

BY-LAWS
OF
VALHALLA MANAGEMENT ASSOCIATION

The name of the organization shall be the VALHALLA MANAGEMENT ASSOCIATION (hereinafter called the "Association".)

ARTICLE I

OBJECT

1. This non-profit Association is formed to govern the condominium properties (hereinafter called "Condominiums") situated in the County of Olmsted, State of Minnesota, described as follows:

Lots 1 through 15, Block 4, Valhalla Fourth Addition,
according to the recorded plat thereof, Olmsted County,
Minnesota,

and which properties have been or will be submitted to the provisions of the Apartment Ownership Act of the State of Minnesota pursuant to documents entitled "Condominium Declarations" (hereinafter called the "Declaration".)

2. All present or future Associations who elect to join this Association and their owners, tenants, future tenants, or any other person that might use the facilities of the project in any manner, including contract for deed buyers, are subject to the provisions of these By-Laws and Resident Policies adopted pursuant hereto. The mere acquisition or rental of any of the condominium units (hereinafter referred to as "units") of the project or the mere act of occupancy of any of said units will signify that the provisions of these By-Laws, and such Resident Policies are accepted, ratified, and will be complied with.

3. This Association shall have no corporate seal.

ARTICLE II

MEMBERSHIP AND VOTING

1. Membership. Any Condominium (hereinafter referred to as "Member"), upon an affirmative vote of its Board of Directors, which vote must be authorized by its By-Laws or its Declarations, shall automatically become a member of this Association and be subject to these By-Laws. Any condominium upon becoming a member of this Association automatically grants to this Association the power to perform on its behalf any of the duties and services listed in Article IV, Paragraph 3 and Paragraph 4 of these By-Laws including the hiring of a Manager to perform any of said duties. Such membership shall terminate without any formal Association action if a resolution to withdraw from this Association is first approved by 80% of the members of the Condominium, but such termination shall not relieve or release any such former Condominium from any liability or obligation incurred under or in any way connected with the Association during the period of such membership in this Association, or impair any rights or remedies which the Board of Directors of the Association or others may have against such former member arising out of or in any way connected with such membership and the covenants and obligation incident thereto. No certificates of stock shall be issued by the Association.

2. Voting. The Board of Directors of each Condominium shall elect one of the members of its Board to serve upon the Board of Directors of this Association. The Board of Directors of each condominium member shall appoint three of its Directors, having one vote each, in person or by proxy to represent it at any meeting of the members.

3. Majority of Members. As used in these By-Laws, the term "majority of members" shall mean those members with 51% or more of the votes in accordance with Paragraph 2 of this Article.

4. Quorum. Except as otherwise provided in these By-Laws, the presence in person or by proxy of a "majority of members" as defined in Paragraph 3 of this Article shall constitute a quorum. An affirmative vote of a majority of

the members present, either in person or by proxy, shall be required to transact business; provided, however, that no business shall be transacted unless a minimum of one-third of all of the members, either in person or by proxy, vote affirmatively.

5. Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time of each meeting.

ARTICLE III

ADMINISTRATION

1. Association Responsibilities. The condominium members will constitute the Association, which will be administered by a Board of Directors.

2. Place of Meetings. Meetings of the Association shall be held at such place as the Board of Directors may determine.

3. Annual Meetings. The first annual meeting of the Association shall be held on December 15, 1976. Thereafter the annual meetings of the Association shall be held on the third Wednesday of December of each year. The notice of any Annual Meeting shall be given by the Secretary to the Directors of all members of record by mail to the address of their respective apartments or such other address as any of them may have designated to the officer. Such notice shall be sent by United States Mail at least twenty-one days prior to the meeting and shall state the time and place of such meeting and the complete agenda thereof. At such meeting, the members may also transact such other business of the Association as may properly come before them.

4. Special Meetings. It shall be the duty of the President to call a special meeting of the members as directed by Resolution of the Board of Directors or upon a petition signed by a majority of condominium boards and having been presented to the Secretary. The notice of any special meeting shall be given by the Secretary to the Directors of all members of record by mail to the address of their respective apartments or such other address as any of them may have designated to the officer. Such notice shall be sent by United States mail at least seven days prior to the meeting and shall state the time and place of such meeting and the complete agenda thereof. No business shall be transacted at a special meeting except as stated in the notice unless by consent of sixty per cent or more of the authorized Directors who are present either in person or by proxy.

5. Adjourned Meeting. If any meeting of members cannot be organized because a quorum has not attended, the members who are present, either in person or by proxy, may adjourn the meeting to a time not less than seven days from the time the original meeting was called.

