

1P-368

ARTICLES OF INCORPORATION
OF
EAST OAKS OWNERS ASSOCIATION

The undersigned, being of full age, for the purpose of organizing a nonprofit corporation under the Minnesota Nonprofit Corporation Act, and acts amendatory thereto, does hereby adopt, sign and acknowledge the following Articles of Incorporation. ✓

ARTICLE I.
NAME

The name of the corporation is East Oaks Owners Association, hereafter called the "Association." ✓

ARTICLE II.
REGISTERED OFFICE

The registered office of the Association is located at 6825 Romeo Road, Woodbury, Minnesota 55125. ✓

ARTICLE III.
PURPOSE AND POWER

The specific purpose for which this Association is formed is to provide for maintenance, preservation and architectural control of the Common Area within those certain tracts of property which either are conveyed to the Association as Common Area or are subjected to the authority of the Association for specified purposes by the Declaration hereinafter defined (hereinafter called the "Property"); and to promote the health, safety and welfare of the residents within such Property and any additions thereto as hereafter may be brought within the authority of this Association and for this purpose to:

- a. Exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in that certain Declaration of Covenants, Conditions, Restrictions and Easements for East Oaks Townhomes, hereinafter called the "Declaration", applicable to the Property and recorded or to be recorded in the office of the County Recorder in and for Washington County, Minnesota, and as the same may be amended from time to time as therein provided;
- b. Fix, levy, collect and enforce payment by any lawful means, all charges or assessments pursuant to the terms of the Declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including all licenses, taxes or governmental charges levied or imposed against the property of the Association;

- c. Acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use, or otherwise dispose of real or personal property in connection with the affairs of the Association;
- d. Borrow money, and subject to limitations and conditions set forth in the Declaration, mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;
- e. Dedicate, sell or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the members, subject however, in any event to the limitations and conditions set forth in the Declaration;
- f. Participate in mergers and consolidations with other nonprofit corporations organized for the same purposes or annex additional residential property and Common Area, provided that any such merger, consolidation or annexation shall have the assent required by the Declaration;
- g. Have and exercise any and all powers, rights and privileges which a corporation organized under the Nonprofit Corporation Law of the State of Minnesota by law may now or hereafter have or exercise;
- h. Act as a "residential real estate management association" within the meaning of Section 528 of the Internal Revenue Code of 1954, as amended.

ARTICLE IV. MEMBERSHIP

Every Owner of a Parcel subject to assessment, except as herein provided to the contrary, shall be entitled and required to be a member of the Association. If title to a Parcel is held by more than one person, each of such persons shall be a member. An Owner of more than one Parcel shall be entitled to one membership for each such Parcel. Each such membership shall be appurtenant to the Parcel upon which it is based and shall transfer automatically by voluntary or involuntary conveyance of the title of that Parcel. No person or entity other than an Owner or Declarant may be a member of the Association, and a membership in the Association may not be transferred except in connection with the transfer of title to that Parcel.

ARTICLE V.
NO PECUNIARY GAIN; PROHIBITED ACTIVITIES

The Association does not and shall not afford pecuniary gain, incidentally or otherwise, to its members, directors, or officers, nor shall any part of the net earnings of the Association in any way inure to the private benefit of any such member, director or officer of the Association, or to any private shareholder or individual except as permitted by Section 528(c)(1)(D) of the Internal Revenue Code, and except that the Association shall be authorized to make reasonable allowance and payment for actual expenditures incurred or services rendered for or on behalf of the Association.

ARTICLE VI.
VOTING RIGHTS

Members shall be all Owners of Parcels and shall be entitled to one vote for each Parcel owned. When more than one person holds title to any Parcel, all such persons shall be members. The vote for such Parcel shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any one Parcel. There can be no split vote. Prior to or at the time of any meeting at which a vote is to be taken, each co-owner or other person entitled to a vote at such meeting shall file with the Secretary of the Association the name of the voting co-owner or other person entitled to vote at such meeting, unless such co-owner or other person has filed a general voting authority with the Secretary applicable to all votes until rescinded.

ARTICLE VII.
BOARD OF DIRECTORS

- a. The number of Directors constituting the first Board of Directors is three, their names and addresses being as follows:

<u>Name</u>	<u>Address</u>
Thomas E. Wortman	6825 Romeo Road Woodbury, MN 55125
Dale Dockendorf	1400 Sterling Street South Woodbury, MN 55125
Jon Whitcomb	5893 Oxboro Stillwater, MN 55082

- b. Said Directors shall serve until the first annual meeting of the members and until their successors have been duly elected and qualified, unless said Directors sooner resign.

- c. The affairs of this Association shall be managed by a Board of three (3) Directors, who need not be members of the Association. The number of Directors may be changed by amendment of the Bylaws of the Association. At the first annual meeting, the members shall elect one (1) Director for a term of one year, one (1) Director for a term of two years and one (1) Director for a term of three years; and at each annual meeting thereafter the members shall elect Director(s) for a term of three years to fill the vacancies created by expiring terms. There shall be no limit on the number of times a Director may serve.
- d. Officers shall be elected as provided for in the Bylaws.

ARTICLE VIII. INCORPORATOR

The names and address of the incorporator of the Association is:

<u>Name</u>	<u>Address</u>
Thomas E. Wortman	6825 Romeo Road Woodbury, MN 55125

ARTICLE IX. NO STOCK

The Association is organized upon a non-stock basis.

ARTICLE X. PERSONAL LIABILITY OF MEMBERS

The members of this Association shall have no personal liability for obligations of the Association.

ARTICLE XI. DISSOLUTION

The Association may be dissolved with the assent given in writing and signed by not less than 75% of each class of members.

ARTICLE XII. DURATION

The duration of the corporate existence shall be perpetual.

ARTICLE XIII. AMENDMENTS

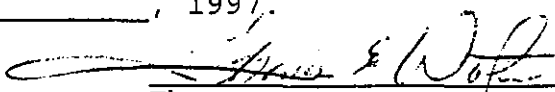
Amendment of these Articles shall require the assent of 75% of members. Note however that amendments affecting the Declaration or the right and obligations thereunder may not be effective as to

such rights and obligations unless the requirements for amendment set forth in the Declaration are followed.

ARTICLE XIV.
DEFINITIONS

All words used herein which are defined in the Declaration shall have the meanings there ascribed to them.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 6th day of March, 1997.

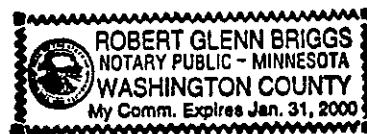

Thomas E. Wortman

STATE OF MINNESOTA)
) ss.
COUNTY OF WASHINGTON)

The foregoing instrument was acknowledged before me this 6th day of March, 1997, by Thomas E. Wortman.


Notary Public



(Notarial Seal)



This instrument was drafted by:
Robert G. Briggs
1835 Northwestern Avenue
Stillwater, MN 55082

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED

MAR 10 1997


Secretary of State 

COPY

By-Laws
OF
EAST OAKS TOWNHOMES

The following are the By-Laws of East Oaks Townhomes (the Association). The Association is organized for the purpose of operating and managing the Association pursuant to the Articles of Incorporation and the Declaration of the East Oaks Townhomes (the Declaration). The terms used in these By-Laws shall have the meaning as set forth in the Declaration except as otherwise specified herein.

ARTICLE 1

The registered office of the Association shall be located at 6825 Romero Road, Woodbury, Minnesota 55082.

ARTICLE 2

Section 2.1. Annual Meetings. The first annual meeting of the Association shall be held not later than the first anniversary of the incorporation of the Association, at such time and place as may be fixed by a resolution of the Board of Directors. Subsequent annual meetings of the Association shall be held on weekdays (other than legal holidays recognized as such in Minnesota) at least thirty days before the beginning of each fiscal year at such time as may be fixed from time to time by resolutions of the Board of Directors.

Section 2.2. Special Meetings. The Association shall hold a special meeting: (1) upon the call of the President; (2) if so directed by resolution of the Board of Directors; (3) upon a petition presented to the Secretary and signed by members entitled to cast at least twenty percent of the total number of votes (excluding the Declarant's votes during the Declarant Control Period; or (4) upon request of the Declarant. The signatures on a petition requesting a special meeting shall be valid for a period of one hundred-eighty days after the date of the first such signature. Such resolution, petition or request must: (1) specify the time and place at which the meeting is to be held; (2) either specify a date on which the meeting is to be held which will permit the Secretary to comply with Section 2.3.

Section 2.3. Notice of Meetings.

(a) Written notice stating the place, day and time of each annual meeting and, in case of a special meeting, the purposes for which the meeting is called, shall be given by the Secretary to each member entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting. The giving of notice in the manner provided in this section and Article 2 hereof shall be considered service of notice.

(b) Notwithstanding the provisions of Subsection (a), notice of a meeting to act on an amendment to the Articles of Incorporation, a plan of merger or consolidation or dissolution shall be given in the manner provided above not less than twenty-five nor more than sixty days before the date of the meeting. Any such notice shall be accompanied by a copy of the proposed amendment, plan of merger or consolidation or dissolution. Any such amendment, plan of merger or consolidation or dissolution shall not be effective unless notice of such matter was provided in accordance with this subsection.

Section 2.4 Waiver of Notice of Meetings.

(a) Whenever any notice is required to be given of any meeting of the Association, a waiver thereof in writing signed by a member entitled to such notice, whether given before or after the meeting, shall be equivalent to the giving of such notice to that member and such waiver shall be delivered to the Secretary for inclusion in the minutes or filing with the Association records.

(b) A member who attends a meeting shall be conclusively presumed to have had timely and proper notice of the meeting or to have duly waived notice thereof, unless such member attends for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called or convened and so notified the person conducting the meeting at or prior to the commencement of the meeting or at or prior to consideration of the matter subject to objection, in the case of a special meeting.

Section 2.5 Quorum. A quorum shall be deemed to be present throughout any meeting of the Association if members entitled to cast at least twenty percent of the total number of votes are present, in person or by proxy, at the beginning of such meeting. Once a member is present at a meeting, such member is deemed present for quorum purposes for the remainder of the

meeting and for any adjournment of that meeting unless a new Record Date is or shall be set for that adjourned meeting.

If at any meeting of the Association a quorum is not present, the members who are present at such meeting in person or by proxy may, by a majority vote of such members, adjourn the meeting to a date not less than ten nor more than sixty days after the date of the original meeting at such date and place as such members may agree, whereupon the Secretary shall announce the date, time and place at such meeting and notify all members of such date, time, and place. At any such future meetings, a quorum shall be deemed present if members entitled to vote at least ten percent of the total number of votes are present in person or by proxy.

Section 2.6. Record Date to Determine Members; List of Members. The date for determining which Persons are members and therefore entitled to vote ("Record Date") shall be the close of business on the day before the effective date of the notice to the members of the meeting, unless the Board of Directors shall determine otherwise. The Board shall not fix a Record Date more than seventy days before the date of the meeting or other action requiring a determination of the members, nor shall the Board set a Record Date retroactively. At least ten days before each meeting, the Secretary shall make a complete list of members, with the address of each, available for review by the members before and during the meeting. The list shall be current as of the Record Date.

Section 2.7 Action by Members Without Meeting. Any action required or permitted to be taken at a meeting of the Association may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the members entitled to vote with respect to the subject matter thereof and delivered to the Secretary for inclusion in the minutes or filing with the Association records. Such consent shall have the same force and effect as a unanimous vote of the members.

ARTICLE 3

MEMBERS AND VOTING

Section 3.1. Membership and Voting Rights. The voting rights of the members of the Association shall be as set forth in the Declaration.

Section 3.2. Additional Provisions Governing Voting.

(a) **Association Votes.** If the Association is an Owner, the Association shall cast its votes with the majority with respect to any Lot it owns, and in any event such votes shall be counted for the purpose of establishing a quorum.

(b) **Multiple-Person Owners.** Since a member may be more than one Person, if only one of such Persons is present at a meeting of the Association, that Person shall be entitled to cast the member's votes. If more than one of such Persons is present, the vote pertaining to that member shall be cast only in accordance with unanimous agreement of such Persons, and such agreement shall be conclusively presumed if any of them purports to cast the vote appertaining to that member without protest being made forthwith to the Person presiding over the meeting by any of the other Persons constituting such member.

(c) **Voting Certificate.** If a member is not a natural person, the vote by such member may be cast by any natural person authorized by such member. Such natural person must be named in a certificate signed by an authorized officer, partner or trustee of such Persons and filed with the Secretary; provided, however, that any vote cast by such natural person on behalf of such member shall be deemed valid unless successfully challenged prior to the adjournment of the meeting at which the vote was cast. Such certificate shall be valid unless revoked by a subsequent certificate similarly executed and filed. Wherever the approval or disapproval of a member is required by the Association Documents, such approval or disapproval may be made by any Person who would be entitled to cast the vote of such member at any meeting of the Association.

(d) **Delinquency.** No member may vote at any meeting of the Association or be elected to serve on the Board of Directors if payment by such member of any financial obligation to the Association is delinquent more than sixty days and the amount necessary to bring the account current has not been paid at the time of such meeting or election.

