs to and restoration of the CIC in accordance with the other provisions of the Declaration and these Bylaws, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings;

(s) Commencing appropriate legal action for collection of Common Expenses as hereinafter provided;

(t) Making improvements and replacements to the CIC of a cost not to exceed \$25,000 per improvement or \$50,000 for all improvements or replacements over a twelve-month (12) period without further approval of a Majority of the Owners attending (personally or by proxy) at a meeting called for such purpose;

(u) Approval of all payment vouchers by an officer of the Association, or, if authorized by the Board, by the managing agent;

- (v) Preparing the annual report to the Owners;
- (w) Preparing all certificates required in connection with the re-sale of Units;
- (x) Settling all disputes, claims, controversies or litigation with or against Declarant, general contractors, subcontractors, architects and/or engineers relating to or arising from the construction, maintenance or operation of the Common Elements or matters common to two or more Units;
- (y) Exercising any other powers conferred by state law, the Declaration or Bylaws.

Section 13. Managing Agent. The Board may employ a managing agent for the Association at a compensation to be established by the Board, to perform such duties and services as the Board shall authorize and direct.

ARTICLE IV - OFFICERS

Section 1. Designation. The principal officers of the Association are to be a president, a vice president and a secretary-treasurer. The Board shall elect officers. The president, vice president and secretary-treasurer shall be directors. The directors may appoint an assistant treasurer and an assistant secretary and such other officers as in their judgment may be necessary.

Section 2. Election of Officers. The Board shall elect the officers of the Association annually at the organizational meeting of each new Board. Officers shall hold office at the pleasure of the Board.

Section 3. Removal of Officers. A majority of the directors may, by affirmative vote, remove any officer either with or without cause. The Board shall elect a successor at any regular meeting of the Board or at any special meeting of the Board called for such purpose.

Section 4. President. The president shall be the chief executive officer of the Association. He or she shall preside at all meetings of the Association and the Board. He or she shall have all of the general powers and duties which are usually vested in the president of a Minnesota non-profit corporation including, but not limited to, the power to appoint committees from among the Owners from time to time as he or she may in his or her discretion decide are appropriate to assist in the conduct of the affairs of the Association.

Section 5. Vice President. The vice president shall take the place of the president and perform his or her duties whenever the president shall be absent or unable to act. If neither the president nor the vice president is able to act, the Board shall appoint to act as president on an interim basis. The vice president shall also perform such other duties as the Board may improve on him or her.

Section 6. Secretary-Treasurer. The secretary-treasurer shall keep the minutes of all meetings of the Board and the minutes of all meetings of the Association. He or she shall have charge of such books and papers as the Board may direct; shall, in general, perform all the duties incident to the office of secretary; shall have responsibility for Association funds and securities; shall keep full and accurate accounts of all receipts and disbursements in books belonging to the Association; shall be responsible for depositing all monies and other valuable effects in the name and to the credit of the Association in such depositories as the Board may from time to time designate.

ARTICLE V - BUDGET AND ASSESSMENTS

Section 1. Initial Budget. Before the conveyance of the first Unit to a purchaser other than a Declarant, the Board shall adopt an initial budget containing an estimated cash requirement for the expenses of the Association for the period commencing with the first day of the month in which the sale of the first Unit is closed and ending on December 31 of the calendar year in which such sale occurs.

Section 2. Annual Budget. For each calendar year after the year in which the first Unit is sold to a purchaser other than a Declarant, the Board shall create an annual budget estimating the amount necessary to pay the cost of wages, materials, insurance, services and supplies and other expenses of the Association including unpaid assessments from the current or past year and the amount which the Board reasonably determines is necessary for a reserve for contingencies and replacements. On or before November 1 of each year, the Board shall provide each Owner with a proposed annual budget for the next calendar year. The proposed budget shall state the estimated amount needed to operate the Association, with reasonable itemization thereof, and shall state the amount of the projected annual assessment for the Owner's Unit. Each December, the Board shall adopt an annual budget for the following year. If additional Units are added to the CIC under the terms of the Declaration, the Board may adjust the annual budget and payments required thereunder to reflect such additional Units and increased Common Expenses, if any.

Section 3. Annual Assessments. Before the first Unit is sold to a purchaser other than a Declarant and on or before January 1st of each year thereafter, the Board shall assess the amount of the estimated cash requirement contained in the annual budget against the individual Units according to the Common Expense Liability assigned to each Unit in Exhibit "A" of the Declaration. The full amount of each individual Unit's share of the assessment shall be a lien against that individual Unit and the joint and several, personal obligation of Owner(s) of that individual Unit as of January 1 of the year of assessment. On the first day of each month of each year, the Owner(s) of each Unit shall pay to the Board or as the Board may direct 1/12 of the annual assessment for the Owner(s)' Unit. Owners shall pay monthly installments of annual assessments, in full, without set-off for claims which the Owners may assert against the Association.

Section 4. Special Assessments. In addition to the annual assessments levied on or before January 1 of each year, the Board may levy special assessments at such other and additional times as the Board, in its sole judgment, determines are appropriate to meet the financial needs of the Association. Such special assessments shall be levied in the same manner as annual assessments and shall be due and payable as the Board determines. Owners shall pay special assessments as the Board determines without set-off for claims which the Owners may assert against the Association. The Board may not levy special assessments in any one calendar year in excess of \$5,000 without the approval of a Majority of Owners. Such approval may be solicited in writing at the annual meeting of the Owners or at a special meeting of the Owners called for that purpose.