6. Order of Business. The order of business at all meetings of the members 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) Reports of committees
- (f) Report of Manager
- (g) Unfinished business
- (h) New business

ARTICLE IV

BOARD OF DIRECTORS

1. Number and Qualification. The affairs of this Association shall be governed by a Board of Directors composed of a minimum of three and a maximum of seventeen persons. The Board of Directors of each condominium member shall elect one of the members of its Board to serve upon the Board of Directors of this Association for a three year term. Such elections shall be held in December. Directors elected by the condominiums must be members of the Board of Directors of the condominium by which they are elected. Directors need not be owners of units. In addition to the Directors elected by the condominiums, the Board of Directors of this Association may appoint up to three persons selected by the Manager to serve one year terms as Directors of this Association. The following persons shall act in such capacity and shall manage the affairs of the Association until their successors are elected and have held their first meeting to-wit:

Kenneth Weestrand
Dennis Weestrand
Delbert Wischmann

2. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association, the operation and maintenance of a first class residential condominium project and the protection and defense of the same.

3. Other Powers and Duties as Manager. The Board of Directors shall be empowered and shall have the duties as Manager of each of its condominium members as follows:

(a) To administer and enforce the provisions of the Condominium Declarations, Condominium By-Laws and these By-Laws.

(b) To establish and enforce compliance with such reasonable rules (herein called "Resident Policies") as may be necessary for the operation, use and occupancy of this condominium project with the right to amend same from time to time. A majority of the members may, either at any annual meeting or at a special meeting called for such purpose, amend existing or adopt new Resident Policies. A copy of the Resident Policies shall be delivered or mailed to each member promptly upon adoption.

(c) To keep in good order, condition and repair all of the general common elements and limited common elements, and all items of personal property, if any, used in the enjoyment of the Condominium project.

(d) To obtain and maintain such insurance as is required by applicable statutes and the Declarations and such other insurance as the Board deems necessary or advisable in the best interests of the Association members.

(e) To prepare and adopt a budget for each condominium, to determine, levy, collect and enforce prompt payment of the assessments to be paid by each of the owners towards the gross expenses of their condominium, including the costs and assessments for the Recreational Area as set out in the Declaration. To levy and collect, in advance or after incurred, at any time and from time to time, special assessments whenever in the opinion of the Board it is necessary to do so in order to meet increased operating or maintenance costs, or additional capital expenses, or because of emergencies. All assessments for actual or estimated expenses shall be in itemized statement form, shall set forth in detail the various expenses for which the assessments are being made and shall be mailed to the registered mailing address of the owner or delivered to the owner's unit once each month or at such other times as the Board determines is necessary or desirable, and shall be due on the date or dates stated in the notice or on the first day of the following month if no dates are stated.

(f) To borrow funds on behalf of a condominium but only when so authorized by unanimous authority of all of the unit owners of said condominiums and when so authorized to authorize the officers of this Association to execute all such

instruments evidencing such indebtedness as is expressly authorized. Any such authorized indebtedness shall be the several obligation of all of the unit owners of said condominium only in the same proportion as their interest in the general common elements.

(g) To authorize the officers of this Association to enter into contracts and leases.

(h) To establish a bank account for the common treasury and for all separate funds which are required or may be deemed advisable by the Board of Directors.

(i) To keep and maintain full and accurate books and records showing all of the receipts, expenses or disbursements and to permit examination thereof at any reasonable time by each of the owners.

(j) To prepare and deliver at least annually to each owner a statement showing all receipts, expenses or disbursements since the last such statement, which statement shall include the following:

- (1) A statement of any capital expenditures in excess of \$1,000 anticipated by the Association of apartment owners during the current year or succeeding two fiscal years;
- (2) A statement of the status and amount of any reserve for replacement fund and any portion of the fund designated for any specified project by the Board of Directors;
- (3) A copy of the statement of financial condition for the Condominium Association for the last fiscal year;
- (4) A statement of the status of any pending suits or judgments in which the Condominium Association or this Association is a party;
- (5) A statement of the insurance coverage provided by the Condominium Association; and
- (6) A statement of any unpaid assessments by apartment owners or individual apartments, identifying the apartment number and the amount of the unpaid assessment.

(k) To furnish to a first mortgagee at his request written notification of any default by the mortgagor of such mortgaged unit which is not cured within thirty days.

(l) The Board shall not have the right by act or omission to seek to abandon, partition, subdivide, encumber, sell or transfer the common elements unless at least 75% of the first mortgagees (based upon one vote for each first mortgage owned) of condominium units have given their prior written approval. The granting of easements for public utilities or for other public purposes consistent with the intended use of the common elements by the condominium project shall not be deemed a transfer within the meaning of this clause.

(m) To allow first mortgagees to examine the books and records of the Condominium Owners Association or the condominium project.

(n) To establish an adequate reserve fund for replacement of the common elements which fund must be funded by regular monthly payments.

(o) To furnish to the Federal Home Loan Mortgage Corp. a notice (c/o a first mortgagee at first mortgagee's address) in writing of any loss to or taking of, the common elements of the condominium project if such loss or taking exceeds \$10,000, or of any damage to a condominium unit if such damage exceeds \$1,000.

(p) To elect from each condominium Board one of its members to a Recreational Area Management Board.

(q) To purchase, lease, sell, mortgage, or otherwise acquire in the name of the Condominium Association or this Association, apartments offered for sale or lease or surrendered by their owners to the Condominium Association,

provided, however, that any such purchase or acquisition in the name of the Condominium Association shall require the prior approval of a majority of the apartment owners of said Condominium Association.