Section 3.3. Manner of Voting. Voting by members at a meeting shall be by voice vote (except for the election of directors which shall be by written ballot) unless the presiding officer determines otherwise or any member present at the meeting, in person or by proxy, requests, and by a Majority Vote the members consent to, a vote by written ballot indicating the name of the member

voting, the number of votes appertaining to such member, and the name of the proxy of such ballot if cast by a proxy. There shall be no cumulative voting.

Section 3.4 Proxies. A vote may be cast in person or by proxy. A proxy may be instructed (directing the proxy how to vote) or uninstructed (leaving how to vote to the proxy's discretion). Only instructed proxies may be granted by any member to the managing agent. Proxies shall be in writing, shall be dated, shall be signed by the member or a Person authorized by the member (or in cases where the member is more than one Person by or on behalf of all such Persons), shall be valid for eleven months unless a longer time period is provided in the proxy and shall be filed with the Secretary. Such proxy shall be deemed revoked only upon actual receipt by the person presiding over the meeting of notice of revocation from the member.

ARTICLE 4

BOARD OF DIRECTORS

Section 4.1. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration and the operation of the Association and may exercise for the Association all powers, duties and authority vested in or delegated to the Association and not expressly prohibited or reserved to the members, by law or by the Declaration, the Articles of Incorporation and these By-Laws.

Section 4.2. Number and Qualification. The first Board of Directors shall consist of the persons designated as Directors in the Articles of Incorporation of the Association. Upon the ending of the terms of the first Board of Directors, the Board of Directors shall consist of three directors unless the number is increased by a majority vote of the members.

Section 4.4. Term of Office. The terms of the members of the Board of Directors appointed by the incorporator shall run for a period of one year from the date of incorporation. After the expiration of the term of the members of the Board of Directors appointed by the incorporator, the term of each member of the Board of Directors shall expire upon the election of a successor or a subsequent annual meeting of the members or until the director has been removed from the office of director. The Board of Directors may provide prospectively for staggered terms for its members. A director

elected to fill a vacancy for the position of a removed director, shall serve out the vacated term. There shall be no cumulative voting.

Section 4.5. Nominations. Nominations for election to the Board of Directors shall be made by a nominating committee. Nominations may also be made from the floor at the annual meeting. The nominating committee shall consist of a chairperson who shall be a member of the Board of Directors and two or more other members of the Association. The nominating committee shall be appointed by the Board of Directors prior to each annual meeting of the members to select nominees for positions on the Board of Directors that became vacant as of the time of such annual meeting. The nominating committee shall make as many nominations as it shall, in its discretion determine, but not less than the number of vacancies that are to be filled.

Section 4.6. Meetings and Notice. The annual meeting of the Board of Directors shall be held within a reasonable time following the annual meeting of the members. Regular meetings of the Board of Directors shall be held at such times and places within the State of Minnesota as may be fixed from time to time by the majority of the members of the Board of Directors. Special meetings of the Board of Directors shall be held when called by the President of the Association or by the Secretary, within ten days following a written request of any two directors. Notice of any special meeting must be given to each director not less than four days in advance thereof. Notice to a director will be deemed to be given when deposited in the United States Mail, postage prepaid to the Lot address of such director, or when personally delivered by the Secretary. Any director may, at any time, waive notice of any meeting of the Board of Directors in writing, and such waiver shall be deemed equivalent to the giving of necessary notice. Attendance by a director at any meeting of the Board of Directors shall constitute a waiver of notice by that director of the time and place thereof. If all the directors are present at and take part in any meeting of the Board of Directors, no notice shall be required, and any business may be transacted at such meeting.

Section 4.7. Quorum. A majority of the members of the Board of Directors shall constitute a quorum for the transaction of business at any meeting thereof. A majority vote of the directors present at any meeting at which a quorum is present shall be sufficient to adopt any action.

Section 4.8. Action Taken Without a Meeting. The Board of Directors shall have the right to take any action in the absence of a meeting which

it could take at a meeting when authorized in a writing signed by all the directors.

Section 4.9. Vacancies. Vacancies in the Board of Directors shall be filled by a person elected by a majority vote of the remaining directors, which persons shall serve out the term vacated.

Section 4.10. Removal. Any director may be removed from the Board of Directors, with or without cause, by Members casting a majority of the votes of all the Lot Owners, as established in the Declaration, at any annual or special meeting of the Members; provided that the notice of the meeting at which removal is to be considered states such purpose, and that a new director is elected at such meeting by the Members to fill each vacant position.

Section 4.11. Compensation. No director shall receive compensation for any service he may render in his capacity as a member of the Board of Directors unless such compensation is approved at a meeting of the Members. However, any director may be reimbursed, by resolution of the Board of Directors, for his actual expenses incurred in the performance of his duties as a director.

Section 4.12 Bonds and Insurance. Fidelity bonds or insurance, officers' and directors' liability insurance and other insurance relating to the operation and management of the Property shall be obtained and maintained by the Board of Directors in accordance with the provisions of the Declaration.

ARTICLE 5

OFFICERS

Section 5.1 Designation and Duties of Officers. The principal Officers of the Association shall be the President (who shall also serve as Chairman of the Board of Directors), the Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may also elect an assistant treasurer, an assistant secretary and such other Officers as in its judgment may be necessary. The President and Vice President shall be Owners (or an officer, partner, or employee of an Owner) (except for those directors designated or elected by the Declarant) and members of the Board of Directors. Each Officer shall perform such duties as are normally associated with such office in parliamentary organizations, except to

the extent (if any) inconsistent with the Act or the Association Documents, and shall perform such other duties as may be assigned to such office by resolution of the Board of Directors. If any Officer is unable for any reason to perform the duties of the office, the President (or the Board of Directors if the President fails to do so) may appoint another qualified person to act in such Officer's stead on an interim basis.

Section 5.2. Election of Officers. The Officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board and shall hold office at the pleasure of the Board. Any officer may hold more than one position; provided, however, that the offices of President, Vice President and Secretary shall be held by three different individuals. Except for death, resignation or removal, the Officers shall hold office until their respective successors shall have been elected by the Board.

Section 5.3. Resignation or Removal of Officers. Any Officer may resign by delivering written notice to the Board of Directors. Unless otherwise specified, such resignation shall take effect upon the receipt thereof, and acceptance of such resignation shall not be necessary to make it effective. Upon the affirmative vote of a majority of the total number of directors any Officer may be removed, either with or without cause, and a successor may be elected at any regular meeting of the Board called for such purpose.

Section. 5.4. Vacancies. A vacancy in any office may be filled by appointment by the Board of Directors. The person appointed to fill a vacancy shall serve for the remainder of the term of the Officer such person replaces.

Section 5.5. President. The President shall be the chief executive officer of the Association; preside at all meetings of the Association and of the Board of Directors; have general and active direction of the business of the Association subject to the control of the Board; see to the execution of the resolutions of the Association and the Board of Directors; see that all orders and resolutions of the Board are carried into effect; and, in general, perform all the duties incident to the office of President.

Section 5.6. Vice President. The Vice President shall take the place of the President and perform the duties of the President 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 director 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 by the Board of Directors or by the President.

Section 5.7. Secretary. The Secretary shall: keep the minutes of all meetings of the Association and of the Board of Directors; have charge of such books and papers as the Board may direct; give or cause to be given all notices required to be given by the Association; prepare the list of members required by Section 2.6; give each Owner notice of each assessment against such Owner's Lot as soon as practicable after assessment is made; give each member notice and a copy of the Rules and Regulations or amendment thereof; maintain a register setting forth the place to which all notices to members and Mortgagees hereunder shall be delivered; to give notice to each member of any dedication, conveyance, and transfer by the Association of any property or of any easement or other estate or interest therein; file or cause to be filed the annual report for the Association; make it possible for any member or Mortgagee to inspect and copy at reasonable times and by appointment the records of the Association; and, in general, perform all the duties incident to the office of Secretary.

Section 5.8. Treasurer. The Treasurer shall be responsible for Association funds and securities; keep full and accurate financial records and books of account showing all receipts and disbursements; prepare or cause to be prepared all required financial data, deposit all monies and other valuable effects in the name of the Board of Directors or the Association, in such depositories as may from time to time be designated by the Board; and, in general, perform all the duties incident to the office of Treasurer.

ARTICLE 6

FIDUCIARY DUTIES

Section 6.1 Execution of Documents. Unless otherwise provided in the resolution of the Board of Directors: (1) all agreements, contracts, deeds, leases, checks and other instruments of the Association for expenditures or obligations in excess of ten percent of the total annual assessment for Common Expenses for that fiscal year, and all checks drawn upon reserve accounts, shall be executed by any two persons designated by the Board of Directors; and (2) all such instruments for expenditures or obligations of ten percent or less of the total annual assessment for Common Expenses for that fiscal year, except from reserve accounts, may be executed by any one person designated by the Board of Directors. Any Officer of the Association may be

designated by Board resolution to sign a Statement of Common Expenses on behalf of the Association.

Section 6.2. Liability and Indemnification.

(a) **No Personal Liability.** The directors, Officers and members of the Covenants Committee shall not be liable to the Association or any member for any mistake or judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith. Directors and Officers shall have no personal liability to third parties for any contractual obligations of the Association. No member shall be liable for the contract or tort liability of the Association by reason of ownership or membership therein. Every agreement made by the Board of Directors, the Officers or the managing agent on behalf of the Association shall, if obtainable, provide that the directors, the Officers or the managing agent, as the case may be, are acting only as agents for the Association and shall have no personal liability thereunder.

(b) **Indemnification.** The Association shall indemnify the directors, Officers and members of the Covenants Committee to the extent that it is contemplated a nonstock corporation may indemnify its directors, officers, provided, however, that before the Association uses association funds for indemnification, all insurance proceeds must be obtained and applied toward such indemnification.

(c) **Directors and Officers Liability Insurance.** The Association shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, Officer or member of the Covenants Committee against any liability asserted against such person and incurred by such person in any such capacity or arising out of such person's status as such, whether or not the Association would have the power to indemnify such Person against such liability under the provisions of this section. Further, the availability of the Association's indemnity shall not relieve any insurer of any liability under an insurance policy held by the Association.

ARTICLE 7

BOOKS AND RECORDS

Section 7.1. Maintenance. The Association shall keep books and records as required by the Act. All books and records shall be kept in accordance with generally accepted accounting principles, and the same shall be reviewed at least once a year by an accountant retained by the Board of Directors who shall not be an Owner or an occupant of a Lot. The cost of such review shall be a Common Expense.

Section 7.2. Availability. The books and records of the Association shall be available for examination by the members, their attorneys, accountants, Mortgagees and authorized agents during general business hours on business days at the times and in the manner established by the Board of Directors for the general knowledge of the members in accordance with Section 13.1-933 of the Act. The list of members required by Section 2.6 hereof shall be available for inspection for a period of ten days prior to the meeting and at the meeting. Pursuant to Section 13.3 of the Declaration, all Mortgagees or their representatives shall have the right to examine the books and records of the Association on the same terms and conditions as the members and Owners. The Board of Directors may fix from time to time a reasonable charge to cover the direct and indirect costs of providing any documents to a member or Mortgagee.

Section 7.3. Accounting Report. Within one hundred twenty days after the end of each fiscal year, the Board of Directors shall make available to all members, and to each Mortgagee requesting the same, an itemized accounting of the Common Expenses for such fiscal year actually incurred and paid, together with a tabulation of the amounts collected pursuant to the budget adopted by the Board of Directors for such fiscal year, and showing the net amount over or short of the actual expenditures plus reserves.

Section 7.4. Fiscal Year. The first fiscal year of the Association shall begin on the date of incorporation and end on the last day of December, unless otherwise determined by the Board of Directors. Each subsequent fiscal year shall commence on January 1 and end on December 31, unless otherwise determined by the Board of Directors.

ARTICLE 8

NOTICES

Except as specifically provided otherwise in the Act or the Association Documents, all notices, demands, bills, statements or other communications

under the Association Documents shall be in writing and shall be deemed to have been duly given if delivered personally or by telegraph, teletype or other form of wire or wireless communication or by private carrier or sent United States mail, postage prepaid pursuant to Section 13.1-810 of the Act, or if notification is of a default or lien, sent by registered or certified United States mail, return receipt requested, postage prepaid: (1) if to a member, at the address which the member shall designate in writing and file with the Secretary or, if no such address is designated, at the address of the Lot of such member; (2) if to the Association, the Board of Directors or to the managing agent, at the principal office of the managing agent or at such other address as shall be designated by notice in writing to the members pursuant to this section; or (3) if to a Mortgagee, at the address indicated by the Mortgagee in a written notice to the Association. If mailed, such notice shall be deemed to be given when deposited in the United States Mail addressed to the member's address shown in the Association records. Notice of meetings may be included as part of the Association's newsletter, if the newsletter is delivered to every member. If a Lot is owned by more than one Person, each such Person who so designates an address in writing to the Secretary shall be entitled to receive all notices hereunder, otherwise, the Person receiving the notice shall have the responsibility for notifying the other Persons comprising the Owner.

ARTICLE 9

AMENDMENTS

Section 9.1. These By-Laws may be amended if the amendment is approved by Members entitled to cast at least 75% of the votes of the Association in writing, or at a duly held meeting of the Members subject to any rights that may be reserved by the declaration for any holder of an interest in a Lot as security for an obligation or for the developer.