Section 5. Failure to Prepare Budget. The failure of the Board to prepare a proposed or final annual budget or to deliver either to an Owner shall not constitute a waiver or release in any manner of the Owner's obligation to pay the maintenance costs and necessary reserves, as herein provided, whenever the same shall be determined, and in the absence of any proposed or final budget the Owner shall continue to pay the monthly maintenance charge at the then existing monthly rate established for the previous period until a new annual budget is mailed or delivered to the Owner.

ARTICLE VI - REPORTS AND CERTIFICATES

Section 1. Annual Reports. The Association shall prepare and distribute to each Owner an annual report on or before April 1st of each year. The annual report shall contain, at a minimum, the following:

(a) A statement of any capital expenditures in excess of the greater of 2% of the current budget or \$5,000,000, which the Board anticipates during the current year or succeeding two fiscal years;

(b) A statement of the status and amount of any reserve or replacement fund and that portion of the fund which the Board has designated for any specified project;

(c) A copy of the statement of financial condition for the Association for the last fiscal year;

(d) A statement of the status of any pending suits or judgments to which the Association is a party;

(e) A statement of the insurance coverage provides;

(f) A statement of any unpaid annual or special assessments identifying the Unit number and the amount of the unpaid assessment;

(g) An itemized accounting of the Common Expenses actually incurred in the preceding calendar year, including amounts used to fund reserves, and the amount of the annual

and special assessments actually collected in the preceding calendar year.

Section 2. Resale of Units. The Association shall comply with all requirements of the Act relating to certificates regarding resale of Units which shall contain the following:

(a) A statement disclosing any right of first refusal or other restraint on the free alienability of the Unit contained in the Declaration, Bylaws, Rules and Regulations or any amendment thereof;

(b) A statement setting forth the amount of periodic installments of Common Expense Assessments and special assessments and any unpaid Common Expense or special assessment currently payable;

(c) A statement of any other fees which Owners must pay;

(d) A statement of any capital expenditures which the Association has approved for the current and next succeeding two (2) fiscal years;

(e) A statement that a copy of the CIC Plat and any amendments thereof are available in the office of the Association for inspection;

(f) A statement of the amount of any reserves for capital expenditures and of any portions of those reserves which the Association has designated for any specified projects;

(g) The most recent regularly prepared balance sheet and income and expense statement, if any, of the Association;

(h) The current budget of the Association;

(i) A statement of any judgments against the Association and the status of any pending suits to which the Association is a party;

(j) A statement describing any insurance coverage provided for the benefit of Unit Owners.

ARTICLE VII - AMENDMENTS TO BYLAWS

Subject to the terms of the Declaration, the members of the Association may amend these Bylaws at an annual meeting or at a special meeting called for that purpose. To be effective, the Owners of at least 67% of the Units and the holders of first mortgages on at least 67% of the Units subject to first mortgages (each mortgage having one vote per Unit financed) must vote in favor of the amendment in person or by written proxy, and the Association must record the amendment in the appropriate county land records. During the period that the Declarant is in control of the Association, the Bylaws may not be amended without the prior written consent of the VA.

ARTICLE VIII - NOTICES

Section 1. Notice of Change of Resident. If the Owner is not residing in the Owner's Unit, the Owner shall promptly notify the Association through the managing agent, if any, or the president if there is no managing agent, of the name of the resident of the Owner's Unit; the address of the Owner's new residence or corporate or partnership offices, as the case may be; and the Owner's current mailing address, and the Association shall maintain such information in a record book.

Section 2. Notice to Association. An Owner who mortgages his Unit shall notify the Association through the Managing agent, if any, or the president in the event there is no managing agent, of the name and address of his mortgagee; and the Association shall maintain such information in a record book.

Section 3. Notice of Unpaid Assessments. The Association shall at the written request of a mortgagee of a Unit report any unpaid assessments due from the Owner of such Unit.

ARTICLE IX - INDEMNIFICATION

Section 1. General. Subject to Section 2 hereof, the Association shall indemnify each person who is or was a director, officer, member of any committee which the Board of Directors forms, or serving the Association as the Association's appointed representative to some other corporation or legal entity for actions which the person takes or decisions which the person makes on behalf of the Association, as set forth in Section 31 of the Declaration.

Section 2. Limitation on Indemnification. Indemnification pursuant to Section 1 of Article X hereof, shall be for the sole and explicit benefit of the persons expressly identified therein and no other person, corporation or legal entity of whatever nature shall have any rights thereunder by way of voluntary or involuntary assignment, subrogation or otherwise.

Section 3. Insurance. To the extent reasonably available, the Association shall maintain and pay for a contractual liability endorsement to the Association's liability insurance policy to insure its obligations under Section 1 of this Article IX.

ARTICLE X - COMPLIANCE

These Bylaws are set forth to comply with the requirements of the Act and the Declaration. In case any of these Bylaws conflict with the provisions of said statute, it is hereby agreed and accepted that the provisions of the Act will apply unless expressly stated otherwise.