4. Manager. The Board of Directors may employ a Manager at a compensation established by the Board to perform such duties and services as the Board shall authorize including, but not limited to, the duties listed in paragraph 3 of this Article, and those of the Secretary and Treasurer set out in Article V.

5. Election and Term of Office. At the first meeting of the Association Board the term of office of the Directors shall be staggered so that the terms of one-third of the Directors expires annually. At the expiration of the initial term of office of each Director, his successor shall be elected to serve a term of three years. The Directors shall hold office until their successors have been elected and have held their first meeting.

6. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the condominium owners or the condominium board shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected. Such successor shall serve only for the then unexpired term of the Director whose vacancy is being filled.

7. Removal of Directors. At any duly called regular or special meeting of the Condominium Association or the condominium Board of Directors, the Director may be removed with or without cause by a 51% vote of the owners or a 51% vote of the Directors and a successor may then and there be elected to fill the vacancy thus created for the unexpired term of the removed Director. Any Director whose removal has been proposed by the owners shall be given an opportunity to be heard at the meeting. The Board of Directors of this Association may remove and replace, by a 51% vote, any Director who has missed three consecutive regularly scheduled monthly meetings.

8. Organization Meeting. The first meeting of a newly elected Board of Directors shall be held in December at such place as shall be fixed by the Directors. No notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, providing a majority of the whole Board shall be present.

9. Regular Meeting. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors, but at least four such meeting shall be held during each calendar year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph, at least three days prior to the day named for such meeting, except that if said meetings are regularly scheduled at the same time, day and place each month by a Board resolution then said notice need not be given.

10. Special Meetings. Special meetings of the Board of Directors may be called by the President on three days' notice to each Director, given personally, or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least two Directors.

11. Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. 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.

12. Board of Directors' Quorum. At all meetings of the Board of Directors, 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 of Directors. If, at any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

13. Fidelity Bonds. The Board of Directors may require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

14. Pets. Pets shall be owned and kept in apartments only as permitted and prescribed by written rules promulgated by the Board of Directors.

ARTICLE V

OFFICERS

1. Designation. The officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer, all of whom shall be elected by and from the Board of Directors.

2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

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

4. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of President of an Association including but not limited to the power to appoint Committees from among the owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

5. Vice President. The Vice President shall take the place of the President and perform his 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 of Directors shall appoint some other member of the Board of Directors to act in the place of the President, on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors or by the President.

6. Secretary. The Secretary shall keep all of the Minutes of the meeting of the Board of Directors and of meetings of the Association; shall keep such books and papers as the Board of Directors may direct; and shall perform all the duties incident to the office of Secretary.

The Secretary shall compile and keep up to date at the principal office of the Association a complete list of owners and of holders of first mortgages on the units, and their registered mailing addresses. Such list shall also show the number of the apartment unit owned. Such list shall be open to inspection by owners and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.

7. Treasurer. The Treasurer shall keep the financial records and books of account of the Association and be responsible for deposit of Association funds.

ARTICLE VI

INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Association shall indemnify every Director and officer, his heirs, executors and administrators, against all loss, cost and expense, including counsel fees, reasonably incurred by him in connection with any action, suit or proceeding to which he may be made a party by reason of his being or having been a Director or officer of the Association, except as to matters as to which he shall be finally adjudged in such action, suit or proceeding to be liable for

gross negligence or willful misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of his duty as such Director or officer in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such Director or officer may be entitled. All liability, loss, damage, costs and expenses incurred or suffered by the Association by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as Common Expenses; provided, however, that nothing in this Article VI contained shall be deemed to obligate the Association to indemnify any member or owner of a condominium unit, who is or has been a Director or officer of the Association with respect to any duties or obligations assumed or liabilities incurred by him under and by virtue of the Declaration as a member or owner of a condominium unit covered thereby.

ARTICLE VII

AMENDMENTS

These By-Laws may be amended by the Association at a duly called annual meeting, or at any duly called special meeting called for such purpose, provided, however, that any such amendment shall require the unanimous consent of the Boards of Directors of all members of this Association.

ARTICLE VIII

EVIDENCE OF OWNERSHIP AND MAILING ADDRESS

1. Proof of Ownership. Any person on becoming an owner of a condominium unit shall furnish to the Manager or Board of Directors, for the records of the Association, a photocopy or a certified copy of the instrument vesting that person with an interest or ownership.

2. Mailing Address. For purposes hereof, the registered mailing address of each owner and member shall be the address of his unit in the Condominium Project unless written notification of some other address is given to the Secretary, but all owners of a unit shall have only one registered mailing address. Any notice of a registered mailing address other than that of the unit shall be in written form and signed by all of the owners of the condominium unit or by such person as is authorized by law to represent the interests of all owners thereof.

ARTICLE IX

COMPLIANCE

These By-Laws are set forth to comply with the requirements of the State of Minnesota Apartment Ownership Act. If any of these By-Laws conflict with the provisions of said statute, it is hereby agreed and accepted that the provisions of the statute will control.