ARTICLE 10

OPERATION OF THE PROPERTY

Section 10.1. Budget; Levy. The Board of Directors shall from time to time, and at least annually, prepare a budget of Common Expenses for the Association and assess and levy such Common Expenses among the Lots according to their respective Common Expense liability allocated among the Lots by the Declaration. The levy shall be deemed to occur upon the date of the resolution which sets forth the Common Expense. The Common Expenses shall include an adequate reserve fund for maintenance, repairs and replacement of those Common Elements that must be replaced on a periodic basis. The Board of Directors shall fix the amount of the annual assessment against each Lot and shall advise each Member in writing as to the amount of the assessment payable with respect to the Lot at least thirty (30) days prior to the first day of the year for which the assessment is made. In addition, the Association shall, upon request by the Member, furnish copies of each budget on which such Common Elements and the assessment are based to such Member and to any holder of an interest in the Lot as security for an obligation designated by the Member. In the event an annual assessment proves to be insufficient, the budget assessments therefor may be amended, or a special assessment levied, as provided by the Declaration.

Section 10.2. Payment of Common Expenses. All Lot Owners shall be obligated to pay the Common Expenses assessed and levied by the Board of Directors pursuant to Paragraph 1 of this Article. Such assessment shall, unless otherwise determined by the Board of Directors, be due in monthly installments in advance on the first day of each month of the year or other period for which the assessments are made, or when designated by the Board of Directors in the case of a special assessment.

Section 10.3. Default in Payment of Common Expenses. In the event any Lot Owner does not make payment within 30 days of the date when any assessment or installment thereof is due, the Board of Directors may assess, and such Lot Owner shall be obligated to pay, interest at the highest rate allowed by law on such assessment or installment thereof from the date due, together with all expenses, including reasonable attorneys' fees incurred by the board in any proceeding brought to collect any such unpaid assessment. In addition the Board of Directors may accelerate the remaining installments of the assessment upon notice thereof to the Lot Owner, and thereupon the entire unpaid balance of the assessment with all accrued interest shall become due and payable upon the date stated in the notice. The Board of Directors shall have the right and duty to attempt to recover all assessments for Common Expenses, together with interest and the expenses of the proceeding, including reasonable attorneys'

fees, in any action to recover the same brought against an Owner or by foreclosure of the lien upon a Lot. Upon written request of a Lot Owner, notice of a default of more than thirty (30) days in payment of an assessment or installment of an assessment for Common Expenses or any other default in the performance of obligations by the Lot Owner shall be given in writing to any holder of an interest in the Lot as security for an obligation which may be designated in writing by the Lot Owner. In addition to any other remedies, the use of recreational facilities by any Lot Owner, or any guest thereof, may be suspended by action of the Board of Directors during the period when any assessments are delinquent with respect to such Lot.

Section 10.4. Foreclosure of Liens for Unpaid Assessments. The Association has the right to foreclose a lien against a Lot for assessments imposed by the Association, as more fully described in the Declaration. During any such foreclosure action brought by the Association, the Lot Owner may be required by the Board of Directors to pay a reasonable rental for the use of the Lot and the Association shall be entitled to the appointment of a receiver to collect the same.

Section 10.5. Records. The Board of Directors shall cause to be kept at the registered office of the Association, and at such other place as the Board of Directors may determine, records of the actions of the Board of Directors, minutes of the meetings of the Board of Directors, minutes of the meetings of the Members of the Association, names of the Lot Owners, and detailed and accurate records, in chronological order, of the receipts and expenditures of the association. Such records of receipts and expenditures and any vouchers authorizing payments shall be available for examination by the Lot Owners, or the holder of an interest in the Lot as security for an obligation which may be designated by the Lot Owner, upon reasonable notice during normal business hours. Separate accounts shall be maintained for each Lot setting forth the amount of the assessments against the Lot, the date when due, amount paid thereon and the balance remaining unpaid.

Section 10.6. Enforcement of Obligations. All Lot Owners, lessees and their guests are obligated and bound to observe the applicable provisions of the Declaration and these By-Laws. The Association may impose any or all of the charges, sanctions and remedies authorized in the foregoing documents and by law to enforce and implement its rights and to otherwise enable it to manage and operate the Association.

SECTION 11

MISCELLANEOUS

Section 11.1. Notices. Unless specifically provided otherwise in the Declaration and these By-Laws, all notices required hereunder to be given to the Association or the Board of Directors shall be sent by certified mail to the Board of Directors at the office of the Association or to such other address as the Board of Directors may hereafter designate from time to time by written notice given in the manner hereinafter prescribed; all notices to any Lot Owner or to any other Persons entitled to notice shall be sent by United States mail to his Lot address or to such other address as may be designated by him or other Persons entitled to notice in writing from time to time to the Association. All notice shall be deemed to have been given when deposited in the U.S. mail postage prepaid, except notices of change of address, which shall be deemed to have been given when received.

Section 11.2. Severability. The invalidity or unenforceability of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these By-Laws.

Section 11.3. Captions. The captions herein are inserted only as a matter of convenience and for reference and in no way limit or proscribe the scope of these By-Laws or the intent of any provision hereof.

Section 11.4. Conflicts in Documents. In the event of any conflict among the provisions of the Declaration, the By-Laws or any rules and regulations approved by the Association, the Declaration shall control. As between the By-Laws and the rules and regulations, the By-Laws shall control.

Section 11.5. Waiver. No restriction, condition, obligation or provision contained in these By-Laws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

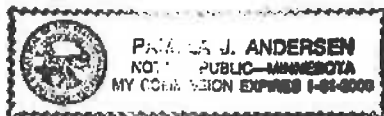
Section 11.6 No Corporate Seal. The Association shall have no corporate seal.

The undersigned hereby certifies that the foregoing By-Laws were or will be adopted as the By-Laws of East Oaks Townhomes, a non-profit corporation under the laws of the State of Minnesota, by action of the Board of Directors at the first meeting thereof.

Thomas E. Wortman
Secretary

STATE OF MINNESOTA)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this 24th day of March, 1997 by Thomas E. Wortman, Secretary of East Oaks Townhomes, a Minnesota non-profit corporation on behalf of the corporation.



Pamela J. Andersen
Notary Public

This instrument was drafted by:
Barry McKee
324 S. Main Street
Stillwater, MN 55082

COMMON INTEREST COMMUNITY NUMBER 98
Planned Community

EAST OAKS TOWNHOMES

COPY

DECLARATION

This Declaration is made in the County of Washington, State of Minnesota, on this 7th day of March, 1997, by Fee Owners East Oaks L.L.C., a Limited Liability Company under the laws of the State of Minnesota, Ventura Homes, Inc., a Minnesota corporation, and Jon Wesley Investments, Inc., a Minnesota corporation, Contract Purchaser Thomas E. Wortman, and Mortgagees Central Bank, a Minnesota corporation, and Lake Elmo Bank, a Minnesota corporation (hereinafter jointly referred to as "Declarant"), pursuant to the provisions of Minnesota Statutes Chapter 515B, known as the Minnesota Common Interest Ownership Act (the "Act"), for the purpose of creating East Oaks Townhomes, a planned community.

WHEREAS, Declarant is the owner or mortgagee of certain real property located in Washington County, Minnesota, legally described in Exhibit A attached hereto and Declarant desires to submit said real property and all improvements thereon (collectively the "Property") to the Act, and,

WHEREAS, Declarant desires to establish on the Property, a plan for a permanent residential community to be owned, occupied and operated for the use, health, safety and welfare of its resident Owners and Occupants, and for the purpose of preserving the value, the structural quality, and the original architectural and aesthetic character, of the Property, and

WHEREAS, the Property is not subject to an ordinance referred to in Section 515B. 1106 of the Act, governing conversions to common interest ownership, and is not subject to a master association as defined in the Act.

THEREFORE, Declarant makes the Declaration and submits the Property to the Act as a planned community under the name "East Oaks Townhomes", initially consisting of the Units referred to in Article II, declaring that this Declaration shall constitute covenants to run with the Property, and that the Property, and all Additional Real Estate added thereto, shall be owned, used occupied and conveyed subject to the covenants, restrictions, easements, charges and liens set forth herein, all of which shall be binding upon all Persons owning or acquiring any right, title or interest therein, and their heirs, personal representatives, successors and assigns.

SECTION 1

DEFINITIONS

The following words when used in the Governing Documents shall have the following meanings (unless the context indicates otherwise):

- 1.1 "Association" shall mean East Oaks Owners Association, a nonprofit corporation which has been created pursuant to Chapter 317A of the laws of the State of Minnesota and Minnesota Statutes Section 515B.3-101, whose members consist of all Owners as defined herein.
- 1.2 "Board" shall mean the Board of Directors of the Association as provided for in the By-Laws.
- 1.3 "By-Laws" shall mean the ByLaws governing the operation of the Association, as amended from time to time.
- 1.4 "Common Elements" shall mean all parts of the Property except the Units, including all improvements thereon, owned by the Association for the common benefit of the Owners and Occupants. The Common Elements are legally described in Exhibit B attached hereto.
- 1.5 "Common Expenses" shall mean and include all expenditures made or liabilities incurred by or on behalf of the Association and incident to its operation, including without limitation allocations to reserves and those items specifically identified as Common Expenses in the Declaration or By-Laws.
- 1.6 "Dwelling" shall mean a part of a building consisting of one or more floors, designed and intended for occupancy as a single family residence, and located within the boundaries of a Unit. The Dwelling includes any garage attached thereto or otherwise included within the boundaries of the Unit in which the Dwelling is located.
- 1.7 "Eligible Mortgagee" shall mean any Person owning a mortgage on any Unit, which mortgage is first in priority upon foreclosure to all other mortgages that encumber such Unit, and which has requested the Association, in writing, to notify it regarding any proposed action which requires approval by a specified percentage of Eligible Mortgagees.
- 1.8 "Governing Documents" shall mean this Declaration, and the Articles of Incorporation and By-Laws of the Association, as amended from time to time, all of which shall govern the use and operation of the Property.

- 1.9 "Member" shall mean all persons who are members of the Association by virtue of being Owners as defined in this Declaration. The words "Owner" and "Member" may be used interchangeably in the Governing Documents.
- 1.10 "Occupant" shall mean any person or persons, other than an Owner, in possession of or residing in a Unit.
- 1.11 "Owner" shall mean a Person who owns a Unit, but excluding contract for deed vendors, mortgagees and other secured parties within the meaning of Section 515B.1-103(29) of the Act. The term "Owner" includes, without limitation, contract for deed vendees and holders of a life estate.
- 1.12 "Party Wall" shall mean the shared wall between two Dwellings.
- 1.13 "Person" shall mean a natural individual, corporation, limited liability company, partnership, trustee, or other legal entity capable of holding title to real property.
- 1.14 "Plat" shall mean the recorded plat depicting the Property pursuant to the requirements of Section 515A.2-1 10(d) of the Act, and satisfying the requirements of Minnesota Statutes Chapter 505, 508 or 508A, as applicable, including any amended or supplemental Plat recorded from time to time in accordance with the Act.
- 1.15 "Property" shall mean all of the real property submitted to this Declaration, including the Dwellings and all other structures and improvements located thereon now or in the future. The Property as of the date of this Declaration is legally described in Exhibit A attached hereto.
- 1.16 "Rules and Regulations" shall mean the Rules and Regulations of the Association as approved from time to time pursuant to Section 5.6.
- 1.17 "Unit" shall mean any platted lot subject to this Declaration upon which a Dwelling is located or intended to be located, as shown on the Plat, including all improvements thereon, but excluding the Common Elements.

Any terms used in the Governing Documents, and defined in the Act and not in this Section, shall have the meaning set forth in the Act.

SECTION 2

DESCRIPTION OF UNITS AND APPURTENANCES

- 2.1 Units. There are 26 Units, all of which are restricted exclusively to residential use. Each Unit constitutes a separate parcel of real estate. No additional Units may be created by the subdivision or conversion of Units pursuant to Section 515B.2-112 of the Act. The Unit identifiers and locations of the Units are as shown on the Plat, which is incorporated herein by reference, and a schedule of Units is set forth on Exhibit A. The Unit identifier for a Unit shall be its lot and block number and the subdivision name.
- 2.2 Unit Boundaries. The front, rear and side boundaries of each Unit shall be the boundary lines of the platted lot upon which the Dwelling is located or intended to be located as shown on the Plat. The Units shall have no upper or lower boundaries. Subject to this Section 2 and Section 3.2., all spaces, walls, and other improvements within the boundaries of a Unit are a part of the Unit.
- 2.3 Access Easements. Each Unit shall be the beneficiary of an appurtenant easement for access to a public street or highway on or across the Common Elements as shown on the Plat, subject to any restrictions set forth in the Declaration.
- 2.4. Use and Enjoyment Easements. Each Unit shall be the beneficiary of appurtenant easements for use and enjoyment on and across the Common Elements, and for use and enjoyment of any Limited Common Elements allocated to the Unit, subject to any restrictions authorized by the Declaration.
- 2.5. Utility and Maintenance Easements. Each Unit shall be subject to and shall be the beneficiary of appurtenant easements for all services and utilities servicing the Units and the Common Elements, and for maintenance, repair and replacement as described in Section 13.
- 2.6. Encroachment Easements. Each Unit shall be subject to and shall be the beneficiary of the appurtenant easements for encroachments as described in Section 13.
- 2.7. Declarant's Easements. Declarant shall have and be the beneficiary of easements for construction and sales activities as described in Section 15.6.
- 2.8 Recorded Easements. The Property shall be subject to such other easements as may be recorded against it or otherwise shown on the Plat.

- 2.9 Easements are Appurtenant. All easements and similar rights burdening or benefiting a Unit or any other part of the Property shall be appurtenant thereto, and shall be permanent, subject only to termination in accordance with the Act or the terms of the easement. Any recorded easement benefiting or burdening the Property shall be construed in a manner consistent with, and not in conflict with, the easements created by this Declaration.
- 2.10 Impairment Prohibited. No person shall materially restrict or impair any easement benefiting or burdening the Property; subject to the Declaration and the right of the Association to establish and enforce reasonable Rules and Regulations governing the use of the Property.

SECTION 3

COMMON ELEMENTS AND LIMITED COMMON ELEMENTS

- 3.1. Common Elements. The Common Elements and their characteristics are as follows:
- a. All of the Property not included within the Units constitutes Common Elements. The Common Elements include those parts of the Property described in Exhibit B or designated as Common Elements on the Plat or in the Act. The Common Elements are owned by the Association for the benefit of the Owners and Occupants.
 - b. The Common Elements shall be subject to certain easements as described in Section 2, and to the rights of Owners and Occupants in Limited Common Elements appurtenant to their Units.
 - c. Subject to Sections 5, 6 and 9, all maintenance, repair, replacement, management and operation of the Common Elements shall be the responsibility of the Association.
 - d. Common Expenses for the maintenance, repair, replacement, management and operation of the Common Elements shall be assessed and collected from the Owners in accordance with Section 6.
- 3.2 Limited Common Elements. The Limited Common Elements are those parts of the Common Elements reserved for the exclusive use of the Owners and Occupants of the Units to which they are allocated, and the rights to the use and enjoyment thereof are automatically conveyed with the conveyance of such Units. The Limited Common Elements are described and allocated to the Units as follows:

- a. Chutes, flues, ducts, pipes, wires, conduit or other utility installations, bearing walls, bearing columns, or any other components or fixtures lying partially within and partially outside the boundaries of a Unit, and serving only that Unit, are allocated to the Unit they serve. Any portion of such installations serving or affecting the function of more than one Unit or any portion of the Common Elements, but is not a Limited Common Element.
- b. Improvements such as decks, patios, balconies, shutters, awnings, window boxes, doorsteps, stoops, perimeter doors and windows, constructed as part of the original construction to serve a single Unit, and authorized replacements and modifications thereof, if located outside the Unit's boundaries, are Limited Common Elements allocated exclusively to that Unit.

SECTION 4

ASSOCIATION MEMBERSHIP; RIGHTS AND OBLIGATIONS

Membership in the Association, and the allocation to each Unit of a portion of the votes in the Association and a portion of the Common Expenses of the Association shall be governed by the following provisions:

- 4.1 Membership. Each Owner shall be a member of the Association by virtue of Unit ownership, and the membership shall be transferred with the conveyance of the Owner's interest in the Unit. An Owner's membership shall terminate when the Owner's ownership terminates. When more than one Person is an Owner of a Unit, all such Persons shall be members of the Association, but multiple ownership of a Unit shall not increase the voting rights allocated to such Unit nor authorize the division of the voting rights.
- 4.2 Voting and Common Expenses. Voting rights and Common Expense obligations are allocated equally among the Units; except that special allocations of Common Expenses shall be permitted as provided in Section 6. 1.
- 4.3 Appurtenant Rights and Obligations. The ownership of a Unit shall include the voting rights and Common Expense obligations described in Section 4.2. Said rights, obligations and interests, and the title to the Units, shall not be separated or conveyed separately. The allocation of the rights, obligations and interests described in this Section may not be changed, except in accordance with the Governing Documents and the Act.

- 4.4 Authority to Vote. The Owner, or some natural person designated to act as proxy on behalf of the Owner, and who need not be an Owner, may cast the vote allocated to such Unit at meetings of the Association; provided, that if there are multiple Owners of a Unit, only the Owner or other Person designated pursuant to the provisions of the By-Laws may cast such vote. The voting rights of Owners are more fully described in Section 3 of the By-Laws.

SECTION 5

ADMINISTRATION

The administration and operation of the Association and the Property, including but not limited to the acts required of the Association, shall be governed by the following provisions:

- 5.1 General. The operation and administration of the Association and the Property shall be governed by the Governing Documents, the Rules and Regulations, and the Act. The Association shall, subject to the rights of the Owners set forth in the Governing Documents and the Act, be responsible for the operation, management and control of the Property. The Association shall have all powers described in the Governing Documents, the Act and the statute under which it is incorporated. All power and authority of the Association shall be vested in the Board, unless action or approval by the individual Owners is specifically required by the Governing Documents or the Act. All references to the Association shall mean the Association acting through the Board unless specifically stated to the contrary.
- 5.2 Operational Purposes. The Association shall operate and manage the Property for the purposes of (i) administering and enforcing the covenants, restrictions, easements, charges and liens set forth in the Governing Documents and the Rules and Regulations (ii) maintaining, repairing and replacing those portions of the Property for which it is responsible and (iii) preserving the value and architectural uniformity and character of the Property.
- 5.3 Binding Effect of Actions. All agreements and determinations made by the Association in accordance with the powers and voting rights established by the Governing Documents or the Act shall be binding upon all Owners and Occupants, and their lessees, guests, heirs, personal representatives, successors and assigns, and all secured parties as defined in the Act.
- 5.4 By-Laws. The Association shall have By-Laws. The By-Laws and any amendments thereto shall govern the operation and administration of the Association.

- b. Any Common Expense or portion thereof benefiting fewer than all of the Units may be assessed exclusively against the Units benefited, on the basis of (i) equality, (ii) square footage of the area being maintained, repaired or replaced, or (iii) the actual cost incurred with respect to each Unit.
- c. The costs of insurance may be assessed in proportion to value, risk or coverage, and the costs of utilities may be assessed in proportion to usage.
- d. Reasonable attorneys fees and other costs of incurred by the Association in connection with (i) the collection of assessments and (ii) the enforcement of the Governing Documents, the Act, or the Rules and Regulations, against an Owner or Occupant or their guests, may be assessed against the Owner's Unit.
- e. Fees, charges, late charges, fines and interest may be assessed as provided in Section 14.
- f. Assessments levied under Section 515B.3-116 of the Act to pay a judgment against the Association may be levied only against the Units existing at the time the judgment was entered, in proportion to their Common Expense liabilities.
- g. If any damage to the Common Elements or another Unit is caused by the act or omission of any Owner or Occupant, or their guests, the Association may assess the costs of repairing the damage exclusively against the Owner's Unit to the extent not covered by insurance.
- h. If any installment of an assessment becomes more than 30 days past due, then the Association may, upon 10 days written notice of the Owner, declare the entire amount of the assessment immediately due and payable in full.
- i. If Common Expense liabilities are reallocated for any purpose authorized by the Act, Common Expense assessments and any installment thereof not yet due shall be recalculated in accordance with the reallocated Common Expense liabilities.
- j. Assessments under Subsections 6.1.a-h shall not be considered special assessments as described in Section 6.3.

6.2 Annual Assessments. Annual assessments shall be established and levied by the Board, subject only to the limitations set forth in Section 6.2 and 6.3. Each annual assessment shall cover all of the anticipated Common Expenses of the

- 5.5 Management. The Board may delegate to a manager or managing agent the management duties imposed upon the Association's officers and directors by the Governing Documents and the Act; provided, however, that such delegation shall not relieve the officers and directors of the ultimate responsibility for the performance of their duties as prescribed by the Governing Documents and by law.
- 5.6 Rules and Regulations. The Board shall have exclusive authority to approve and implement such reasonable Rules and Regulations as it deems necessary from time to time for the purpose of operating and administering the affairs of the Association and regulating the use of the Property; provided that the Rules and Regulations shall not be inconsistent with the Governing Documents or the Act. The inclusion in other parts of the Governing Documents of authority to approve Rules and Regulations shall be deemed to be in furtherance, and not in limitation, of the authority granted by this Section. New or amended Rules and Regulations shall be effective only after reasonable notice thereof has been given to the Owners.
- 5.7. Association Assets; Surplus Funds. All funds and real or personal property acquired by the Association shall be held and used for the benefit of the Owners for the purposes stated in the Governing Documents. Surplus funds remaining after payment of or provision for Common Expenses and reserves shall be credited against future assessments or added to reserves, as determined by the Board.

SECTION 6

ASSESSMENTS FOR COMMON EXPENSES

- 6.1 General. Assessments for Common Expenses shall be determined and assessed against the Units by the Board, in its discretion; subject to the limitations set forth in Sections 6.2 and 6.3, and the requirements of the By-Laws. Assessments for Common Expenses shall include annual assessments and may include special assessments. Assessments shall be allocated among the Units according to the Common Expense allocations set forth in Section 4.2., subject to the following qualifications:
- a. Any Common Expense associated with the maintenance, repair, or replacement of a Limited Common Element undertaken by the Association may be assessed exclusively against the Unit or Units to which that Limited Common Element is assigned, on the basis of (i) equality, (ii) square footage of the area being maintained, repaired or replaced, or (iii) the actual cost incurred with respect to each Unit.

Association for that year. Annual assessments shall provide, among other things, for contributions to a separate reserve fund sufficient to cover the periodic cost of maintenance, repair and replacement of the Common Elements and those parts of the Units for which the Association is responsible.

- a. Until a Common Expense assessment is levied, Declarant shall pay all accrued expenses of the common interest community.
- b. After a Common Expense assessment is levied, the annual assessment may be subsequently increased by the Board, subject to Section 6.2.c.
- c. Until the termination of the period of Declarant control described in Section 15.7, the increase in the annual assessment for any year shall not exceed the greater of (i) the increase in the U.S. Department of Labor Revised Consumer Price Index for Urban Wage Earners and Clerical Workers for All Items for the prior year; or (ii) 5 % of the total annual assessment for the Association's previous fiscal year, unless such increase is approved by the vote of a majority of those Owners voting, in person or by proxy, at a meeting called for that purpose. Written notice of the meeting shall be sent to all Owners not less than 21 days nor more than 30 days in advance of the meeting.

6.3 Special Assessments. In addition to annual assessments, and subject to the limitations set forth hereafter, the Board may levy in any assessment year a special assessment against all Units for the purpose of defraying in whole or in part (i) the cost of any unforeseen or unbudgeted Common Expense, (ii) general or specific reserves for maintenance, repair or replacement, and (iii) the maintenance, repair or replacement of any part of the Property, and any fixtures or other property related thereto. Notwithstanding the foregoing, any special assessment shall be subject to approval by the vote of a majority of those Owners voting, in person or by proxy, at a meeting called for that purpose. Written notice of the meeting shall be sent to all Owners not less than 21 days nor more than 30 days in advance of the meeting.

6.4 Working Capital Fund. Declarant shall establish a working capital fund to meet unforeseen expenditures or to purchase additional equipment or services during the period when Declarant is conducting its sales activities. There shall be contributed on a one-time basis for each Unit sold by Declarant an amount equal to three (3) months installments of the estimated Common Expense assessment for the Unit being conveyed. The contribution to the working capital fund may be paid either at the time of closing of sale of the Unit or when

control of the Association is transferred to the Owners upon termination of the period of Declarant control. The amounts paid into this fund are in addition to the regular monthly installments of assessments. The funds shall be deposited into the Association's account, and Declarant may not use the funds to defray any of its expenses, reserve contributions, or construction costs, or to make up any budget deficit while Declarant is in control of the Association. However, upon closing of an unsold Unit, Declarant may reimburse itself from funds collected at the closing for funds which it contributed to the working capital fund with respect to that Unit.

6.5 Liability of Owners for Assessments. The obligation of an Owner to pay assessments shall commence at the later of (i) the time at which the Owner acquires title to the Unit, or (ii) the due date of the first assessment levied by the Board, subject to the alternative assessment program described in Section 6.6. The Owner at the time an assessment is payable with respect to the Unit shall be personally liable for the share of the Common Expenses assessed against such Unit. Such liability shall be joint and several where there are multiple Owners of the Unit. The liability is absolute and unconditional. No Owner is exempt from liability for payment of his or her share of Common Expenses by right of set-off, by waiver of use or enjoyment of any part of the Property, by absence from or abandonment of the Unit, by the waiver of any other rights, or by reason of any claim against the Association or its officers, directors or agents, or for their failure to fulfill any duties under the Governing Documents or the Act. The Association may invoke the charges, sanctions and remedies set forth in Section 14, in addition to any remedies provided elsewhere in the Governing Documents, the Rules and Regulations, or by law, for the purpose of enforcing its rights hereunder.

6.6 Declarant's Alternative Assessment Program. The following alternative assessment program is established pursuant to Section 515B.3-115(a)(2) of the Act. Notwithstanding anything to the contrary in this Section 6, if a Common Expense assessment has been levied, any Unit owned by Declarant for initial sale shall be assessed at the rate of 25 % of the assessment levied on other Units of the same type until a certificate of occupancy has been issued with respect to the Declarant's Unit by the municipality in which the Unit is located. This reduced assessment shall apply to each Unit owned by Declarant at the time that the Unit is created, and shall continue with respect to the Unit until the certificate of occupancy is issued for that Unit. There are no assurances that this alternative assessment program will have no effect on the level of services for items set forth in the Association's budget.

- 6.7 Assessment Lien. The Association has a lien on a Unit for any assessment levied against that Unit from the time the assessment becomes due. 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 imposed by the Association pursuant to Section 515B.3-102(a)(10), (11) and (12) of the Act are liens, and are enforceable as assessments, under this Section. Recording of the Declaration constitutes record notice and perfection of any lien under this Section, and no further recordation of any notice of or claim for the lien is required.
- 6.8 Foreclosure of Lien, Remedies. A lien for Common Expenses may be foreclosed against a Unit under the laws of the State of Minnesota (i) by action, or (ii) by advertisement as a lien under a mortgage containing a power of sale. The Association, or its authorized representative, shall have the power to bid in at the foreclosure sale and to acquire, hold, lease, mortgage and convey any Unit so acquired. The Owner and any other Person claiming an interest in the Unit, by the acceptance or assertion of any interest in the Unit, grants to the Association a power of sale and full authority to accomplish the foreclosure. The Association shall, in addition, have the right to pursue any other remedy at law or in equity against the Owner who fails to pay any assessment or charge against the Unit.
- 6.9 Lien Priority; Foreclosure. A lien under this Section is prior to all other liens and encumbrances on a Unit except (i) liens and encumbrances recorded before the Declaration, (ii) any first mortgage on the Unit, and (iii) liens for real estate taxes and other governmental assessments or charges against the Unit. Notwithstanding the foregoing, if (i) a first mortgage on a Unit is foreclosed, (ii) the first mortgage was recorded on or after June 1, 1994, and (iii) no Owner redeems during the Owner's period of redemption provided by Chapters 580, 581, or 582, then the holder of the sheriff's certificate of sale from the foreclosure of the first mortgage shall take title to the Unit subject to unpaid assessments for Common Expenses levied pursuant to Sections 515B.3-115(a), (h)(1) to (3), (i), and (1) of the Act which became due, without acceleration, during the six months immediately preceding the first day following the end of the Owner's period of redemption.
- 6.10 Voluntary Conveyances; Statement of Assessments. In a voluntary conveyance of a Unit the buyer shall not be personally liable for any unpaid assessments and other charges made by the Association against the seller or the seller's Unit prior to the time of conveyance to the buyer, unless expressly assumed by the buyer. However, the lien of such assessments shall remain against the Unit until satisfied. Any seller or

buyer shall be entitled to a statement, in recordable form, from the Association setting forth the amount of the unpaid assessments against the Unit, including all assessments payable in the Association's current fiscal year, which statement shall be binding on the Association, seller and buyer.

SECTION 7

RESTRICTIONS ON USE OF PROPERTY

All Owners and Occupants, and all secured parties, by their acceptance or assertion of an interest in the Property, or by their occupancy of a Unit, covenant and agree that, in addition to any other restrictions which may be imposed by the Act or the Governing Documents, the occupancy, use, operation, alienation and conveyance of the Property shall be subject to the following restrictions:

- 7.1 General. The Property shall be owned, conveyed, encumbered, leased, used and occupied subject to the Governing Documents and the Act, as amended from time to time. All covenants, restrictions and obligations set forth in the Governing Documents are in furtherance of a plan for the Property, and shall run with the Property and be a burden and benefit to all Owners and Occupants and to any other Person acquiring or owning an interest in the Property, their heirs, personal representatives, successors and assigns.
- 7.2 Subdivision Prohibited. Except as permitted by the Act, no Unit nor any part of the Common Elements may be subdivided or partitioned without the prior written approval of all Owners and all secured parties holding first mortgages on the Units.
- 7.3 Residential Use. The Units shall be used by Owners and Occupants and their guests exclusively as private, single family residential dwellings, and not for transient, hotel, commercial, business or other non-residential purposes, except as provided in Section 7.4. Any lease of a Unit (except for occupancy by guests with the consent of the Owner) for a period of less than 7 days, or any occupancy which includes any services customarily furnished to hotel guests, shall be presumed to be for transient purposes.
- 7.4 Business Use Restricted. No business, trade, occupation or profession of any kind, whether carried on for profit or otherwise, shall be conducted, maintained or permitted in any Unit or the Common Elements; except (i) an Owner or Occupant residing in a Unit may keep and maintain his or her business or professional records in such Unit and handle matters relating to such business by telephone or correspondence therefrom, provided that such uses are incidental to the residential use, do not involve physical alteration of the Unit and do not involve any observable business activity such as signs,

advertising displays, bulk mailings, deliveries, or visitation or use of the Unit by customers or employees and (ii) the Association may maintain offices on the Property for management and related purposes.

7.5 Leasing. Leasing of Units shall be allowed, subject to reasonable regulation by the Association, and subject to the following conditions: (i) that no Unit shall be leased for transient or hotel purposes, (ii) that no Unit may be subleased, (iii) that all leases shall be in writing, and (iv) that all leases shall provide that they are subordinate and subject to the provisions of the Governing Documents, the Rules and Regulations and the Act, and (v) that any failure of the lessee to comply with the terms of such documents shall be a default under the lease. The Association may impose such reasonable Rules and Regulations as may be necessary to implement procedures for the leasing of Units, consistent with this Section.

7.6 Parking. Garages and parking areas on the Property shall be used only for parking of vehicles owned or leased by Owners and Occupants and their guests, and such other incidental uses as may be authorized in writing by the Association. The use of garages, driveways and other parking areas on the Property, and the types of vehicles and personal property permitted thereon, shall be subject to regulation by the Association, including without limitation the right of the Association to tow illegally parked vehicles or to remove unauthorized personal property.

7.7. Animals. No animal may be bred, or kept or maintained for business or commercial purposes, anywhere on the Property. However, the Board shall have the exclusive authority to prohibit, or to allow and regulate, by Rules and Regulations, the keeping of animals on the Property. The word "animal" shall be construed in its broadest sense and shall include all living creatures except humans.

7.8 Quiet Enjoyment; Interference Prohibited. All Owners and Occupants and their guests shall have a right of quiet enjoyment in their respective Units, and shall use the Property in such a manner as will not cause a nuisance, nor unduly restrict, interfere with or impede the use of the Property by other Owners and Occupants and their guests.

7.9 Compliance with Law. No use shall be made of the Property which would violate any then existing municipal codes or ordinances, or state or federal laws, nor shall any act or use be permitted which could cause waste to the Property, cause a material increase in insurance rates on the Property, or

otherwise cause any unusual liability, health or safety risk, or expense, for the Association or any Owner or Occupant.

7.10 Alterations. Except for those made by Declarant in consideration of its initial sale of a Unit, no alterations, changes, improvements, repairs or replacements of any type, temporary or permanent, structural, aesthetic or otherwise (collectively referred to as "alterations") shall be made, or caused or allowed to be made, by any Owner or Occupant, or their guests, in any part of the Common Elements, or in any part of the Unit which affects the Common Elements or another Unit or which is visible from the exterior of the Unit, without the prior written authorization of the Board, or a committee appointed by it, as provided in Section 8. The Board, or the appointed committee if so authorized by the Board, shall have authority to establish reasonable criteria and requirements for alterations, and shall be the sole judge of whether the criteria are satisfied.

7.11 Time Shares Prohibited. The time share form of ownership, or any comparable form of lease, occupancy rights or ownership which has the effect of dividing the ownership or occupancy of a Unit into separate time periods, is prohibited.

7.12 Access to Units. In case of emergency, all Units and Limited Common Elements are subject to entry, without notice and at any time, by an officer or member of the Board of the Association, by the Association's management agents or by any public safety personnel. Entry is also authorized for maintenance purposes under Section 9 and for enforcement purposes under Section 14.

SECTION 8

ARCHITECTURAL CONTROL

8.1 Restrictions on Alterations. The following restrictions and requirements shall apply to alterations on the Property:

- a. Except as expressly provided in this Section 8, and except for alterations made by Declarant in consideration of its initial sale of a Unit, no structure, building, addition, deck, patio, fence, wall, enclosure, window, exterior door, sign, display, decoration, color change, shrubbery, material topographical or landscaping change, nor any other exterior improvements to or alteration of any Dwelling or any other part of a Unit which is visible from the exterior of the Unit (collectively referred to as "alterations"), shall be commenced, erected or maintained in a Unit, unless and until the plans and specifications showing the nature, kind, shape, height, color, materials and locations of the alterations shall have been approved in writing by the Board of Directors or a committee

appointed by it. Notwithstanding the foregoing, Declarant's written consent shall also be required for alterations until Declarant no longer owns any unsold Unit and has no further rights to add Additional Real Estate to the Property.

- b. The criteria for approval shall include and require, at a minimum, (i) substantial uniformity of color, size, location, type and design in relation to existing improvements and topography, (ii) comparable or better quality of materials as used in existing improvements, (iii) ease of maintenance and repair, (iv) adequate protection of the Property, the Association, Owners and Occupants from liability and liens arising out of the proposed alterations, and (v) compliance with governmental laws, codes and regulations.
- c. Approval of alterations which encroach upon another Unit or the Common Elements shall create an appurtenant easement for such encroachment in favor of the Unit with respect to which the alterations are approved; provided, that any easement for a deck or patio other than as originally constructed shall be approved by resolution of the Board of Directors and a file of such resolutions shall be maintained permanently as a part of the Association's records.
- d. Alterations described in Section 16 shall be governed by that Section.

8.2 Review Procedures. The following procedures shall govern requests for alterations under this Section:

- a. Detailed plans, specifications and related information regarding any proposed alteration, in form and content acceptable to the Board of Directors, shall be submitted to the Board of Directors at least sixty (60) days prior to the projected commencement of construction. No alterations shall be commenced prior to approval.
- b. The Board of Directors shall give the Owner written notice of approval or disapproval. If the Board of Directors fails to approve or disapprove within sixty (60) days after receipt of said plans and specifications and all other information requested by the Board of Directors, then approval will not be required, and this Section shall be deemed to have been fully complied with so long as the alterations are done in accordance with the plans, specifications and related information which were submitted.

- c. If no request for approval is submitted, approval is denied, unless (i) the alterations are reasonably visible and (ii) no written notice of the violation has been given to the Owner in whose Unit the alterations are made, by the Association or another Owner, within six months following the date of completion of the alterations. Notice may be direct written notice or the commencement of legal action by the Association or an Owner. The Owner of the Unit in which the alterations are made shall have the burden of proof, by clear and convincing evidence, that the alterations were completed and reasonably visible for at least six months following completion and that the notice was not given.

- 8.3 Remedies for Violations. The Association may undertake any measures, legal or administrative, to enforce compliance with this Section and shall be entitled to recover from the Owner causing or permitting the violation all attorneys' fees and costs of enforcement, whether or not a legal action is started. Such attorneys' fees and costs shall be a lien against the Owner's Unit and a personal obligation of the Owner. In addition, the Association shall have the right to enter the Owner's Unit and to restore any part of the Dwelling or Unit to its prior condition if any alterations were made in violation of this Section, and the cost of such restoration shall be a personal obligation of the Owner and a lien against the Owner's Unit.

SECTION 9

MAINTENANCE

- 9.1 Maintenance by Association. The Association shall provide for all maintenance, repair or replacement (collectively referred to as "maintenance") of the Common Elements. In addition, for the purpose of preserving the architectural character, quality, and uniform and high standards for appearance of the Property, the Association shall (i) provide for exterior maintenance upon the Dwelling in each Unit that is subject to assessment as follows: paint and replace roofs, gutters, downspouts, decks, garage doors (except hardware), and exterior siding and other building surfaces, and (ii) provide for lawn, shrub and tree maintenance on all Units including watering. The Association's obligations shall exclude patios, entry doors, door hardware, air conditioning equipment, glass and window frames, foundations and foundation walls, structural members and any other items not specifically referred to in this Section, unless otherwise approved under Section 9.2. The Association shall have easements as described in Section 13 to perform its obligations under this Section 9.

- 9.2 Optional Maintenance by Association. In addition to the maintenance described in this Section the Association may, with the approval of a majority of votes cast in person or by proxy at a meeting called for such purposes, undertake to provide additional exterior maintenance to the Units or Dwellings, or maintenance of water and sewer systems within the Units.
- 9.3 Maintenance by Owner. Except for the exterior maintenance required to be provided by the Association under Section 9.1 or 9.2, all maintenance of the Dwellings and Units shall be the sole responsibility and expense of the Owners thereof. However, the Owners and Occupants shall have a duty to promptly notify the Association of defects in or damage to those parts of the Property which the Association is obligated to maintain. The Association may require that any exterior maintenance to be performed by the Owner be accomplished pursuant to specific uniform criteria established by the Association. The Association may also undertake any exterior maintenance which the responsible Owner fails to or improperly performs and assess the Unit and the Owner for the cost thereof.
- 9.4 Damage Caused by Owner. Notwithstanding any provision to the contrary in this Section, if, in the judgment of the Association, the need for maintenance of any part of the Property is caused by the willful or negligent act or omission of an Owner or Occupant, or their guests, or by a condition in a Unit which the Owner or Occupant has willfully or negligently allowed to exist, the Association may cause such damage or condition to be repaired or corrected (and enter upon any Unit to do so), and the cost thereof may be assessed against the Unit of the Owner responsible for the damage. In the case of party walls between Dwellings, the Owners of the affected Dwellings shall be liable as provided in Section 10.

SECTION 10

PARTY WALLS

- 10.1 General Rules of Law to Apply. Each Dwelling wall built as part of the original construction of the Dwelling and located on the boundary line between Units shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligent or willful acts or omissions shall apply thereto.
- 10.2 Repair and Maintenance. The Owners of the Units which share the party wall shall be responsible for the maintenance repair and replacement of party wall in proportion with their use; provided (i) that any maintenance, repair or replacement necessary due to the acts or omissions of a certain Owner or Occupant sharing such party wall shall be paid for by such

Owner, and (ii) that the Association may contract for and supervise the repair of damage caused by an Owner or Occupant and assess the Owners for their respective shares of the cost to the extent not covered by insurance.

- 10.3 Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, any Owner who has use of the wall may, with the consent of the Association, restore it, and the other Owner shall promptly reimburse the Owner who restored the wall for his or her share of the cost of restoration thereof; provided, however, that the cost of restoration resulting from destruction or other casualty resulting from the acts or omissions of certain Owners shall be the financial responsibility of such Owners, and the Association may assess the responsible Owners for their share of the costs, without prejudice to the right of an Owner to recover a larger contribution from the other Owner. Insurance claims shall be made promptly following any casualty.
- 10.4 Weatherproofing. Notwithstanding any other provision of this Section, any Owner who, by his negligent or willful act, causes a party wall to be exposed to the elements shall bear the whole cost of the repairs necessary for protection against such elements.
- 10.5 Right to Contribution Runs With Land. The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the Unit and shall pass to such Owner's assign and successors in title.
- 10.6 Arbitration. In the event of any dispute arising concerning a party wall, and if the same is not resolved within thirty (30) days of the event causing the dispute, the matter shall be submitted to binding arbitration under the rules of the American Arbitration Association, upon the written demand of the Association or any Owner whose Dwelling shares the party wall. Each party agrees that the decision of the arbitrators shall be final and conclusive of the questions involved. The fees of the arbitrators shall be shared equally by the parties, but each party shall pay its own attorney fees or other costs to prove its case.

SECTION 11 INSURANCE

- 11.1 Required Coverage. The Association shall obtain and maintain, at a minimum, a master policy or policies of insurance in accordance with the insurance requirements set forth in the Act and the additional requirements set forth herein, issued by a reputable insurance company or companies authorized to do business in the State of Minnesota, as follows:

- a. Property insurance in broad form covering all risks of physical loss in an amount equal to one hundred percent (100%) of the insurable "replacement cost" of the Property, less deductibles, exclusive of land, footings, excavation and other items normally excluded from coverage (but including all building service equipment and machinery). The policy or policies shall cover personal property owned by the Association. The policy or policies shall also contain "Inflation Guard" and "Agreed Amount" endorsements, if reasonably available. Such policy or policies shall include such additional endorsements, coverages and limits with respect to the foregoing and other hazards as may be required from time to time by the regulations of the FHA or Federal National Mortgage Association ("FNMA") as a precondition to their insuring, purchasing or financing a mortgage on a Unit.

The Board may also, on behalf of the Association, enter into binding written agreements with a mortgagee, insurer or servicer, including without limitation the FHA or FNMA, obligating the Association to keep certain specified coverages or endorsements in effect.

- b. Comprehensive public liability insurance covering the use, operation and maintenance of the Common Elements, with minimum limits of \$1,000,000 per occurrence, against claims for death, bodily injury and property damage, and such other risks as are customarily covered by such policies for projects similar in construction, location and use to the Property. The policy shall contain a "severability of interest" endorsement which shall preclude the insurer from denying the claim of an Owner or Occupant because of negligent acts of the Association or other Owners or Occupants. The policy shall include such additional endorsements, coverages and limits with respect to such hazards as may be required by the regulations of the FHA or FNMA as a precondition to their insuring, purchasing or financing a mortgage on a Unit.
- c. Fidelity bond or insurance coverage against dishonest acts on the part of directors, officers, manager, trustees, employees or persons responsible for handling funds belonging to or administered by the Association if deemed to be advisable by the Board or required by the regulations of the FHA or FNMA as a precondition to the purchase or financing of a mortgage on a Unit. The fidelity bond or insurance shall name the Association as the named insured and shall, if required by the regulations of the FHA or FNMA as a precondition to their insuring, purchasing or financing of a mortgage on a Unit, be written in an amount equal to the greater of (i) the estimated maximum of Association funds, including

reserves, in the custody of the Association or management agent at any given time while the bond is in force, or (ii) a sum equal to three months aggregate assessments on all Units plus reserves. An appropriate endorsement to the policy to cover any persons who serve without compensation shall be added if the policy would not otherwise cover volunteers, or a waiver of defense based upon the exclusion of persons serving without compensation shall be added.

- d. Workers' Compensation insurance as required by law.
- e. Directors and officers liability insurance with such reasonable limits and coverages as the Board shall determine from time to time.
- f. Such other insurance as the Board may determine from time to time to be in the best interests of the Association and the Owners.

11.2 Premiums, Improvements; Deductibles. All insurance premiums shall be assessed and paid as a Common Expense. The insurance need not cover improvements and betterments to the Units installed by Owners, but if improvements and betterments are covered, any increased cost may be assessed against the Units affected. The Association may, in the case of a claim for damage to a Unit, (i) pay the deductible amount as a Common Expense, (ii) assess the deductible amount against the Units affected in any reasonable manner, or (iii) require the Owners of the Units affected to pay the deductible amount directly.

11.3 Loss Payee; Insurance Trustee. All insurance coverage maintained by the Association shall be written in the name of, and the proceeds thereof shall be payable to, the Association (or a qualified insurance trustee selected by it) as trustee for the benefit of the Owners and secured parties, including Eligible Mortgagees, which suffer loss. The Association, or any insurance trustee selected by it, shall have exclusive authority to negotiate, settle and collect upon any claims or losses under any insurance policy maintained by the Association.

11.4 Waivers of Subrogation. All policies of insurance shall contain waivers of subrogation by the insurer against the Association, or an Owner, members of the Owner's household, officers or directors, as applicable, and, if available, waivers of any defense based on co-insurance or of invalidity from any acts of the insured.

11.5 Cancellation, Notice of Loss. All policies of property insurance and comprehensive liability insurance maintained by the Association shall provide that the policies shall not be

cancelled or substantially modified, for any reason, without at least 30 days prior written notice to the Association, to the FHA or FNMA (if applicable), all of the insureds and all Eligible Mortgagees.

- 11.6 Restoration of Lieu of Cash Settlement. All policies of property insurance maintained by the Association shall provide that, despite any provisions giving the insurer the right to elect to restore damage in lieu of a cash settlement, such option shall not be exercisable (i) without the prior written approval of the Association (or any Insurance Trustee) or (ii) when in conflict with provisions of any insurance trust agreement to which the Association may be a party, or any requirement of law.
- 11.7 No Contribution. All policies of insurance maintained by the Association shall be the primary insurance where there is other insurance in the name of the Owner covering the same property, and may not be brought into contribution with any insurance purchased by Owners or their Eligible Mortgagees.
- 11.8 Effect of Acts Not Within Association's Control. All policies of insurance maintained by the Association shall provide that the coverage shall not be voided by or conditioned upon (i) any act or omission of an Owner or Eligible Mortgagee, unless acting within the scope of authority on behalf of the Association, or (ii) any failure of the Association to comply with any warranty or condition regarding any portion of the Property over which the Association has no control.
- 11.9 Owner's Personal Insurance. Each Owner may obtain additional personal insurance coverage at his or her own expense covering fire and other casualty to the Unit, personal property or personal liability. All insurance policies maintained by Owners shall provide that they are without contribution as against the insurance purchased by the Association.

SECTION 12

RECONSTRUCTION, CONDEMNATION AND EMINENT DOMAIN

- 12.1 Reconstruction. The obligations and procedures for the repair, reconstruction or disposition of the Property following damage or destruction thereof shall be governed by the Act. Any repair or reconstruction shall be substantially in accordance with the plans and specifications of the Property as initially constructed and subsequently improved. The Association shall have all authority necessary to cause the Property to be reconstructed, including without limitation the authority (i) to require the Owners to enter into reconstruction contracts on their respective Units, or (ii) to contract for the reconstruction of the Units on behalf of the

Owners. Notice of substantial damage or destruction shall be given pursuant to Section 18. 10.

12.2 Condemnation and Eminent Domain. In the event of a taking of any part of the Property by condemnation or eminent domain, the provisions of the Act shall govern; provided, that notice shall be given pursuant to Section 18. 10. Eligible Mortgagees shall be entitled to priority for condemnation awards in accordance with the priorities established by the Act and the Governing Documents, as their interests may appear.

12.3 Notice. All Eligible Mortgagees shall be entitled to receive notice of any condemnation proceedings or substantial destruction of the Property, and the Association shall give written notice thereof to a Eligible Mortgagee pursuant to Section 18.10.

SECTION 13

EASEMENTS

13.1 Easement for Encroachments. Each Unit and the Common elements, and the rights of the Owners and Occupants therein, shall be subject to an exclusive easement for encroachments in favor of the adjoining Units for fireplaces, walls, roof overhangs, air conditioning systems, decks, balconies, porches, patios, utility installations and other appurtenances (i) which are part of the original construction of the adjoining Unit or the Property or (ii) which are added pursuant to Section 8. If there is an encroachment by a Dwelling, or other building or improvement located in a Unit, upon another Unit or Dwelling as a result of the construction, reconstruction, repair, shifting, settlement or movement of any part of the Property, an appurtenant easement for the encroachment, for the use, enjoyment and habitation of any encroaching Dwelling, building or improvement, and for the maintenance thereof, shall exist; provided that with respect to improvements or alterations added pursuant to Section 8, no easement shall exist unless the same have been approved, and the proposed improvements constructed, as required by this Declaration. Such easements shall continue for as long as the encroachment exists and shall not affect the marketability of title.

13.2 Easement for Maintenance, Repair, Replacement and Reconstruction. Each Unit, and the rights of the Owners and Occupants thereof, shall be subject to the rights of the Association to an exclusive, appurtenant easement on and over the Units for the purposes of maintenance, repair, replacement and reconstruction of the Units, and utilities serving the Units, to the extent necessary to fulfill the Association's obligations under the Governing Documents.

- 13.3 Utilities, Easements. The Property shall be subject to non-exclusive, appurtenant easements for all utilities, water and sewer, and similar services, which exist from time to time, as constructed or referred to in the Plat, or as otherwise described in this Declaration or any other duly recorded instrument. Each Unit, and the rights of the Owners and Occupants thereof, shall be subject to a non-exclusive easement in favor of the other Units for all such services, including without limitation any sewer or water lines servicing other Units. Each Unit shall also be subject to an exclusive easement in favor of the Association and all utilities companies providing service to the Units for the installation and maintenance of utilities metering devices.
- 13.4 Continuation and Scope of Easements. Notwithstanding anything in this Declaration to the contrary, in no event shall an Owner or Occupant be denied reasonable access to his or her Unit or the right to utility services thereto. The easements set forth in this Section shall supplement and not limit any easements described elsewhere in this Declaration or recorded, and shall include reasonable access to the easement areas through the Units and the Common Elements for purposes of maintenance, repair, replacement and reconstruction.

SECTION 14

COMPLIANCE AND REMEDIES

Each Owner and Occupant, and any other Person owning or acquiring any interest in the Property, shall be governed by and comply with the provisions of the Act, the Governing Documents, the Rules and Regulations, the decisions of the Association, and such amendments thereto as may be made from time to time. A failure to comply shall entitle the Association to the relief set forth in this Section, in addition to the rights and remedies authorized elsewhere by the Governing Documents and the Act.

- 14.1 Entitlement to Relief. The Association may commence legal action to recover sums due, for damages, for injunctive relief or to foreclose a lien owned by it, or any combination thereof, or an action for any other relief authorized by the Governing Documents or available at law or in equity. Legal relief may be sought by the Association against any Owner, or by an Owner against the Association or another Owner, to enforce compliance with the Governing Documents, the Rules and Regulations, the Act or the decisions of the Association. However, no Owner may withhold any assessments payable to the Association, or take (or omit) other action in violation of the Governing Documents, the Rules and Regulations or the Act, as a measure to enforce such Owner's position, or for any other reason.

14.2 Sanctions and Remedies. In addition to any other remedies or sanctions, expressed or implied, administrative or legal, the Association shall have the right, but not the obligation, to implement any one or more of the following actions against Owners and Occupants and/or their guests, who violate the provisions of the Governing Documents, the Rules and Regulations or the Act:

- a. Commence legal action for damages or equitable relief in any court of competent jurisdiction.
- b. Impose late charges of up to the greater of \$20, or 15 % of the amount due, for each past due assessment or installment thereof, and interest at up to the highest rate permitted by law.
- c. In the event of default of more than 30 days in the payment of any assessment or installment thereof, all remaining installments of assessments assessed against the Unit owned by the defaulting Owner may be accelerated and shall then be payable in full if all delinquent assessments, together with all costs or collection and late charges, are not paid in full prior to the effective date of the acceleration. Reasonable advance written notice of the effective date of the acceleration shall be given to the defaulting Owner.
- d. Impose reasonable fines, penalties or charges for each violation of the Act, the Governing Documents or the Rules and Regulations of the Association.
- e. Suspend the rights of any Owner or Occupant and their guests to use any Common Element amenities; provided, that this limitation shall not apply to Limited Common Elements or deck, balcony, porch or patio easements, appurtenant to the Unit, and those portions of the Common Elements providing utilities service and access to the Unit. Such suspensions shall be limited to periods of default by such Owners and Occupants in their obligations under the Governing Documents, and for up to 30 days thereafter, for each violation.
- f. Restore any portions of the Common Elements or Limited Common Elements damaged or altered, or allowed to be damaged or altered, by any Owner or Occupant or their guests in violation of the Governing Documents, and to assess the cost of such restoration against the responsible Owners and their Units.
- g. Enter any Unit or Limited Common Element in which, or as to which, a violation or breach of the Governing Documents exists which materially affects, or is likely to

materially affect in the near future, the health or safety of the other Owners or Occupants, or their guests, or the safety or soundness of any Dwelling or other part of the Property or the property of the Owners or Occupants, and to summarily abate and remove, at the expense of the offending Owner or Occupant, any structure, thing or condition in the Unit or Limited Common Elements which is causing the violation; provided, that any improvements which are a part of a Unit may be altered or demolished only pursuant to a court order or with the agreement of the Owner.

- h. Foreclose any lien arising under the provisions of the Governing Documents or under law, in the manner provided for the foreclosure of mortgages by action or under a power of sale in the state where the Property is located.

14.3 Rights to Hearing. In the case of imposition of any of the remedies authorized by Section 142(d)(e)(f) or (g) of this Section, the Board shall, upon written request of the offender, grant to the offender a fair and equitable hearing as contemplated by the Act. The offender shall be given notice of the nature of the violation and the right to a hearing, and at least 10 days within which to request a hearing. The hearing shall be scheduled by the Board and held within 30 days of receipt of the hearing request by the Board, and with at least 10 days prior written notice to the offender. If the offending Owner fails to appear at the hearing then the right to a hearing shall be waived and the Board may take such action as it deems appropriate. The decision of the Board and the rules for the conduct of hearings established by the Board shall be final and binding on all parties. The Board's decision shall be delivered in writing to the offender within ten days following the hearing, if not delivered to the offender at the hearing.

14.4 Lien for Charges, Penalties, Etc.. Any assessments, charges, fines, penalties or interest imposed under this Section shall be a lien against the Unit of the Owner or Occupant against whom the same are imposed and the personal obligation of such Owner in the same manner and with the same priority and effect as assessments under Section 6. The lien shall attach as of the date of imposition of the remedy, but shall not be final as to violations for which a hearing is held until the Board gives written notice following the hearing. All remedies shall be cumulative, and the exercise of, or failure to exercise, any remedy shall not be deemed a waiver of the right to pursue any others.

14.5 Costs of Proceeding and Attorneys' Fees. With respect to any collection measures, or any measures or action, legal, administrative, or otherwise, which the Association takes to

enforce the provisions of the Act, Governing Documents or Rules and Regulations, whether or not finally determined by a court or arbitrator, the Association may assess the violator and his or her Unit with any expenses incurred in connection with such enforcement, including without limitation, fines or charges previously imposed by the Association, reasonable attorneys, fees, and interest (at the highest rate allowed by law) on the delinquent amounts owed to the Association.

- 14.6 Liability for Owners' and Occupants' Acts. An Owner shall be liable for the expense of any maintenance, repair or replacement of the Property rendered necessary by such Owner's acts or omissions, or by that of Occupants or guests in the Owner's Unit, to the extent that such expense is not covered by the proceeds of insurance carried by the Association or such Owner or Occupant. However, any insurance deductible amount and/or increase in insurance rates, resulting from the Owner's acts or omissions may be assessed against the Owner responsible for the condition and against his or her Unit.
- 14.7 Enforcement by Owners. The provisions of this Section shall not limit or impair the independent rights of other Owners to enforce the provisions of the Governing Documents, the Rules and Regulations, and the Act as provided therein.

Owners other than a Declarant shall have the right to nominate and elect not less than 33 1/3 % of the directors at a meeting of the Owners which shall be held within 60 days following the conveyance by Declarant of 50% of the total number of Units authorized to be included in the Property.

SECTION 15

SPECIAL DECLARANT RIGHTS

Declarant hereby reserves exclusive and unconditional authority to exercise the following special declarant rights within the meaning of Section 515B.1-103(31) of the Act for as long as it owns a Unit, or for such shorter period as may be specifically indicated:

- 15.1 Complete Improvements. To complete all the Units and other improvements indicated on the Plat, or otherwise included in Declarant's development plans or allowed by the Declaration, and to make alterations in the Units and Common Elements to accommodate its sales facilities.
- 15.2 Relocate Boundaries and Alter Units. To relocate boundaries between Units and to otherwise alter Units owned by it, to the extent permitted by Section 16.
- 15.3 Sales Facilities. To construct, operate and maintain a sales office, management office, model Units and other development,

sales and rental facilities within the Common Elements and any Units owned by Declarant from time to time, located anywhere on the Property.

- 15.4 Signs. To erect and maintain signs and other sales displays offering the Units for sale or lease, in or on any Unit owned by Declarant and on the Common Elements.
- 15.5 Easements. To have and use easements, for itself, its employees, contractors, representatives, agents and prospective purchasers through and over the Common Elements for the purpose of exercising its special declarant rights.
- 15.6 Control of Association. To control the operation and administration of the Association, including without limitation the power to appoint and remove the members of the Board pursuant to Section 515B.3-103 of the Act, until the earliest of: (i) voluntary surrender of control by Declarant, (ii) an Association meeting which shall be held within 60 days after conveyance to Owners other than a Declarant of 75% of the total number of Units authorized to be included in the Property or (iii) the date five years following the date of the first conveyance of a Unit to an Owner other than a Declarant. Notwithstanding the foregoing, the Owners other than a Declarant shall have the right to nominate and elect not less than 33-1/3% of the directors at a meeting of the Owners which shall be held within 60 days following the conveyance by Declarant of 50% of the total number of Units authorized to be included in the Property.
- 15.7 Consent to Certain Amendments. As long as Declarant owns any unsold Unit for sale, Declarant's written consent shall be required for any amendment to the Governing Documents or Rules and Regulations which directly or indirectly affects or may affect Declarant's rights under the Governing Documents or the Act.

SECTION 16

RIGHTS TO RELOCATE UNIT BOUNDARIES AND ALTER UNITS

- 16.1 Rights to Relocate Boundaries and Alter Units. Existing or future Units may be altered and Unit boundaries may be relocated only in accordance with the following conditions:
- a. Combining Units. An Owner may make improvements or alterations to such Unit or, may, after acquiring an adjoining Unit, remove or alter any intervening partition or create apertures therein in accordance with Section 515B.2-113 of the Act and Subsection d of this Section.

- b. Relocation of Boundaries. The boundaries between adjoining Units may be relocated in accordance with Section 515B.2-114 of the Act and Subsection d of this Section.
- c. Subdivision or Conversion. No additional Units may be created by the subdivision or conversion of a Unit (within the meaning of the Act) into two or more Units, nor into other Units, Common Elements or Limited Common Elements.
- d. Requirements. The alteration, relocation of boundaries or other modification of Units or the Dwellings or other structures located therein (collectively referred to herein as "alteration" or "alterations") pursuant to this Section, Section 8, and the Act may be accomplished only in accordance with the following conditions:
- (1) No Unit may be altered if, thereafter, the Dwelling located therein, or any other Dwelling affected by the alteration, would no longer be habitable or practicably usable for its intended purpose or would violate any law, code or ordinance of any governmental authority having jurisdiction over the Property.
 - (2) No alteration may be made which adversely affects the structural or functional integrity of any building system or the structural support or weathertight integrity of any portion of any building or other structure.
 - (3) The prior written consent of the Association shall be required for any alteration, except alterations by Declarant. Where required, such consent shall be requested in writing by each Owner whose Unit is proposed to be altered, accompanied by such explanation, drawings and specifications relating to the proposed alterations as may be reasonably required by the Association or the first mortgagee of the Unit. The Association shall give such Owner(s) notice in an expeditious manner, granting, denying or qualifying its consent.
 - (4) As a precondition to consenting to alterations the Association may require, among other things, the following: (i) that all alterations will be done in a workmanlike manner and without impairing the structural, mechanical or weather-tight integrity of the Building; (ii) that the Common Elements and altered Units will be repaired and/or restored in the future as required by the Association; (iii) that the construction of the alterations will not create dangerous conditions for any Owners or Occupants; (iv) that the Property, the first mortgagees and the Owners and Occupants will be protected from liens and other liability arising from the

alterations; and (v) that the alterations will be done in compliance with the applicable laws, regulations and ordinances of the governmental authorities having jurisdiction over the Property.

- (5) The Association may require that the Owners of the Units to be altered pay all costs of processing and documentation for the request and the preparation and recording of any necessary amendment to the Governing Documents, including without limitation such costs as filing, architects and attorneys fees, incurred by the Association in connection with the alterations.

SECTION 17

AMENDMENTS

This Declaration may be amended by the consent of (i) Owners of Units to which are allocated at least sixty-seven percent (67%) of the votes in the Association, (ii) the percentage of Eligible Mortgagees (based upon one vote per first mortgage owned) required by Section 18 as to matters prescribed by said Section and (iii) the consent of Declarant to certain amendments as provided in Section 15.8. Consent of the Owners may be obtained in writing or at a meeting of the Association duly held in accordance with the Bylaws. Consents of Eligible Mortgagees and the Declarant shall be in writing. Any amendment shall be subject to any greater requirements imposed by the Act. An affidavit by the Secretary of the Association as to the outcome of the vote, or the execution of the foregoing agreements or consents, shall be adequate evidence thereof for all purposes, including without limitation, the recording of the amendment.

SECTION 18

RIGHTS OF ELIGIBLE MORTGAGEES

Notwithstanding anything to the contrary in the Governing Documents, and subject to any greater requirements of the Act or other laws, Eligible Mortgagees shall have the following rights and protections:

- 18.1 Consent to Certain Amendments. The written consent of Eligible Mortgagees representing at least fifty-one percent (51%) of the Units that are subject to first mortgages held by Eligible Mortgagees (based upon one vote per first mortgage owned) shall be required for any amendment to the Governing Documents which causes any change of the following: (i) voting rights; (ii) increases in assessments that raise the previously assessed amount by more than 25%, assessment liens, or priority of assessment liens, (iii) reductions in reserves for maintenance, repair and replacement of Common Elements, (iv) responsibility

for maintenance and repairs, (v) reallocation of interests in the Common Elements or Limited Common Elements, or rights to their use; (vi) redefinition of any Unit boundaries; (vii) convertibility of Units into Common Elements or vice versa; (viii) expansion or contraction of the Property or the addition, annexation or withdrawal of property to or from the Property; (ix) hazard or fidelity insurance requirements; (x) leasing of Units; (xi) imposition of any restrictions on the leasing of Units; (xii) if the common interest community consists of 50 or more Units, a decision by the Association to establish self management when professional management is in effect as required previously by the Governing Documents or by an Eligible Mortgagee; (xiii) restoration or repair of the Property (after a hazard damage or partial condemnation) in a manner other than that specified in the Governing Documents; (xiv) any action to terminate the legal status of the common interest community after substantial destruction or condemnation occurs; or (xv) any provisions that expressly benefit mortgage holders, or insurers or guarantors of mortgages. Notwithstanding the foregoing, implied approval of a proposed amendment shall be assumed when an Eligible Mortgagee fails to submit a response to any written proposal for an amendment within 30 days after it receives proper notice of the proposal, provided that the notice was delivered by certified mail with a return receipt requested.

- 18.2 Consent to Certain Actions. The written consent of Eligible Mortgagees representing at least sixty-seven percent (67%) of the Units that are subject to first mortgages (based upon one vote per first mortgage owned) shall be required to abandon or terminate the common interest community, subject to any greater requirements contained in the Act.
- 18.3 Consent to Subdivision. No Unit may be partitioned or subdivided without the prior written approval of the Owner and Eligible Mortgagee thereof, and the Association.
- 18.4 No Right of First Refusal. The right of an Owner to sell, transfer or otherwise convey his or her Unit shall not be subject to any right of first refusal or similar restrictions.
- 18.5 Priority of Lien. Any holder of a first mortgage on a Unit or any purchaser of a first mortgage at a foreclosure sale, that comes into possession of a Unit by foreclosure of the first mortgage or by deed or assignment in lieu of foreclosure, takes the Unit free of any claims for unpaid assessments or any other charges or liens imposed against the Unit by the Association which have accrued against such Unit prior to the acquisition of possession of the Unit by said first mortgage holder or purchaser; (i) except as provided in Section 6.7 and the Act and (ii) except that any unpaid assessments or charges with

respect to the Unit may be reallocated among all Units in accordance with their interests in the Common Elements.

18.6 Priority of Taxes and Other Charges. All taxes, assessments and charges which may become liens prior to the first mortgage under state law shall relate only to the individual Units and not to the Property as a whole .

18.7 Priority for Condemnation Awards. No provision of the Governing Documents shall give an Owner, or any other party, priority over any rights of the Eligible Mortgagee of the Unit pursuant to its mortgage in the case of a distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Unit and/or the Common Elements. The Association shall give written notice to all Eligible Mortgagees of any condemnation or eminent domain proceeding affecting the Property promptly upon receipt of notice from the condemning authority.

18.8. Requirements Management Agreements. The term of any agreement for professional management of the Property may not exceed two (2) years. Any such agreement must provide at a minimum for termination without penalty or termination fee by either party, (i) with cause upon thirty (30) days prior written notice, and (ii) without cause upon ninety (90) days prior written notice.

18.9 Access to Books and Records/Audit. Eligible Mortgagees shall have the right to examine the books and records of the Association upon reasonable notice during normal business hours, and to receive free of charge, upon written request, copies of the Association's annual reports and other financial statements. Financial statements, including those which are audited, shall be available within one hundred twenty (120) days of the end of the Association's fiscal year. If a request is made by FNMA or any institutional guarantor or insurer of a mortgage loan against a Unit, for an audit of the Association's financial statements for the preceding year, the Association shall cause an audit to be made and deliver a copy to the requesting party.

18.10. Notice Requirements. Upon written request to the Association, identifying the name and address of the holder, insurer or guarantor of a mortgage on a Unit, and the Unit number or address, the holder, insurer or guarantor shall be entitled to timely written notice of:

- a. A condemnation loss or any casualty loss which affects a material portion of the Property or the Unit securing the mortgage;
- b. A 60 day delinquency in the payment of assessments or charges owed by the Owner of a nit on which it holds a mortgage;

- c. A lapse, cancellation or material modification of any insurance policy maintained by the Association; and
- d. A proposed action which requires the consent of a specified percentage of Eligible Mortgagees.

SECTION 19

MISCELLANEOUS

19.1. Severability. If any term, covenant, or provision of this instrument or any exhibit attached hereto is held to be invalid or unenforceable for any reason whatsoever, such determination shall not be deemed to alter, affect or impair in any manner whatsoever any other portion of this instrument or exhibits.

19.2. Construction. Where applicable the masculine gender of any word used herein shall mean the feminine or neutral gender, or vice versa, and the singular of any word used herein shall mean the plural, or vice versa. References to the Act, or any section thereof, shall be deemed to include any statutes amending or replacing the Act, and the comparable sections thereof.

19.3. Tender of Claims. In the event that any incident occurs which could reasonably give rise to a demand by the Association against Declarant for indemnification pursuant to the Act, the Association shall promptly tender the defense of the action to its insurance carrier, and give Declarant written notice of such tender, the specific nature of the action and an opportunity to defend against the action.

19.4. Notices. Unless specifically provided otherwise in the Governing Documents or the Act, all notices required to be given by or to the Association, the Board of Directors, the Association officers or the Owners or Occupants shall be in writing and shall be effective upon hand delivery, or mailing if properly addressed with postage prepaid and deposited in the United States mail; except that registrations pursuant to Section 2.2 of the By-Laws shall be effective upon receipt by the Association.

19.5. Conflicts Among Documents. In the event of any conflict among the provisions of the Act, the Declaration, the By-Laws or any Rules or Regulations approved by the Association, the Act shall control. As among the Declaration, By-Laws and Rules and Regulations, the Declaration shall control, and as between the By-Laws and the Rules and Regulations, the By-Laws shall control.

IN WITNESS WHEREOF, the undersigned has executed this instrument the day and year first set forth in accordance with the requirements of the Act.

DECLARANT:

East Oaks L.L.C.

By: [Signature]

Ventura Homes, Inc.

By: Daniel Dockendorf

Jon Wesley Investments, Inc.

By: [Signature]

Thomas E. Wortman
Thomas E. Wortman

Central Bank

By: Scott W. Felt V.P.

Lake Elmo Bank

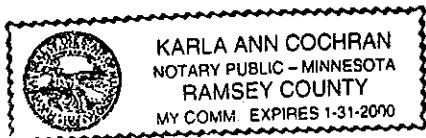
By: [Signature] A.P.

STATE OF MINNESOTA)
) ss.
COUNTY OF WASHINGTON)

On this 7th day of March, 1997, before me, a Notary Public within and for said County and State, personally appeared BARRY MCKEE, to me personally known, who, being by me duly sworn, did say that (s)he is the VP of East Oaks L.L.C., the limited liability company named in the foregoing instrument, and that said instrument was signed on behalf of said limited liability company by authority of its members and acknowledged said instrument to be the free act and deed of said company.

[Signature]
Notary Public

(Notarial Seal)

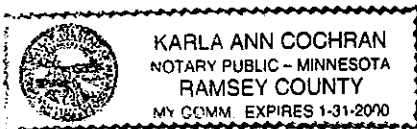


STATE OF MINNESOTA)
) ss.
COUNTY OF WASHINGTON)

On this 7th day of MARCH, 1997, before me, a Notary Public within and for said County and State, personally appeared Dale Duckensort, to me personally known, who, being by me duly sworn, did say that (s)he is the President of Ventura Homes, Inc., the corporation named in the foregoing instrument, and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and _____ acknowledged said instrument to be the free act and deed of said corporation.


Notary Public

(Notarial Seal)

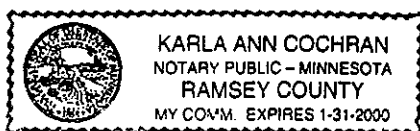


STATE OF MINNESOTA)
) ss.
COUNTY OF WASHINGTON)

On this 7th day of March, 1997, before me, a Notary Public within and for said County and State, personally appeared Jon Whitcomb, to me personally known, who, being by me duly sworn, did say that (s)he is the President of Jon Wesley Investments, Inc., the corporation named in the foregoing instrument, and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and _____ acknowledged said instrument to be the free act and deed of said corporation.

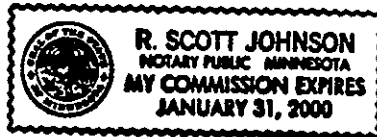

Notary Public

(Notarial Seal)



STATE OF MINNESOTA)
) ss.
COUNTY OF WASHINGTON)

On this 17th day of March, 1997, before me, a Notary Public within and for said County and State, personally appeared Thomas E. Wortman, to me personally known, who, being by me duly sworn, did say that he signed said instrument as his own free act and deed.



(Notarial Seal)

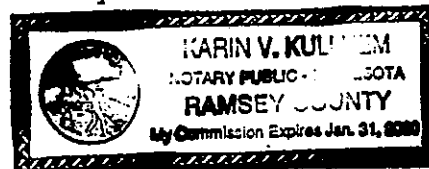
R. Scott Johnson
Notary Public

STATE OF MINNESOTA)
) ss.
COUNTY OF WASHINGTON)

On this 7 day of March, 1997, before me, a Notary Public within and for said County and State, personally appeared Scott H. Furst, to me personally known, who, being by me duly sworn, did say that (s)he is the Vice President of Central Bank, the corporation named in the foregoing instrument, and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and acknowledged said instrument to be the free act and deed of said corporation.

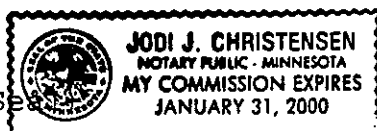
Karin V. Kullhem
Notary Public

(Notarial Seal)



STATE OF MINNESOTA)
) ss.
COUNTY OF WASHINGTON)

On this 17th day of March, 1997, before me, a Notary Public within and for said County and State, personally appeared R. Scott Johnson, to me personally known, who, being by me duly sworn, did say that (s)he is the Asst. Vice President of Lake Elmo Bank, the corporation named in the foregoing instrument, and that said instrument was signed on behalf of said corporation by authority of its Board of Directors and acknowledged said instrument to be the free act and deed of said corporation.



(Notarial Seal)

Jodi J. Christensen
Notary Public

COMMON INTEREST COMMUNITY NO. 98

EAST OAKS TOWNHOMES

EXHIBIT A TO DECLARATION

SCHEDULE OF UNITS/LEGAL DESCRIPTION OF PROPERTY

Lots 1 through 26, Block 1, and Outlots A and B, East Oaks P.U.D.

COMMON INTEREST COMMUNITY NO. 98
EAST OAKS TOWNHOMES
EXHIBIT B TO DECLARATION
DESCRIPTION OF COMMON ELEMENTS

Outlots A and B, East Oaks P.U. -D.

This instrument was drafted by:
Robert G. Briggs,
Eckberg, Lamme & Associates, P.L.L.P.
Wolff & Vierling, P.L.L.P.
1835 Northwestern Avenue
Stillwater, MN 55082

Rules and Regulations

I. General

- A. **Trash Containers** shall be stored inside of garages except for collection. Trash containers shall be placed on the curb for collection no earlier than 6:00PM the evening before pickup day and must be returned to the garage the same evening after pickup.
- B. **Outdoor Faucets** are the responsibility of the homeowner. Each fall the outdoor faucet should be closed and drained to prevent freezing and subsequent water damage. Close the indoor shutoff valve and open the exterior faucet to drain any water in the line. Leave the outdoor spigot open for the winter.
- C. **Pets** – Owners/Occupants shall assume full responsibility for personal injuries or property damage caused by any pet. No animals, fowl, or reptiles (except as allowed in this section) may be brought or kept in or about the property.
 - 1. **Dogs** – A domestic dog which is a house pet is allowed to be kept by the owners or occupants within the property, subject to the following:
 - a. Dogs must be quartered inside the owners unit or garage. Other quarters such as “dog runs” or doghouses are not allowed.
 - b. All dogs must be on a leash and in control at all times when outside the unit.
 - c. Dog droppings are to be removed immediately from the property by the dog owner. Yard damage caused by dog droppings is the responsibility of the dog owner.
 - d. Dogs barking on the property are to be strictly controlled by the dog owner.
 - 2. **Cats** shall not be permitted to run loose.
 - 3. **Other:** Caged birds and aquariums are allowed.
 - 4. **Pet Owners are responsible** to the Association or other offended parties for damage to landscape and/or buildings caused by their pets. Tethering of unattended pets is not allowed.

D. Signs

1. Open house, shower, and any other sign placed by the homeowner/occupant at the entrance to the Association may be placed only during the hours of the event.
2. No permanent signs may be placed on the exteriors of homes, garages, fences, or decks. Small decorative items (name plaques etc.) may be affixed to the door entrance area.
3. "For Sale" signs are permitted but must be removed after the house is sold. No "Sold" signs are permitted.
4. Two garage sales will be permitted, one in the Spring and one in the Fall, as interest dictates. Garage sales are not permitted at other times.

E. Deicers – Only the application of a non-salt deicer is allowed on patios, sidewalks, and driveways.

F. Grills – Only gas and electric grills are allowed on the decks. This rule is for fire protection.

II. Architectural Rules and Regulations

A. Exterior Antennas and microwave dishes are not permitted.

However, direct satellite broadcasting antenna discs of not more than 18" are permitted if not visible from the front of the East Oaks town homes.

B. Window air conditioners are not permitted.

C. Toys, bikes, wading pools, etc. may not be left out overnight unless on the patio. Storage of items on patios or decks is not permitted, except grills, patio furniture, and the like.

D. Seasonal decorations are permitted if in season (e.g. pumpkins at Halloween). Exterior Christmas decorations shall not be displayed earlier than Thanksgiving Day and must be removed by January 31st.

E. Awnings may not be installed

F. Storm doors, windows and patio doors must be approved by the Board of Directors.

G. Clotheslines are not permitted.

H. Planting of trees, shrubs, flowers etc. must be approved by the Board of Directors

- I. No Automotive Repairs** including oil changes are permitted on the streets or driveways on the Association. These must be performed in the garages.
- J. Garage doors** shall be closed between 10:00PM and 6:00AM for security and esthetic reasons. Residents are encouraged to keep them closed at all times when not in use.

III. Parking Regulations

- A. Motor homes, campers, boats or trailers** can be parked outside on driveways for a period of two days for washing, cleaning, packing and unpacking. Parking such vehicles for any other purpose is not permitted.
- B. During the winter** due the unpredictability of winter weather, and so as to not interfere with snow removal, no parking is permitted on the streets from November 16th to April 14th. Outside parking is permitted in the homeowner/occupant's driveway but you are strongly encouraged to park all vehicles in the garage. Snow not removed from your driveway because of parked vehicles will have to be removed by the owner/occupant.
- C. Areas missed** by the snowplow because of illegally parked vehicles will be cleared at the expense of the vehicle's owner.

IV. Administration of Rules and Regulations

- A. Complaints regarding services** provided by the Association or the operation of the property shall be made in writing to the Board of Directors. Complaints will be regularly and uniformly processed by the Board.
- B. Complaints regarding rule violations by owner/occupants** must be submitted to the management agency or in writing to the Board of Directors. The complaint should have already been discussed with the offending party and the results of that discussion reported in the written report. Anonymous complaints will not be accepted.
- C. Enforcement of the rules and regulations** will be accomplished as follows:

1. The Board of Directors will review the complaint at the next regularly scheduled meetings and enforce the rules and regulations as allowed within the rules and regulations and the governing documents.
2. If the offending party refuses to comply with the rules and regulations after due process and final written notice, the Board of Directors shall assess a fine determined by the Board to be appropriate for the offense. This fine shall not exceed \$200.00 per month for every month until the matter is resolved.
3. Fines will be assessed against the offending parties unit and collected in the same manner as other Association assessments.